Does South Africa really take beneficiation seriously? Here is a story about one company, just as an example of where, in my opinion, things might have gone wrong.

In 1998 Samancor was the world’s largest ferro-alloy producer, producing alloys of chrome and manganese. It was South African owned and controlled, with its origins in the creation of South African Manganese in 1926.

However, in December 1998 its major shareholder, London-listed Billiton (formerly Gencor), took over the company and de-listed it from the Johannesburg Stock Exchange (JSE). It was established as the vehicle to promote Billiton’s global chrome and manganese businesses.

Billiton, which subsequently merged with Australian mining company BHP to become BHP Billiton, did not retain its interest in chrome and in June 2005 it sold its majority interest in Samancor Chrome to the Kermas Group, a company domiciled in the UK with substantial interests in Kazakhstan. Kermas remained secretive, never issuing company reports nor providing access to journalists and analysts.

Over the years ferrochrome producers in South Africa struggled to maintain production levels due to the rising cost and erratic supplies of power from Eskom. However, a multitude of small chrome ore producers obligingly supplied China with cheap ore to produce ferrochrome. In mid-2021 there were about 20 chrome recovery plants which produce fine chromite from UG2 platinum tailings, and also about 20 formal and informal washing plants for the production of chrome concentrates from primary sources. Eventually, in 2012, China overtook South Africa as the world’s largest ferrochrome producer.

At the end of September 2019 the Association of Mineworkers and Construction Union (AMCU) launched an application in the Johannesburg High Court accusing Samancor of having deprived minority shareholder Ndizani Trust of ‘well over US$100 million in dividends and/or other revenue from 2005 and to the present’.

One of the witnesses supporting the affidavit – and the whistleblower – was Miodrag Kon, who was appointed a director of Kermas SA in June 2005. Kon detailed a long list of corrupt practices by the company.

Finally, in 2021 Kermas was sold to a Chinese consortium fronted by Chinese state-owned Sinosteel. China’s acquisition of Samancor resulted from a change in policy regarding ferro-alloys. After building up its own capacity to become independent of imports, China decided to close its highly polluting facilities and resume imports – preferably from a company which it controlled itself.

Samancor’s transformation from a proud and very successful South African company to a mere supplier to China represents the continuation of the trend to surrender domestic control of mining/metallurgical companies to foreign owners whose primary loyalty is towards their own shareholders and international, rather than South Africa’s national, interests. Samancor’s acquisition by the Chinese follows the transfer of the ownership of South Africa’s steel industry to foreign control – Iscor to India’s Arcelor Mittal, Highveld Steel and Vanadium to Russia’s Evraz, Columbus Stainless Steel to Spain’s Acerinox.

The major beneficiaries of the decline in South Africa’s ferro-alloy production, in my view, have primarily been the producers of chrome and manganese ores, whose entry into the market has been promoted by the government’s policy of BEE and who have been granted mining licences by the Department of Mineral Resources and Energy (DMRE). The production of manganese alloys suffered a much more catastrophic decline than the production of ferrochrome but, as in the case of chrome ore, there was an escalation in the number of producers of manganese ore. At the beginning of this century there were only four manganese mines in the country but there are now about 24, with none of the newcomers, largely funded by manganese traders, listed on the JSE.

This has led to a situation where a plethora of producers supply chrome and manganese ore at bargain basement prices to smelters either based overseas or, if in South Africa, controlled by foreign owners who are not obliged to provide any public information about their activities.

This, in my opinion, represents a further surrender of our economic sovereignty and abject submission to foreign interests.

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