



Type what you want to search

Search

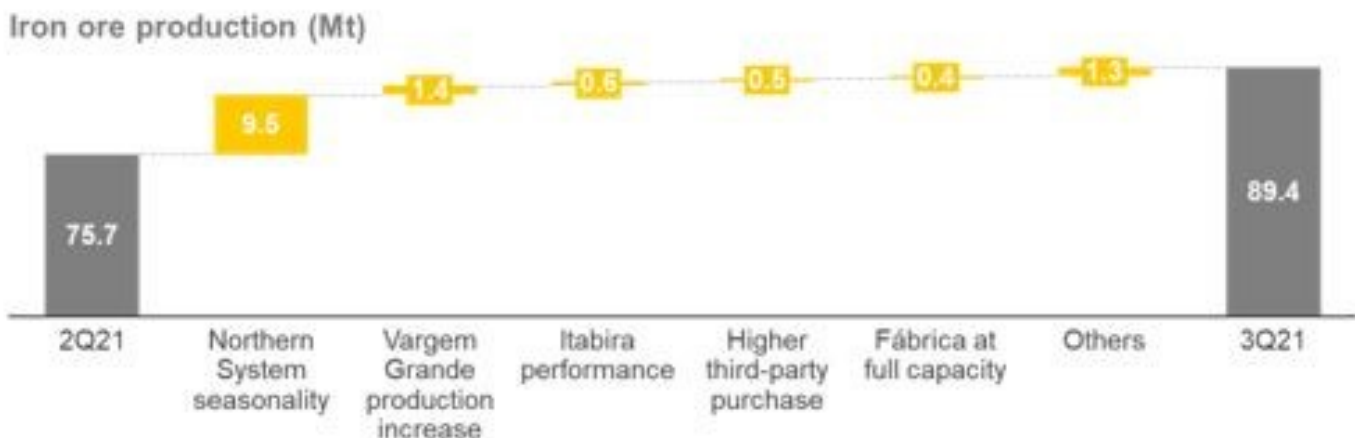
10/19/2021



## Production and Sales in 3Q21

The third quarter of Vale was noticeable by increased production of iron ore and coal, following their respective production recovery plans and better weather conditions, the sharp drop in iron ore prices (-US\$ 37/dmt of 62%Fe index vs. 2Q21) leading to a review on production and sales of high-silica iron ore products, gradual resumption of the North Atlantic Base Metals operations after conclusion of a new five-year collective bargaining agreement in Sudbury, and incident at Totten mine with all 39 employees having safely returned to the surface.

Vale's iron ore fines production<sup>1</sup> totaled 89.4 Mt in 3Q21, 18.1% higher than in 2Q21, as a result of: (i) seasonal improvement of weather-related conditions in Northern System, boosting Serra Norte and S11D performance; (ii) Vargem Grande production increase by dry processing while adjusting the flowsheet of one of its wet-processing plants; (iii) Itabira's performance improvement related to better run-of-mine ("ROM") availability; (iv) higher third-party purchase, although proportionally lower than the previous quarter (5.8% of total production in 3Q21 vs 6.2% in 2Q21); and (v) Fábrica's reaching its full capacity of 6 Mtpy, after the resumption of beneficiation process in 2Q21.



On September 9th, during 2021 Analyst and Investor Tour, Vale presented an updated view of its production capacity resumption plan and launched new portfolio solutions for decarbonize steelmaking industry. The presentation is available [here](#).

Vale remains committed to its capacity resumption plan, which is also associated with eliminating restrictions and optimizing costs. In 3Q21, Maravilhas III dam operations in Vargem Grande complex started following the issuance of a positive Stability Condition Declaration (DCE). As an additional step on the resumption plan, Vale started to commission the long-distance conveyor belt segment close to Vargem Grande dam in October, resuming after several tests certifying the absence of increased risk to the structure. At the end of commissioning, an increase of 6 Mtpy is expected in the production capacity of the Vargem Grande site.

Vale's pellet production totalled 8.3 Mt in 3Q21, in line with 2Q21, still restricted by pellet feed availability in Itabira and Brucutu.

Production and sales strategy is based on market conditions, prioritizing value over volume, with focus on margin maximization. As consequence, for the fourth quarter this year, Vale should lower its supply of high-silica low-margin products by around 4 Mt, as demand for this kind of product has been weaker. This movement does not change our production guidance for the year, of 315-335 Mt, but should take us below the middle of the range. If this scenario persists, we should also reduce the offer of low-margin products in 2022 by around 12-15 Mt. The purchase level of third-party ores may also be adjusted accordingly.

Sales volumes of iron ore fines and pellets totalled 75.9 Mt in 3Q21, in line with 2Q21. The approximately 13 Mt gap between production and sales in 3Q21 was an effect of (i) Vale's value over volume approach, by reducing the sales of high-silica iron ore products in September due to market price level; and (ii) transiting inventories across the supply chain, which is expected to revert in 4Q21, depending on market conditions.

