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CVRD approves increase in pellet production capacity

Companhia Vale do Rio Doce (CVRD) announces that it has approved projects to increase its pellet production capacity by 14.6 million tons per year. The expansion will take place in Samarco Mineração S.A. (Samarco) and Caemi Mineração Metalurgia S.A (Caemi).

The Board of Directors of Samarco, supported by a favorable vote from CVRD, approved investment of US\$1.183 billion in the construction of its third pelletizing plant, located in southeast of Brazil. CVRD owns 50% of Samarco, the remaining half being owned by BHP Billiton.

The new pelletizing plant will add 7.6 million tons per year of capacity to Samarco, increasing its output to 21.6 million tons per year of blast furnace and direct reduction pellets. The new plant is scheduled for startup in the first half of 2008, and will use Brazilian iron ore as raw material. The project also includes construction of a new beneficiation plant, a new 400-kilometer pipeline, and increased capacity for storage of products and outflow through the port.

The pelletizing plant capacity expansion will be enabled by the development of the Fazendão mine, of CVRD's Southern System, in the Brazilian state of Minas Gerais, which will provide 10 million tons of unprocessed (run of mine) iron ore to Samarco, in addition to the two million tons of concentrates that CVRD currently provides.

CVRD also approved a project of its wholly owned subsidiary Caemi, for the construction of a pelletizing plant with production capacity of 7 million tons per year, and startup scheduled for 2008. The estimated investment, which also includes a beneficiation plant and a 4-km pipeline to carry its output, is estimated at US\$759 million.

CVRD is the world's largest producer and exporter of pellets, and Samarco is an integral part of its strategy for the development of the pelletizing business. Besides the 50% holding in Samarco, CVRD owns and operates 10 other pelletizing plants. CVRD's pellet production in 2004, according to the attributed production criterion, was 45.4 million tons.

The construction of CVRD's new plant as well as its support for the development of Samarco's third pelletizing plant, represents CVRD's commitment to companies located in Brazil and to the pellet market, which is in a phase of vigorous growth.

The growing demand for pellets has been motivated by factors such as: the increase in the relative scarcity of lumps, the need to reduce CO2 emissions - strengthened by the Kyoto treat - which leads to a reduction in the use of sintering, the intensive quest for productivity gains, the growth in the generation of pellet feed by Brazilian iron ore producers, and the growth in the direct reduction market with the development of new projects in the Middle East and Southeast Asia.

The investments in iron ore and pellets approved and/or supported by CVRD are in line with the Company's strategy of consolidating its position as leader in the supply of pellets worldwide, benefiting from the enormous potential that this market offers.

[More information](#)



Mônica Ferreira

monica.ferreira@vale.com

Rio de Janeiro

+55 (21) 3845-3636

Fatima Cristina

fatima.cristina@vale.com

Rio de Janeiro

+55 (21) 3485-3621
