

Germany

## COFERMIN Group: Are Mineral Markets in a Transition?

COFERMIN Group markets specialty minerals, chemicals and additives and supplies to industry segments like refractories, steel/metallurgy, ceramics in general, mineral and scrap processing, construction chemicals and many other industries in Europe, Asia, Russia and the Americas. The organisation underwent a major management restructuring in 2020/2021 as the founding partners – Bernhard Krüger, Dr Pawel Golak, Ralf Ossen and Tim Geldmacher – withdrew from the day-to-day management and moved onto the newly founded Supervisory Board of the Group.

Founded in 2000 as COFERMIN Rohstoffe the Group today is comprised of six firms with well-established divisions for chrome, chemicals a. o. With EUR 130 million turnover generated by 55 core staff, COFERMIN is one of the world's leading specialty industrial mineral and chemical distributors and agents.

Andreas Pabst (AP), Managing Director at COFERMIN responsible for Strategy, Marketing and Business Development, was prepared to give us details on COFERMIN's view of the global market of raw materials with a special attention to refractories. During the ICR 2021 in September in Aachen, where the dependency on Chinese raw materials and the problematic rise of logistic costs were addressed, the news from China was that a slow- or shut-down in production had been decided right at the peak time before the usual winter shut-down.



**Fig. 1** Andreas Pabst, Managing Director at COFERMIN responsible for Strategy, Marketing and Business Development

**rwf:** *Raw material supply from China is more crucial than ever (logistic costs, reliability of supply, consistent quality of materials, electricity shut downs in Sept. 2021). Please be so kind and assess these problems mentioned, from the view of COFERMIN, mainly for your customer segment refractories.*

**AP:** End of November 2021, we received an up-date from one of our partners in China, who explained that after a short period with slightly lower energy prices it becomes clearer that January until March 2022 the production of fused materials will be largely stopped. Energy prices are up, and China is preparing for the Winter Olympics for which relevant environmental priorities are in place.

Generally speaking, we have to learn that China is no longer the "cheap" supplier for Europe and other regions across the board. China has already begun to take social and sustainability aspects on board, and in the long-run continuously increase its measures towards a more balanced environmental approach for the benefit of its people – this will ultimately also reflect in the costs of China

as a raw material and manufactured goods supplier to the World. China's aim is to have stability in their own market, maintain and grow the standard of living and build on past growth through ever more added value products.

China will remain an important raw material supplier though despite all the uncertainties at present. In many industrial mineral categories, particularly for refractories, they supply the lions share (often over 50 %) and with that market power they cannot simply be replaced from one moment to the next – and neither should we want to break with China as it can supply some very good quality minerals and chemicals.

COFERMIN aims to be the bridge here to users of Chinese raw materials and is also increasingly acting as raw material supplier (e.g. andalusite, carbores pitch binder, high-quality carbon blacks) into China, in turn supporting Chinese refractory makers goals of improving the quality of their products. This partnership approach and two-way trade flow can help in certain projects to mitigate the risks.

**rwf:** Which other sectors in ceramics are underlying similar problems with uncertainties in raw material supply from China – which types of materials are crucial in this sense?

**AP:** I could name for example Lithium minerals and chemicals for technical ceramics or vitro ceramics. We are undergoing a learning curve regarding lead-times and logistical challenges. But let's not forget that over ten years ago we all faced a similar situation when price increases for Chinese raw materials "shocked" the markets and everyone vowed to strategically diversify their raw material supplies away from China. We can escape only in part with agility, flexibility and increases in buffer stocks. In the end the Chinese situation has a direct impact on the global minerals market too.

**rwf:** What are the strategies from COFERMIN to support customers and enable them to have less problems in the supply chain to their customers?

**AP:** Of course this is part of our job. We have technical experts who can work with customers on reformulations of mixes for instance. These colleagues have over 25 years experience in refractories and ceramics and can bring a wealth of ideas and input to the table if clients wish it.

Customers are getting more open about reformulations in spite of the various difficulties involved in changing proven recipes. For certain products in technical ceramics certificates prescribe in detail the materials that should be used. A replacement in the mix quite often has to also be communicated to the end users and be accepted by them – to replace components is a process which takes time, and to only start this work when supplies are suddenly short is unfortunately often too late. We can only encourage customers to be open minded and to not be afraid in investing here into their own future flexibility and greater independence, and we'd be happy to assist through our technical partners and colleagues.

**rwf:** Do we need a new approach to preserve high quality raw materials for use in the ceramics/refractories industry by implementing recycling of materials?

**AP:** In this sense I think we have started a new era. It is different to the situation the

mineral market experienced even only a decade ago. It is not only the pricing and the present problems of the supply chains. We have more impact factors to address, like – sustainability, human resources programs, social conditions and security as well as pollution. The fact that we will all be forced to change and to assess our business models from many more perspectives than previously will make decision making more complex, but also more wholistic, which in turn will force us all to find new solutions.

For example, once we are able to accurately determine the real cost of a raw material, not only from a monetary but also from a social and environmental point of view, and once we have systems in place to measure these, we will start to make different decisions on the way we produce and consume things. In the long run no company will be able to hide from this, and at some stage Chinese producers will be affected by these trends too.

**rwf:** Will the present extreme situation with the supply from China lead to strategies to produce/source raw materials more regional (Europe, Americas, India...) where possible?

**AP:** The short answer should be yes, but it's more complex. We can change sourcing strategies, but development of mines and pits needs not only the availability of the relevant minerals preferably close to where they are needed.

It is also always a large investment and takes a long time to actually be realised, from detailed geological studies to market studies, getting all the permissions and licenses in place; particularly here in Europe we are slow on this front, and it takes around 10 years to turn an orebody into a producing mine in this part of the World. Unfortunately that's often simply too slow to be competitive internationally these days.

**rwf:** In refractories raw materials are about 60 % of the production costs, but refractories are only 2–3 % of the production costs of e.g. the steel industry. Do we need a better perception of the value of raw materials in the end user industries of refractories?

**AP:** Theoretically yes, but in the short term the basic competition, where products of

equal quality simply compete on price, determines which raw materials are used. That's a bit simplified, but essentially how it will be for the time being. At the same time the minerals business will ultimately enter a new area as we will have to assess many other factors too, like the carbon footprint of a whole supply chain, from source to the point where something is used.

Ultimately, these factors are going to be priced in somehow, and that will change the way customers make their purchasing decisions.

A more short-sighted approach will eventually be replaced as decisions will be made based on the total impact a raw material's or chemical's value-chain has. This will then also take us more towards recycling, secondary minerals and minerals which are perhaps "greener" than others, such as andalusite when it comes to refractories for instance. And top qualities should only be used for applications where they are absolutely needed – particular if the impact cost of such raw materials is high relative to others. COFERMIN believes in the future potential of andalusite in this regard, and then it comes to secondary raw materials we've been dealing in these for more than 17 years and our business in recycled minerals grows steadily every year.

**rwf:** Do you see special requirements for raw materials/refractories to serve a "green steel" industry?

**AP:** We are carefully watching the development in the steel industry and even more the R+D-work of refractory suppliers, as the hydrogen technology will have an impact on the needed performance of refractories, which in turn can change trends on the raw material supply side.

To us, the "green steel" approach is another example that we are entering a new era. Now new technologies are being set up which need innovations from all partners involved. We have the chance to enter a new level together with our clients and technical experts. Change is always a bit scary, but it's inevitable and it's certainly necessary. Let's be excited about what's coming next!

**rwf:** Thank you for talking to us.

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