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Rare Earth Metals Will Spike Higher in 2010

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Rare earth metals had a bumpy ride during 2009. After years in relative obscurity, the investment community suddenly discovered the potential returns from rare earths after the little-known metals were cast into the spotlight by reports that China might restrict exports and cause prices to move much higher. Several rare earth metal explorers watched their share prices double in a matter of weeks and some put in gains of over 400%.

The NY Times article "[China Tightens Grip on Rare Minerals](#)" helped to shine the light on the extreme geographic concentration of rare earth metal production. Over 95% of rare earth metals are currently mined in China and the Communist government is trying to ensure that all raw REE materials are processed within its borders. During the past seven years it has reduced by 40 per cent the amount of rare earths available for export and some are estimating they will begin halting exports as early as 2012.

Even if China continued exporting at current rates, demand is rapidly outpacing supply and many are predicting a 40,000 tonne annual shortfall by 2015. Watch the [Reuters video](#) on rare earth metals.

After a brief period of rare earth mania, the share prices of many companies have since returned to more fair valuations. But a rebounding worldwide economy and growing concern over China's control of such a strategic resource are once again pushing rare earth metals into the spotlight. On January 2nd, an article in the UK Independent titled "[Concern as China Clamps Down on Rare Earth Exports](#)," is once again stirring up investment demand.

...ZHAO ZENGQI: Although China has the largest reserves, we only have 50 percent of global deposits. We are supplying too much rare earth, and it's not sustainable, so we must restrict export.

Rare earth metals have significant importance not only to new technologies such as the iPhone and flat screen TVs, but also to clean energy applications like electric car batteries, wind turbines and low energy bulbs. But even more critical as far as Western governments are concerned is their use in high-tech strategic military and defense weaponry. Guided missiles and other precision weapons, for example, rely on rare earth metals and magnets to help direct their course.

With insatiable consumer demand for high tech gadgets, clean energy mandates from countries around the globe and out-of-control military spending, it seems likely that demand will only increase as supplies are threatened. This is the recipe for much higher prices in rare earth metals and the companies that mine them.