Iron ore price premium was US\$ 6.6/t2, US\$ 1.8/t lower than in 2Q21, due to (i) lower premiums paid to low alumina ores, as BRBF and IOCJ; and (ii) lower contribution from Pellets business as the 65/62% Fe index spread narrowed; which were partially offset by (i) higher Fe content premiums, despite the lower benchmark index, as a result of the lower sales of high-silica iron ore products; and (ii) higher contractual pellet premiums.

Production of finished nickel was 30.2 kt in 3Q21, 27.2% lower than 2Q21, mainly due to the labour disruption at Sudbury, which halted operations for 70 days, of which 40 days were in 3Q21, with an impact of 11kt on finished nickel production in the quarter. In addition, Onça Puma went through extended maintenance during 3Q21, with production resuming late September.

The labor disruption at Sudbury ended on August 4th, 2021, after a new five-year collective bargaining agreement. A process to return to work safely commenced on August 9th, and critical maintenance activities were started. During September production partially resumed, and in October all mines are planned to be back in operation, with the exception of Totten.

Damage to the Totten mine shaft, on September 26th, has rendered the normal conveyance system inoperable, as a result production at the site was halted. Vale is assessing the necessary measures to safely repair the mine shaft and operations are expected to resume by early 2022.

From October 4th to 7th and since October 18th, Onça Puma mine operation was halted, following the suspension of the operating license by the Environmental and Sustainability office of the Pará State (Secretaria de Estado de Meio Ambiente e Sustentabilidade, SEMAS).

Copper production reached 69.2 kt in 3Q21, 5.7% lower compared to 2Q21, mainly due to the labour disruption at Sudbury, which affected total copper production by 16 kt in the quarter. This was partially offset by a more robust performance at Sossego, as plant availability increased in the quarter after scheduled maintenance was completed in 2Q21.

In October, a fire partially affected the conveyor belt at Salobo mine, with no injuries and no environmental damage. Copper concentration at Salobo is currently halted, but expected to resume by the end of October.

We expect to produce 45-50 kt of nickel and 75-80 kt of copper in 4Q21, resulting in a production of approximately 165-170 kt of nickel and 295-300 kt of copper for the year of 2021. The range considers the risks associated with the scheduled resumption of operations at Totten mine and Salobo plant and the stoppage of Onça Puma mine. In addition, the range accounts for the continued ramp up of all Sudbury operations.

1 Including third-party purchases, run-of-mine and feed for pelletizing plants. Vale's product portfolio Fe content reached 62.9%, alumina 1.4% and silica 5.2%.

2 Iron ore premium of US\$ 1.9/t and weighted average contribution of pellets of US\$ 4.6/t.

## Production summary

000' metric tons	3Q21	2Q21	3Q20	9M21	9M20	% change		
						3Q21/2Q21	3Q21/3Q20	9M21/9M20
Iron ore <sup>1</sup>	89,421	75,685	88,676	233,137	215,877	18.1%	0.8%	8.0%
Pellets	8,341	8,008	8,562	22,637	22,559	4.1%	-2.6%	0.3%
Manganese Ore	108	113	109	312	621	-4.4%	-0.9%	-49.8%
Coal	2,497	2,091	1,402	4,648	5,678	19.4%	78.1%	22.2%
Nickel	30.2	41.5	38.6	120.2	132.9	-27.2%	-21.8%	-9.6%
Copper	69.2	73.4	87.6	219.3	266.6	-5.7%	-21.0%	-17.7%
Cobalt (metric tons)	452	754	622	1,919	1,849	-40.1%	-27.3%	3.8%
Gold (000' oz troy)	93	96	116	275	349	-3.1%	-19.8%	-21.2%

<sup>1</sup> Including third-party purchases, run-of-mine and feed for pelletizing plants.

## Sales summary

000' metric tons	3Q21	2Q21	3Q20	9M21	9M20	% change		
						3Q21/2Q21	3Q21/3Q20	9M21/9M20
Iron ore <sup>1</sup>	67,844	67,218	65,769	194,361	172,040	0.9%	3.2%	13.0%
Pellets	8,037	7,647	8,464	21,955	22,725	5.1%	-5.0%	-3.4%
Manganese Ore	111	169	428	537	917	-34.3%	-74.1%	-41.4%
Coal	2,640	1,544	1,381	2,559	5,199	70.9%	91.9%	20.0%
Nickel <sup>2</sup>	41.8	47.4	50.2	137.2	124.3	-11.8%	-16.7%	10.3%
Copper	65.4	74.2	80.6	210.8	253.3	-11.9%	-18.9%	-16.8%

<sup>1</sup> Including third-party purchases, run-of-mine and feed for pelletizing plants.

<sup>2</sup> Historical figures exclude VNC sales.

## Production guidance

	2021
Iron ore (Mt)	315-335
Nickel (kt)	165-170
Copper (kt)	295-300

[Click here for full report](#)

More information 



Media Relations Office

[imprensa@vale.com](mailto:imprensa@vale.com)

[Click here to see our contacts](#)