The China Price Is No Longer the World Price for Rare Earths

written by Jack Lifton | August 18, 2026

The global rare earth market is now bifurcating—and perhaps trifurcating—as I have long predicted it would. Deglobalization is not merely about changing where rare earth minerals are mined or processed. It is changing the meaning of price itself. For most of the last generation, the so-called China price was treated as the world price for rare earth oxides, metals and alloys. This was understandable. China produced nearly all of the world's separated rare earths and an even larger share of its rare earth metals, alloys and permanent magnets. China was not simply the lowest cost producer. It was the marginal producer, the dominant consumer and, in many cases, the only practical supplier. That world is now passing.

There is increasingly a Chinese domestic price, a Chinese export price and an emerging price for material produced and delivered through a non-Chinese—or politically acceptable—supply chain. These prices may be related, but they are no longer necessarily the same.

The traditional metal markets of the West are returning to their historical roots. Metals are again being priced according to where they are physically available, where they can legally be delivered, and whether they meet the requirements of the industrial customer. Rotterdam, London, New York, Tokyo and Singapore are once again becoming meaningful commercial locations rather than merely places where Chinese prices are translated into dollars. The question is whether we can predict how these new rare earth markets will function—and how Western

industrial buyers should now price rare earth metals.

The Rare Earth Market Is Becoming Three Markets

What is developing is more complicated than a simple China versus the West division. **The first market is the Chinese domestic market.** It is priced primarily in renminbi and is influenced by Chinese production quotas, industrial policy, environmental regulation, inventories, subsidies, consolidation and domestic demand. This is a real market, but one functioning within the Chinese political and industrial system. Its prices reflect the objectives and circumstances of that system.

The second market is the Chinese export market. Its prices are usually expressed in dollars, but the material is increasingly subject to export licenses, end use declarations, destination restrictions, dual use regulations and political approval. A Chinese domestic quotation does not tell a Western buyer whether the material will be approved for export, how long approval will take, whether the material may be sold to that particular customer or whether China's export policy will change during the life of the contract.

The third market is the emerging non-Chinese market. This is the market for rare earth materials produced, processed, qualified and delivered through supply chains that are outside Chinese governmental control. That market will probably subdivide further into North American, European and Japanese-Korean markets. Each will have its own approved suppliers, environmental requirements, defense restrictions, financing mechanisms, inventories and strategic priorities.

It is therefore possible that we are not witnessing bifurcation

but the beginning of a regionalized rare earth trading system.

The China Price May Be Real but Irrelevant

The China price will remain important. China is still the world’s largest producer and consumer of rare earth enabled products. No serious analyst can ignore the prices being quoted in Baotou or Shanghai. But the China price may no longer be relevant to a Western industrial purchaser.

A quotation for dysprosium oxide in China does not necessarily indicate what it will cost an American manufacturer to obtain qualified dysprosium metal in Michigan. It does not tell a European magnet maker whether terbium oxide will be available in Rotterdam next quarter. It does not tell a Japanese automotive company whether the material will be exportable, traceable and available throughout the ten year production life of an electric motor. The China price refers to conditions within the Chinese rare earth industry. It does not necessarily describe the replacement cost of rare earth material outside China. That distinction is fundamental.

For many years, analysts and investors have used Chinese oxide quotations to construct the theoretical revenue of non-Chinese rare earth projects. They multiply the contained rare earths in a deposit by quoted Chinese prices and produce an imaginary basket value. This exercise was always questionable. It is becoming increasingly meaningless. The value of a rare earth mineral in the ground is not the quoted value of its contained oxides. Nor is the value of an oxide equivalent to the value of qualified metal, alloy or magnet material delivered to an industrial customer.

Value is added through every successful stage of processing, separation, purification, reduction, alloying, fabrication and qualification. Costs, losses and technical risks are also added at every stage. As I have said for many years: Follow where value is added.

Rare Earth Metals Are Not Yet Exchange Traded Commodities

Rare earth metals cannot yet be priced in the same way as copper, nickel, zinc or tin.

The London Metal Exchange can establish a copper price because an LME contract defines an acceptable grade, an approved producer and an approved delivery location. The metal stored in an approved warehouse can be delivered against the contract. Rare earth materials do not yet possess this degree of standardization, liquidity or interchangeability.

“Neodymium metal” is not, by itself, an adequate commercial specification. The buyer must know its purity, oxygen content, carbon content, impurity profile, physical form, packaging, oxidation history and producer. The buyer must also know whether the supplier can reproduce the same material from one lot to the next. The metal may be supplied as an ingot, flake, powder or alloy. One customer’s acceptable product may be unusable by another. This is even more important in the manufacture of permanent magnets. A magnet manufacturer does not purchase an abstract element from the periodic table. It purchases a specific material that must perform consistently in an established production process. A kilogram of unqualified metal is therefore not commercially equivalent to a kilogram of qualified metal.

Until sufficient quantities of standardized rare earth products are regularly traded among multiple producers and consumers, price discovery will continue to occur mainly through private contracts and price reporting agencies rather than through transparent commodity exchanges.

Assessments are already being developed for ex-China rare earth products. One private company has added global assessments for dysprosium oxide, ferro-dysprosium and terbium oxide specifically to follow the development of the non-Chinese permanent magnet supply chain. This is an important development. It is the market acknowledging that a Chinese domestic or export quotation is no longer sufficient.

There has also been discussion of introducing rare earth futures contracts, initially for NdPr. Such a contract may eventually be useful. But a futures market cannot create a physical market that does not yet exist. Before a futures price can become commercially authoritative, the contract must define the product, the acceptable producers and the places where delivery can occur. There must also be enough independent buyers and sellers to prevent a handful of transactions from determining the apparent value of the entire market. We are not yet there.

