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An Interview with Richard A. Peterson



Richard A. Peterson

U.S. MINT

“The American Eagle Silver Bullion Coin remains the number-one selling silver bullion coin in the world and is clearly a success story. Moreover, the American Eagle Silver Bullion Coin Program - like all of the United States Mint’s numismatic programs - is self-sustaining and operates at no cost to taxpayers.”

With growing interest in the American Eagle Silver Bullion Coin, we asked Richard A. Peterson, Deputy Director of the United States Mint, to discuss the world’s most popular silver bullion coin and also some of the challenges the Mint faces in its production. A member of the Mint team since October 2008, Mr. Peterson served as Associate Director for manufacturing prior to assuming his current position. Before joining the Mint, Mr. Peterson served for eleven years as an executive for the General Electric Company, working in the company’s healthcare business. He served in several senior supply chain roles with responsibilities in negotiations, supplier selections, acquisition integration, supplier performance and productivity.

Silver News: For people not familiar with the American Eagle Silver Bullion Coin program, please describe its history and purpose.

Mr. Peterson: The principal purpose of the American Eagle Silver Bullion Coin Program is to provide individuals who want to invest in physical silver with a convenient, affordable, domestically-produced silver bullion coin backed by the U.S. Government. Its secondary purpose was to help the U.S. Government sell the silver in the Strategic and Critical Materials Stockpile in an orderly fashion and in a manner that would have minimal impact on the marketplace. For many years after the program first launched in November 1986, the United States Mint acquired all the silver that went into the production of these coins from the Stockpile, which was maintained by the Defense Logistics Agency. Once the silver in the Stockpile was depleted in 2002, the Mint began procuring the silver for these coins from domestic sources on the open market.

SN: How would you compare the American Eagle Silver Bullion Coin to the American Eagle Gold Bullion Coin program? Although both are selling well, why do you believe that the silver program is more popular with customers?

Mr. Peterson: The American Eagle Silver Bullion Coin enjoys a dominant market share worldwide. While the price of gold continues to trade at levels that puts gold bullion coins out of the reach of many investors, silver remains relatively affordable. Add to this the American Eagle Silver Bullion Coin’s unique backing by the U.S. Government and its beautiful and uniquely American design and you can see why demand for these coins has continued to grow. Needless to say, the coin’s weight and assay content are irrefutable.

Investors who want to add precious metal to their portfolios have many options. There are now silver-backed exchange-traded funds, silver mining stocks, and, in its purest form, physical silver. One-ounce American Eagle Silver Bullion Coins allow investors and collectors who want to hold a physical form of precious metal in their investment portfolios a convenient and relatively cost-effective way to do so.

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SN: The American Eagle Silver Bullion Coin program is the most successful silver coin in the world. Why do customers worldwide gravitate to the Silver Eagle? Is it marketing, perceived value, credibility, advertising?

Mr. Peterson: The American Eagle Silver Bullion Coin is the only silver bullion coin produced in the world that enjoys the backing of the U.S. Government. The very stringent blank production specifications result in one of the highest quality bullion coins in the world. Its high quality, iconic design and government backing continue to attract new and old investors alike.

The American Eagle Silver Bullion Coin Program has built up over 27 years of brand recognition in the marketplace. Demand for these coins has exploded over the past few years with the Mint selling more American Eagle Silver Bullion Coins in the last five years than it did in the previous 20 years. Accordingly, the Mint has not had to spend money on advertising the program. However, due to its popularity, the coin continues to be marketed and advertised heavily by private sector retailers. This has led to even more demand for the American Eagle Silver Bullion Coin as awareness for the coins continues to grow.

SN: On several occasions, the Mint was unable to meet demand. What were the causes and how did you try to address it? How do you anticipate demand and match it with supply? (See related story, "U.S. Mint Ran Out of American Silver Eagles," on page 4.)

Mr. Peterson: For the first 22 years of the American Eagle Silver Bullion Coin Program, the Mint would typically sell between 3 million to 10 million coins per year. Since the start of the latest economic downturn, which began in December 2007, sales have almost quadrupled from 9,887,000 in 2007 to a peak of 39,868,500 ordered in 2011. The table depicts this growth:

United States Mint American Eagle Silver Bullion Coin Sales CY 2007 – CY 2012	
Calendar Year	AE Silver Ounces Ordered
2007	9,887,000
2008	19,583,500
2009	28,766,500
2010	34,662,500
2011	39,868,500
2012	33,742,500

The rapid increase in demand for all silver bullion coins has put a severe strain on all global suppliers and, as a result, the Mint was unable to obtain a sufficient number of blanks to meet market demand. As a result, we were forced to allocate coins to our Authorized Purchasers. Precious metal demand can be extremely volatile. After peaking in 2011, our demand in 2012 fell by over 22% in the first half of the year, only to surge again in the last quarter of the year. Our January 2013 demand was up almost 23% from January 2012. This volatility makes forecasting extremely difficult as demand is driven by external factors beyond the Mint's control.

