

Dear Valued Loeb Electric Customer,

The lighting industry is experiencing an unprecedented cost escalation in some key components used in the production of high color rendering fluorescent lamps; these components are called rare earth oxides. Rare earth oxides are mined from rare earth metals and are needed to give T8, T5 and compact fluorescent lamps their high efficiency and high color rendering.

The global supply for rare earth metals has been consolidated over the last 20 years so that now roughly 95% of these elements are produced by China. It is estimated that China has mined through approximated 1/3 of their total rare earth deposits and have started to restrict its production to conserve these resources for their own use. China has also implemented higher standards to their labor practices which traditionally gave them a dominantly low cost to mine these metals which in itself is increasing the cost of these elements. The result is that the rare earth oxides have increased in cost multiple times over the last 6-12 months. There are many rare earth deposits located outside of China, but they will take some time to mine and get into the global supply chain.

**Because of this unprecedented cost increase, all fluorescent lamp manufacturers have been forced to increase the pricing of these products dramatically with increases ranging between 25 and 40%.**

Loeb Electric has already increased the pricing of fluorescent lamps used to quote projects that will be bought in the future and we have released current lighting orders early to protect lamp pricing when appropriated. For those customers that have a FIRM pricing agreement with Loeb Electric for a specified period of time, you can expect that fluorescent lamp pricing will be increased at the end of that term. For all other customers, lamp pricing will be increasing with orders as of August 1<sup>st</sup>. Some manufacturers have already indicated that they will be restricting order quantities placed prior to the announced increases.

I have attached price increase letters and recent articles to help further explain these increases.

Please ask your Loeb Electric salesperson, or feel free to contact me directly, if you are in need of additional information.

Thank you,

Douglas Beh, LC  
Director of Sales

**Loeb Electric**  
915 Williams Ave.  
Columbus, OH 43212  
614.421.3327 office  
614.294.3131 fax

June 19, 2011 7:38 pm

# Rare earth prices soar as China stocks up

By Leslie Hook in Beijing

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Prices of some rare earth metals have doubled in just three weeks amid heavy stockpiling in China that has raised fears over global supplies.

China produces more than 90 per cent of the world's rare earths, 17 elements used in hybrid cars, fluorescent lights and many high-tech applications.

A recent crackdown by Beijing on rare earth mines and restrictions on exports have caused chaos in some of these markets.

Japan and the US, the world's biggest importers of rare earths, have repeatedly voiced concerns to China, while complaints from industrial users of rare earths have been growing. Last year, China cut their exports by 40 per cent and temporarily banned exports to Japan during a political dispute.

Rare earth prices have already been rising sharply this year, but the recent sharp price increase has puzzled Chinese analysts, who blamed it largely on hoarding by companies who expect prices to rise further.

Heavy rare earths have been the most affected. The price for terbium oxide, used in hybrid cars and sonar systems, has risen to Rmb20,000 (\$3,000) a kilo from Rmb8,750 less than three weeks ago.

One European trader said: "It's a bubble, it's got to be, there is no end use that can stand that price," of rare earths.

In recent testimony to Congress, **General Electric**, which uses rare earths for train engines,

wind turbines and CAT scan equipment, urged Washington to ensure domestic supplies of rare earths in the US.

Some observers believe the US and EU may bring a case against China's rare earth policies to the World Trade Organisation, which is reviewing Chinese export restrictions on other raw materials.

Chinese officials said environmental concerns were the main driver behind a restructuring on the industry, which will close illegal mines and reduce output and ultimately put such state-owned miners as Minmetals, Chinalco and Baotou at the helm of the rare earth sector.

China began a stockpiling programme in 2010 that could eventually store up to 200,000 tonnes of rare earths, nearly twice the country's annual production, analysts said.

Traders said that in recent weeks "hot money" and speculation had driven up prices of rare earths inside China, while transaction volumes have fallen.



**Rare earth commodities**  
Price change since May 25 2011

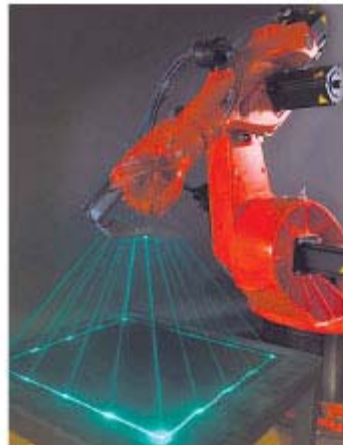


**Uses**

**Neodymium oxide**  
Permanent magnets for cell phones, hard drives, wind turbines. Also lasers



**Terbium oxide**  
Hybrid cars, fluorescent lighting, sonar systems



**Uses**

**Dysprosium oxide**  
Nuclear reactors, hybrid cars, lasers, sonar systems



**Europium oxide**  
LCD screens, fluorescent lighting

Source: Shanghai Metals Market; Antaike

Yin Jianhua, analyst at state-owned consultancy Antaike, said China's biggest producer of rare earths had sold only 1,000 tonnes of rare earth oxides in the first quarter of this year, compared with an annual output of more than 50,000 tonnes.

