

China Minmetals in Talks to Buy Hunan Non-Ferrous

Oct. 21 (Bloomberg) -- China Minmetals Corp., the nation's biggest metals trading company, said it's in talks to acquire Hunan Non-Ferrous Metals Corp., China's biggest producer of zinc and tungsten.

"We are in discussions," Minmetals President Zhou Zhongshu told reporters at a mining conference in Tianjin today, declining to give a timetable or a reason for the purchase.

The government is encouraging consolidation among metals producers through mergers and acquisitions to create bigger and more competitive companies. Beijing-based Minmetals bought Australian OZ Minerals Ltd. this year.

Hunan province-based Hunan Non-Ferrous posted a loss last year and is seeking funds and government help to reduce debt after metal prices slumped amid the financial crisis. The company in May 2008 agreed to buy Australian minerals miner Abra Mining Ltd. and gets most of its revenue from processing raw concentrates into processed metals.

Minmetal, one of China's three biggest steel traders, is also pushing for a separate iron ore price for Chinese steelmakers, Zhou said. Currently, the country accepts benchmark annual prices set by Japanese and South Korean mills.

"China, as the world's biggest steel producer, should be able to set its own benchmark iron ore price," Zhou said in Tianjin today. "It should not be forced to accept prices settled by other countries."

The comments echoed those from the China Iron & Steel Association, which is promoting a separate price after it failed to reach an agreement with miners including Rio Tinto Group and BHP Billiton Ltd. this year.