What is the Correct Western Price?

A Western industrial buyer should no longer ask, “What is today’s neodymium price?” The correct question is: What is the delivered replacement cost of qualified neodymium metal sourced from an approved, sustainable supply chain? The answer should include several components.

First, there must be a reference value for the oxide or other feedstock. In the early stages of the non-Chinese market, this may be a published ex-China assessment or a combination of

Chinese export and non-Chinese transaction prices.

Second, there must be a conversion charge. Oxide does not magically become metal. Reduction requires capital equipment, energy, reagents, labor, process control, waste management and technical knowledge. It also involves process losses and scrap.

Third, there must be a regional production adjustment. Labor, energy, environmental compliance and capital costs differ among China, North America, Europe and Japan.

Fourth, there must be a premium for qualification and provenance. Material that has been tested and approved by the customer has greater commercial value than an untested product. Material with a documented chain of custody outside China may also have greater value to a defense, aerospace or automotive customer.

Fifth, the delivered price must include logistics, insurance, financing and inventory costs. A secure Western supply chain will require working inventories. Those inventories must be financed, stored, insured and protected from contamination or deterioration.

Finally, the price must reflect risk. The risks include export interruptions, political restrictions, currency movements, force majeure events, supplier concentration, and the possibility that a producer will not remain financially viable. The Western price for rare earth metal will therefore not simply be the China price plus freight. It will be the reference value of the feedstock, plus the cost of conversion, plus the cost of maintaining a qualified and dependable supply chain.

Long-Term Contracts Will Create the Market

The emerging Western market will initially be a producer-consumer market rather than a speculative commodity market. Most transactions will take place through bilateral offtake agreements. The producer and customer will negotiate specifications, quantities, qualification procedures, delivery schedules and pricing formulas.

For NdPr metal, a contract might begin with an assessed ex-China price for NdPr oxide. It would then apply a contained metal and process yield calculation and add an agreed conversion charge. For dysprosium and terbium, the market may remain even more specialized. Volumes are small, qualified producers are few and security of supply is especially important. Annual or quarterly negotiated prices may therefore be more reliable than formulas tied too closely to Chinese quotations.

Contracts should normally use monthly or quarterly averages rather than a single day quotation. A thinly traded market can be distorted by a single sale, a single offer, or a politically induced interruption. Long term contracts should also contain provisions allowing prices to be reconsidered if export regulations change, if the selected benchmark ceases to represent deliverable material or if a liquid exchange traded contract eventually emerges. These producer-consumer contracts will generate the transaction data needed to construct reliable Western price assessments. The physical market must come first. The financial market can only follow it.

The MP Materials Price Floor Is a Precedent, Not a Market Price

The United States government's agreement with MP Materials Corp. (NYSE: MP) established a ten year floor price of $110 per kilogram for NdPr oxide. This was not the discovery of a natural free market price. It was a policy decision intended to provide the revenue certainty required to support an American rare earth producer. The distinction is important. The MP price floor should not automatically become the price of every kilogram of Western NdPr oxide. MP Materials has a particular ore body, cost structure, government relationship, production scale and business plan.

Nevertheless, the agreement established a principle that will influence the entire non-Chinese market: The sustainable Western price may have to be higher than the Chinese price. This is not necessarily evidence of inefficiency. The buyer is purchasing more than a chemical product. It is also purchasing availability, qualification, traceability, political acceptability and security of supply. The mistake would be to pretend that these things have no value.

The Lowest Price May Be the Most Expensive Choice

The Western buyer should not agree to any premium merely because a supplier labels its material "non-Chinese." A producer must still demonstrate technical competence, reproducibility, capacity and financial sustainability.

But it is equally irrational to demand that every Western producer match a Chinese price created inside a very different

political and industrial system.

The correct measure is the total risk adjusted cost of ownership. Can the supplier deliver the required material? Has the material been qualified? Can it be reproduced consistently? Is adequate inventory maintained? Does the supplier actually control its feedstock and processing, or does it merely perform a final operation outside China? Can the supplier survive financially at the agreed price? What would a supply interruption cost the customer?

For an automobile, aerospace or defense manufacturer, the cost of rare earth metal is usually a very small fraction of the value of the finished product. Saving $20 or $30 per kilogram is not an achievement if it places a multimillion dollar production line at risk.

Purchasing departments traditionally seek the lowest acceptable price. In the emerging rare earth market, they must also calculate the cost of non-delivery.

We Can Predict the Structure, but Not Yet the Price.

We cannot yet predict the equilibrium price of rare earth metals in New York, London, Rotterdam or Tokyo. The necessary physical markets are only now being assembled. We can, however, predict how those markets will develop.

They will begin with long-term agreements between producers and industrial consumers. The prices will be based on actual production and conversion costs, qualification, provenance and assured delivery. Price-reporting agencies will gradually gather enough independent ex-China transactions to establish credible regional assessments. Approved producers, standardized products

and recognized warehouses may then emerge. Only after that can meaningful futures and forward markets develop.

NdPr is the most likely starting point for an exchange traded contract. Dysprosium, terbium and the smaller-volume rare earths may remain negotiated specialty products for much longer. The China price will continue to be reported, watched and analyzed. But it will increasingly describe the value of material within China’s industrial system. The Western price will refer to something different: the cost of producing and delivering qualified material through a supply chain that Western industry can actually use. That is not an artificial premium over the “real” price. It is the real price in the market that now exists.