Assessing the Global Rare Earths Landscape in 2025: Part I – Price Discovery

written by Jack Lifton | December 17, 2024

All international trading nations aim for price ***stability***, not for increases or decreases for particular categories, *just to increase or create temporary profitability*. Remember that when you hear "experts" say that China will raise or lower the prices of the minerals it controls to affect international competition, you also need to remember that rare earths as raw materials are only a tiny part of China's economy and a non-existent part of the U.S. domestic economy.

Also, when expert analysts attempt to explain why the Chinese "government" is doing anything, they seem uninterested in the fact that the current Chinese president has a degree in chemical engineering and that his predecessor was a PhD economist. America's equivalent leaders had no training or *experience* in either topic. Even more tellingly, they seem disinterested that even in their economy's slowdown, Chinese producers and manufacturers in all categories are overproducing to maintain employment (subsidized by the People's Bank of China). These tactics are deflationary, so prices for all Chinese goods are falling. Today, and for some time in China, there will be an excess of supply over demand across the entire economy. This includes every sector of the rare earth permanent magnet supply chain. Prices for rare earth permanent magnets today made in China are exceptionally low, making this the worst time in modern history to attempt a foray into the rare earth permanent magnet manufacturing business anywhere.

In addition, in the large volumes of discussion about the

pricing of critical minerals, I do not see the topic of “in which currency” the prices are stated.

The (in)expert herd does not wish that you consider this question because its discussion renders all of the long-term (fantasy) price discovery analyses useless in any extended time frame.

Why?

(Caution: Contains historical references to past economic and geopolitical events that determined contemporary monetary values of technology critical minerals trading!)

Cesare Borgia, the medieval militarist-politician, had a personal motto, which translated into American English is “Caesare or Nothing(at all).” In contemporary slang, it might be stated as ” my way, or the highway.”

This was the viewpoint of the American government in 1944 at the Bretton Woods conference to plan for the return of the peacetime world trading system after the conclusion of the Second World, which occurred in the following year.

The bankrupt governments of Europe and Asia were directed to accept a “dollar equivalency to gold” as the basis of a reserve currency to replace the earlier era’s (British pound) Sterling “Area” and the then very recently abandoned gold standard.

Your grandfather’s America (my father’s) at the end of WWII held 70% of the world’s gold, produced half of the world’s steel, had the largest and most powerful military and naval forces in modern history, and was the sole possessor of nuclear weapons.

As a result, we now trade commodities worldwide in dollars, not the national currencies of the trading nations.

America’s attitude on the dollar’s equivalency to gold, was realized by the fact that the U.S. government agreed, in 1945, to redeem its currency from foreign government holdings, on demand, in gold. This ended in 1971 when President Nixon terminated the intergovernmental demand gold standard for the United States and raised the price of gold held by the U.S. government from $20 to $35 per troy ounce, thus devaluing the dollar in terms of gold.

Fast-forward to 2025: The world’s reserve currency is still mainly the U.S. dollar, and the U.S. is the world’s largest debtor nation in world trade. (It is the world’s largest market for foreign goods, and it runs a massive deficit in trade. For example, it buys hundreds of billions of dollars per year more of Chinese goods than it exports to China.) So, one of our biggest exports to China is “dollars.”

Note: Mexico, not China, is today’s largest trading partner for the U.S.A., but that story is complicated and benefits China and will be discussed later on in this series.

The Chinese currency, the Yuan or RMB, is not convertible. This means that there is no official fixed exchange rate for it which banking institutions are required in any country to honor when either currency is offered for exchange to the other. For this reason all contracts to buy goods from China for delivery to the United States are in U.S. dollars.

THUS: To know the price of a rare earth permanent magnet or a rare earth permanent magnet-enabled device (e.g., an electric motor) and, therefore to know the price of its rare earth components, one needs to find out what the dollar price of those items are in China and what added taxes must be paid to export them, and if they can be exported in the form you desire under current (or proposed) Chinese law.

The only way to know these “prices” accurately is to actually buy them from the producer in China.

The “prices” reported by the best-known reporters who are not such direct buyers are either best guesses or inflated (or deflated) for the benefit of the buyer doing the reporting.

Overproduction due to internal Chinese politics and economics has been a fact for several years; it shows no signs of abating soon. The Chinese government is trying to develop its domestic consumption, but this is a political and cultural issue. Chinese people are savers, not spenders. The Chinese luxury market for foreign trinkets such as Rolls Royce, Cartier, and Balenciaga is drying up! NB: It is also drying up for Apple and Tesla in favor of Huawei and BYD, the top Chinese brands in their categories.

Non-Chinese rare earth permanent magnet manufacturers can only compete if they are competitively priced, and this can only be achieved if they are exceptionally well managed and thought out for the long term or if their national governments heavily subsidize them.

Today, the United States has just one commercially capable producer of separated rare earths that plans to compete with China. Others are already asking for government subsidies regarding floor prices, a combination of fixed costs and a guaranteed margin. The Defense Department has probably already agreed to this, but 90+ % of the demand for rare earth permanent magnets is from the consumer economy, which likely cannot afford the subsidized price without raising the costs of their products. Tariffs on Chinese rare earth-enabled products will most likely only cause end-user prices to rise for everyone. This makes sense only to politicians.

Perhaps allowing private industry to tackle the problem, free from government interference, is a solution.

The upcoming **CMI Summit IV**, themed *The War for Critical Minerals and Capital Resources*, is scheduled to take place in Toronto, Ontario, on May 13-14, 2025. The CMI Summit aims to foster strategic partnerships and develop actionable solutions that support the growing demand for critical minerals, crucial for the advancement of clean energy, technology, and national security.

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