



## Tin Production in Indonesia May Plunge 20%, Miss Target, Ministry Predicts

By Bambang Djanuarto and Yoga Rusmana - Aug 11, 2010

Tin output from Indonesia, the world's largest exporter, may plunge about 20 percent this year as bad weather disrupts mining, the energy ministry said.

Output may drop to about 85,000 metric tons compared with a full-year target for production of 105,000 tons, Witoro Soelarno, secretary to the director-general of minerals, coal and geothermal, said in an interview. Production last year was also 105,000 tons, according to a Dec. 31 estimate from the ministry.

Lower output from Indonesia may help to sustain a rally that's made tin the best performer on the London Metal Exchange in 2010, while hurting local producers' shares. Commerzbank AG analyst Daniel Briesemann warned earlier this month that tin supply was tightening. Indonesia usually exports about 85 percent of production for use in solder and packaging.

"Weather anomalies are expected to affect the achievement of this year's production," Soelarno said by phone from Jakarta today. "This year's exports may highly depend on the price, especially for shipments from small smelters," Soelarno said, declining to give a forecast for export volumes.

Three-month tin futures reached \$21,500 a ton on Aug. 9, the highest price since Aug. 22, 2008, as LME stockpiles dropped. The contract traded at \$20,520 a ton at 4:59 p.m. Singapore time, 21 percent higher this year, beating second-placed nickel's 18 percent advance.

### Timah Plunges

PT Timah, Indonesia's biggest tin producer, slumped as much as 5.1 percent today, the biggest [intraday fall](#) in more than two months. The shares traded at 2,375 rupiah at 3:29 p.m. in Jakarta, the second-worst performers on the [LQ-45 Index](#), which tracks the market's 45 most-traded stocks by capitalization.

"If production doesn't increase, Timah will depend on the price of tin alone for its earnings and that's not good," said Reza Nugraha, an analyst at PT Bhakti Securities. "Timah must find ways to find new mines."

Stockpiles of tin in LME warehouses stood at 14,385 tons today, a level not seen since May 2009. Inventories have declined 46 percent this year.

“Falling inventories, driven by increased demand from Europe and China, have combined with a drop in exports from Indonesia, tightening up the market,” [Leon Westgate](#), an analyst at Standard Bank Plc, wrote in a report yesterday.

### Declining Exports

Tin exports from Indonesia fell 14.5 percent to 43,263 tons in the first half of the year compared with a year ago, according to data compiled by Bloomberg News. The country shipped 8,030 tons of the metal in June.

“Big producers like [PT Timah](#) and PT Koba Tin can manage their sales much better because they have long-term commitments to their buyers,” said Soelarno. Koba Tin is the local unit of [Malaysia Smelting Corp.](#)

Above-normal rains are forecast in most of Indonesia from this month until October, including in the Bangka-Belitung islands off Sumatra, Indonesia’s [Meteorology, Climatology and Geophysics Agency](#) said in a website statement. Indonesia’s dry season usually begins in July, according to the weather office. Bangka-Belitung is the country’s main tin-producing region.

Heavy rainfall may occur in Sumatra and Kalimantan, as well as parts of Sulawesi and Java this month and in September, Soeroso Hadiyanto, deputy head for climatology at the agency, said at a briefing in Jakarta today. The rainfall may disrupt mining activities, he said.

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