

## The Silver Shortage Of 2013

By Byron King | 02/13/13

Did you hear the U.S. Mint just ran out of silver? In mid-January, the Mint suspended sale of the 2013 run of its popular U.S. “Eagles.”

The new silver Eagles sold out fast. They went on sale, and buyers bought everything they could lay hands on. Within days, the shelves at the Mint were stripped bare. It’s not the first time that this has happened.

The Mint quickly announced that it’s obtaining new supplies of silver. It will stamp out more Eagle coins. There will be more to buy, or so they say. And yet... people in the silver markets are squirming — and I’ll tell you more about that, below.

Right now, silver sells for \$31.50 per ounce, give or take. That’s if you can find somebody to sell you their silver at that price. If you’re a normal, everyday retail buyer, good luck trying.

Let’s say you want to buy some silver. You call up one of those companies that advertise on the radio and find out that there’s a markup to \$40 or more for 1-ounce bullion coins. That’s if they have any to sell to the likes of you. After all, are you a big wheeler-dealer?

If you want the fancy versions of silver coins — “uncirculated” and “proof” specimens — the price is twice (or more) the posting for basic metal.

The bottom line is that silver is hard to get. You have to plan ahead to obtain the metal, and even the U.S. Mint gets its numbers wrong, now and again.

From what I’m seeing — and I’ll explain this, below — one of these days, the Mint might not simply resume sales so quickly. It won’t have the basic metal. And I suspect we’re going to see silver prices move much higher.

### The Global Silver Shortage

First, let’s review the global scramble for silver. How much of a problem is it? Well, it’s not just the U.S. Mint that has to worry about supply. Industrial users are in a bind, as well. I mean big, important companies.

Here's an example. Last summer, I visited a storage vault dug deep into solid rock and buried in the hills north of Zurich, Switzerland. It's a massive complex, right down the road from a Swiss Army base (and that's no accident). You can enter this facility only by prior appointment, because the Swiss customs department has to do a background check on you. The Swiss are very thorough, you may have heard.

The vault is constructed with huge steel beams and enclosed by thick, reinforced concrete walls. Accompanied by an armed guard, you have to walk down a long, sloping set of corridors and then take an elevator to get to the deep levels. Heck, it's like visiting a secure, military command bunker — of which I've seen a few in the course of my life's journey. Finally, after a hike, you arrive at the business end of this facility.



*Deeply buried storage vault, north of Zurich.  
Lots of heavy steel and thick concrete.*

This is no fly-by-night, rent-a-locker storage operation just off the interstate. It's world-class. It's a Swiss Fort Knox. In fact, in one zone of the vault, the Vatican keeps its gold. Seriously. As the vault manager told me, "Ja, de pope. He puts his faith in God. But he keeps his gold in Switzerland."

Don't laugh too hard. That line about the pope is sort of funny, but there's a serious point to be made with all the security — physical, political and legal — for precious metals. Storing gold in Switzerland? "Uneasy lies the head that wears a crown," as Shakespeare wrote in *Henry IV, Part II*. Today, even the Vatican is worried, evidently.

In another zone of the same complex, a German automaker — a household name whose motorcars are revered across the world — stores industrial quantities of silver, and I mean a LOT of it. Here's a photo of just a few pallets that belong to the German company.



*Pallets loaded with 22-pound bags of .999 fine silver.  
Property of well-known German automaker.*

These pallets cover the floor of a large room and are loaded down with innumerable 22-pound bags (10 kilograms, actually) of .999 fine silver. There's way more silver than what you see in the photo, but it's among the few pictures I was allowed to take.

Why does the German company store dozens of pallets of silver in a secure vault deep in the mountains of Switzerland? It's simple, really. So that the metal is there when the carmaker needs it. As one purchasing manager explained later in my travels, "For some metals, like silver, there's no such thing as 'just in time' delivery anymore."

In other words, this German company buys silver when it's available. In fact, the company buys as much as it can acquire. Then it stores and stockpiles the material in a vault in the mountains of Switzerland, right next to the pope's gold.

The moral of the story is that when you need something, you need it. It has to be there when the time comes. That's the key to the silver story.

### **Why Isn't This "News"?**

Are you beginning to suspect that perhaps there's something going on with silver? Maybe there's — not to put too fine a point on it — not enough silver to go around?

Exactly. Despite many silver mines across the world and the silver developer wannabes out there raising cash on the stock markets of the world, there's just not enough physical metal to meet actual demand.

Oh, yes, people trade "paper silver." But real silver — the kind you put into 22-pound bags — is scarce. It's scarce enough, at least, for one of the largest German automakers to store its silver in a Swiss vault, next to the pope's gold.

Then again, does anything about this silver issue strike you as odd? In particular, high demand and scarcity of silver isn't exactly a news item in the mainstream U.S. media, right? Is the story on ABC News? CBS' *60 Minutes*? MSNBC? Is silver part of any plotlines on *NCIS* or *CSI*? Does Jay Leno crack jokes about silver? Nope.

So, asks the skeptic, is this silver scarcity thing a "real" story? Well, sez I, in reply, what would it take to get silver into the news?

For the average U.S. media-absorber — including almost all of the political class who set national spending and monetary policy — the global scarcity of silver may as well be happening on the far side of the moon. Heck, in the U.S., with its low-common-denominator Potemkin media, the silver story may as well not exist.

Since I'm on the topic, I have to wonder what it would take for the U.S. media to pick up the silver story. I suppose Oprah would have to interview Lance Armstrong and Lindsay Lohan about the metal. Jennifer Aniston would have to hit the talk shows, smile demurely and discuss the decline of the dollar. Brad Pitt would have to sit down with Joan Rivers and explain why everyone ought to buy precious metals as part of their fashion statement.

Then the silver story might get some traction. People might begin to care about the monetary and industrial squeeze that's reflected by the supply and demand issues behind silver.

Until then? The investment field is wide open. You can set yourself up to make some money. With silver prices poised to head higher, now's the time to find your favorite silver bargains and buy in cheap.