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Production and sales in 2019

Vale ended 2019, the most challenging year of its history, with the steady commitment to resume and stabilize production, while implementing the highest safety standards across its operations. The company's endurance and operational flexibility have prevailed and the roadmap for de-risking its operations is being followed. Vale remains committed to becoming one of the safest and most reliable mining companies in the world.

Sales volumes of iron ore fines^[1] and pellets reached 312.5 Mt in 2019, in line with the annual guidance of 307-312 Mt. Vale's iron ore fines production^[2] totalled 302.0 Mt, 21.5% lower than in 2018, while pellets production was 41.8 Mt in 2019, 24.4% lower than in 2018. The operational disruption which followed the Dam I rupture, with interdictions at the Vargem Grande, Fábrica, Brucutu, Timbopeba and Alegria operations, together with the stronger than usual weather-related seasonality in 1H19, caused major impacts in production, partly offset by (i) the S11D ramp-up, (ii) inventory drawdowns, and (iii) the gradual resumption of the Vargem Grande^[3], Brucutu and Alegria operations.

On a quarterly basis, Vale's iron ore fines¹ and pellets sales amounted to 88.9 Mt in 4Q19, 4.4% higher than the previous quarter and higher than production as a result of inventory drawdown. The share of premium products totalled 87% in 4Q19. Iron ore fines and pellets quality premiums reached US\$ 6.4/t^[4] in 4Q19 vs. US\$ 5.9/t in 3Q19, mainly as an outcome of the higher pellet adjustment contribution due to seasonal dividends received^[5].

Vale reinforces its commitment to resume and stabilize production under the highest safety conditions. In 2020, production from the Alegria mine, restored in November 2019, will contribute with approximately 8 Mt, as formerly disclosed^[6], adding approximately 5 Mt production in relation to 2019. The logistics at the Vargem Grande Complex have been freed up, following the resumption of operations at the TFA^[7] Rail Terminal in January, which will enable rail shipments of approximately 7 Mt of stranded product inventory.

As for the plan to resume approximately 40 Mtpy of halted capacity, enabling additional 15 Mt and 25 Mt production in 2020 and 2021, respectively, Vale is making progress with discussions with the National Mining Agency ("ANM"), the Minas Gerais State Public Prosecutor's Office ("MPMG") and the external audit firms to start site tests and gradually resume production. Further details on the resumption plan for the Timbopeba, Vargem Grande and Fábrica complexes are provided in the "Iron Ore" section.

S11D is expected to contribute to the total 2020 production volume with 90 Mt of high-quality, low-cost iron ore. Regarding Northern and Eastern ranges, Vale expects to produce around 120 Mt in 2020, mainly due to impacts associated with the ramp up of Morro 1 mining section.

Aiming to promote the safe resumption of the Laranjeiras dam, Vale will extend the suspension of tailings disposal at least to the end of March 2020, when we expect to have the findings of the geotechnical assessment of the conditions of the

structure. The findings will determine the corrective actions, if any, to resume tailings disposal at Laranjeiras dam. As a result, the Brucutu plant will continue to operate with approximately 40% of its capacity, through wet processing with tailings filtration. Short-term alternatives for tailings disposal, such as optimizing the usage of Sul dam, are being evaluated by geotechnical and operational teams and could increase the Brucutu plant capacity to 80%.

Concerning the heavy rains in the Brazilian state of Minas Gerais in January and February, Vale expresses its solidarity with the victims and communities impacted and informs that due to temporary production and transportation disruptions in the Southern and the Southeastern Systems, production loss was approximately 1 Mt.

Despite the combined impacts on production, Vale's iron ore fines production guidance in 2020 is kept at 340-355 Mt. Production volumes will depend mostly on the granting of external authorizations to resume halted production, while the achievement of the higher end of production range continues to be possible depending on several upsides being explored.

Due to the lower availability of pellet feed and to the abovementioned suspension of tailings disposal at Laranjeiras dam, the annual guidance for pellets production was revised to 44 Mt, while the iron ore fines production guidance for 1Q20 was revised to 63-68 Mt.

The abovementioned estimates do not factor in any second-order effects of the Coronavirus epidemic, which at the time of writing seems to be accommodated through price changes only.

Vale reinforces its strategy of margin over volume, prioritizing blended products in its portfolio, therefore inventories will be replenished in 2020 to ensure supply as appropriate, which may imply lower sales in comparison to production volumes.

Production of finished nickel reached 208 kt in 2019, in line with the annual guidance of 210-220 kt, and 15.0% lower than 2018. Production reflected lower feed from third parties, lower source ore from Thompson and VNC, the latter due to limited availability of process plant operational assets during the year, as well as lower production from Onça Puma prior to receiving judicial authorisation to resume both mine and processing activities in September. Nickel operations were also impacted during the year due to maintenance shutdowns at the North Atlantic refineries, which have been resumed and are now operating at regular rates.

The refining activities in VNC, responsible for processing the feed into nickel oxide, will cease from April 2020 onwards, as part of the process to improve short-term cash flow. With this flowsheet simplification, VNC's nickel product mix will be solely comprised of nickel hydroxide cake.

Production of finished copper reached 381.1 kt in 2019, in line with the annual guidance of 382-386 kt, and slightly lower than in 2018, due to lower production from Sossego, which was partially offset by the all-time record production from Sudbury. In 4Q19, Sossego production was impacted by unscheduled maintenance, which has now been completed. That site will operate at regular rates from 1Q20 onwards.

Production summary

000' metric tons	4Q19	3Q19	4Q18	2019	2018	% change		
						4Q19/3Q19	4Q19/4Q18	2019/2018
Iron ore ¹	78,344	86,704	100,988	301,972	384,638	-9.6%	-22.4%	-21.5%
Pellets	9,415	11,133	15,812	41,794	55,304	-15.4%	-40.5%	-24.4%
Manganese Ore	450	443	495	1,576	1,832	1.7%	-9.2%	-13.9%
Coal	1,876	2,310	3,107	8,770	11,605	-18.8%	-39.6%	-24.4%
Nickel	56.7	51.4	64.0	208.0	244.6	10.3%	-11.4%	-15.0%
Copper	90.3	98.7	109.8	381.1	395.5	-8.5%	-17.8%	-3.6%
Cobalt (metric tons)	1,140	1,009	1,437	4,376	5,093	13.0%	-20.7%	-14.1%
Gold (000' oz troy)	132	122	133	480	477	8.2%	-0.8%	0.6%

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

Sales summary

000' metric tons	4Q19	3Q19	4Q18	2019	2018	% change		
						4Q19/3Q19	4Q19/4Q18	2019/2018
Iron ore ¹	77,907	74,039	80,495	269,306	308,981	5.2%	-3.2%	-12.8%
Pellets	10,966	11,077	15,987	43,199	56,592	-1.0%	-31.4%	-23.7%
Manganese Ore	570	150	442	1,063	1,572	280.0%	28.9%	-32.4%
Coal	2,042	2,254	3,433	8,783	11,633	-9.4%	-40.5%	-24.5%
Nickel	47.0	50.9	59.6	205.7	236.4	-7.7%	-21.1%	-13.0%
Copper	87.8	92.0	104.1	365.2	378.9	-4.6%	-15.7%	-3.6%

¹ Including third party purchases and run-of-mine.

For further information, please find the report [here](#)

More information 



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