Beijing's controls spurred global miners to accelerate rare earth production outside China and some analysts think the industry could be oversupplied in a few years time as a result.

China gained a monopoly decades ago as lax environmental standards made it very cheap to mine rare earths there.

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## GE - Appliances & Lighting Lighting

TO: GE Lighting Customers

DATE: June 29, 2011

RE: **The Price Increase Notification for August 1, 2011**

Due to continuing inflationary pressure in raw materials, specifically rare earth elements, the Lighting business of GE – Appliances & Lighting is confirming its previous general price increase announced on June 1, 2011, and we are further refining it due to the rare earth situation.

Rare earth elements are a critical component in the production of fluorescent lamps as well as GE Reveal<sup>®</sup> incandescent and halogen products. Costs for these elements have risen dramatically over the past several weeks and months as a result of escalating global demand and restricted supply across multiple industries, including lighting. We have implemented operational improvements aimed at mitigating these costs, but these actions are not enough to offset the significant increases in the rare earth marketplace.

As a result, linear and compact fluorescent products will increase an average of 25% and incandescent products will increase an average of 10%. Actual price increases will vary by product and the remainder of the lamp and ballast product line increases covered by the June 1, 2011 announcement will stay the same. As per the prior announcement, the effective date of this change is August 1, 2011. Also, GE may need to limit orders prior to the August 1<sup>st</sup> change based on market conditions.

Price schedules and agreements will now only be available to you electronically on Elitenet or via your GE sales representative beginning July 18<sup>th</sup>. To download the new schedules and agreements please visit [www.geelitenet.com](http://www.geelitenet.com). For customers who have not yet registered on Elitenet, please visit [www.geelitenet.com](http://www.geelitenet.com) and click "Register Here" to set up your User ID and profile, or contact your GE Sales representative for assistance.

Please share this information with your sales, purchasing, and information technology personnel as appropriate. Please refer any questions you may have regarding these changes to your local GE Sales representative.

A handwritten signature in black ink, appearing to read 'Todd Gilmore'.

Todd Gilmore  
General Manager  
C&I Lighting

A handwritten signature in black ink, appearing to read 'Bill Hickey'.

Bill Hickey  
Interim General Manager  
Consumer Lighting

July 8, 2011

Philips Lamps Customers:

As a result of the Impact on Rare Earth Oxides and the extraordinary circumstances in the lighting industry, Philips must revise our previously announced September 1<sup>st</sup> 10% average price increase for Linear Fluorescent Lamps (TL), Compact Fluorescent Integrated (CFLi) and Compact Fluorescent non-integrated (CFLni) to an overall average increase of 25% effective on August 15, 2011. Specific price increase percentages will vary by fluorescent product family. All other products will remain at current levels resulting from the previous price increase effective on May 16, 2010. Please note the August 15<sup>th</sup> increase is over and above the increase effective on May 16, 2011.

Orders will be accepted and shipped based on current price schedules and availability up until August 12<sup>th</sup>, 2011. These orders shall not exceed 15% above the previous 90 day monthly average purchase history.

The August 15, 2011 increase will be factored into stock, end-user pricing programs, and Special Pricing Authorizations (SPA's). Updated price schedules and price agreements will be available in an electronic format on or before August 5, 2011.

As a world leader in lighting, Philips continues to lead the way in making improvements in the areas which remain within our control in terms of aggressively optimizing product designs which require REO's, reducing waste in the manufacturing process, recycling of various materials, as well as, numerous additional efforts intended to defray cost increases experienced from REO materials. Though these initiatives continue to deliver improvements, they are not enough to offset the ongoing and substantial cost impact resulting from the current global REO supply and escalating demand pressures.

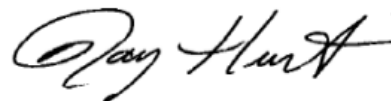
We plan to perform ongoing reviews and update our prices as required every 90 days commencing August 15, 2011. For more information concerning the REO situation, please contact your local Philips Lighting Account Manager or Agent. You will be alerted in advance should any supply issues result from REO availability.

We thank you for your continuing support of Philips Lamp products.

Very truly yours,



Bill Tortora  
Vice President, Sales  
Professional Channel



Ray Hurt  
Vice President, Sales  
OEM Channel