Overall, we attempt to manage our supplies in a manner that ensures we have a sufficient number of coins to meet the weekly demand of our Authorized Purchasers. When that demand exceeds our ability to acquire a sufficient number of blanks, we then go on allocation until our inventories can be rebuilt again and the supply of blanks increased so that time spent on allocation is minimized.

The situation at our suppliers is understandable. The investment required to establish additional capacity requires careful financial analysis, and the demand from global mints did not exist throughout the early part of the last decade. The United States Mint has worked diligently over the last five years to grow our supply of silver blanks. As I noted in the table, we have almost quadrupled the amount of coins we have sold between 2007 and 2011.

SN: Please explain how the Authorized Purchasers program works.

Mr. Peterson: At the inception of the American Eagle Silver Bullion Coin Program, the United States Mint decided to establish a network of Authorized Purchasers to promote the coin's liquidity by ensuring that they could be readily traded in a two-way market. Indeed, most world mints that produce bullion investment coins use the same kind of two-channel distribution network in which the manufacturing mint sells its bullion coins in large, bulk quantities (25,000 per order is the Mint's minimum) to a list of precious metal wholesalers that in turn either sell the coins in small quantities to the public or to other precious metal dealers.

We established strict criteria that Authorized Purchasers must meet to qualify to purchase the coins directly from the United States Mint. We believe that the Authorized Purchaser network provides the most cost-effective way to distribute the coins to investors at the lowest premium possible. We have 12 Authorized Purchasers that are approved to purchase American Eagle Silver Bullion Coins directly from the U.S. Government.

SN: What do you believe is the future of the American Eagle Silver Bullion Coin program?

Mr. Peterson: Demand for the Mint's American Eagle Silver Bullion Coins has been above 30,000,000 ounces for the past three years. This is a significant increase in demand over earlier years. Our challenge is to ensure that we can continue to meet market demand for our coins. Production capacity is not an issue for us as we currently produce the American Eagle Silver Bullion Coins at two different production facilities: the United States Mint at West Point and the United States Mint at San Francisco.

SN: Is there anything else you would like our readers to know about the American Eagle Silver Bullion Coins coin program?

Mr. Peterson: The American Eagle Silver Bullion Coin remains the number-one selling silver bullion coin in the world and is clearly a success story. Moreover, the American Eagle Silver Bullion Coin Program - like all of the United States Mint's numismatic programs - is self-sustaining and operates at no cost to taxpayers.

Our annual sales volumes may shrink or swell as collectors and investors build or unwind positions, but there will always be demand for these beautiful American-made coins.

New Video Tells the Story of Silver

The Silver Institute has released a video titled, *Silver: The Element of Change*, which covers silver's role in history, science, medicine, industry and finance, from its first mining in Turkey 5,000 years ago to its use in today's most advanced electronic devices. The video explains how silver has changed the course of people's lives with its role as a natural bactericide, to the exploration of the New World by Spaniards seeking silver, to modern investors who use silver as part of a diversified financial portfolio.

This seven-minute video explains how no metal is as indispensable to modern life as silver. Without this metal, our mobile lifestyle would be impossible as silver is an integral part of nearly every computer, smartphone, automobile and modern appliance. The white metal is not only versatile – used in all of these in addition to solar panels, jewelry, silverware, coins, industrial processes, plumbing and water purifiers – but it is also highly recyclable once used in these and other applications.

Silver: The Element of Change is available free to watch on line by clicking the picture below or you may download it [here](#).



Sterling Silver Jewelry Sales Strong During Holiday Season

Sterling silver jewelry sales continued their strong performance during the recent Holiday Season, according to industry observers and retail sales surveys.

[Jewelers Circular Keystone](#) noted that retailers across the United States reported that “Sterling silver was the shining star of the Holiday Season in all types of pieces and increasingly higher price points.” In a separate report, Liz Chatelain, President of [MVI Marketing](#), said, “The silver with diamond category has now grown into a full-blown category to which every major retailer is committing shelf space and marketing budgets.”

According to Amanda Gizzi, Director of Communications at [Jewelers of America](#), “Many designers are using silver, and the range of silver jewelry is broadening. People are getting comfortable with sterling being part of a fine jewelry collection.” She added: “Detail and intricacies in silver are in line with what we’re seeing within fine jewelry in general, this year - fine textures and super feminine and floral designs...as well as geometric shapes and open cuffs with squares and maze patterns. We are seeing it more in silver than anything else. Another ongoing trend is the use of diamonds, pearls and gemstones in sterling silver designs.”

Michael Barlerin, Director of the [Silver Promotion Service](#) (SPS), a division of the Silver Institute, noted that branded silver jewelry has become an increasingly important segment of retail jewelry sales in recent years. “During the recent 24 Karat Club Dinner in New York, I had the opportunity to talk to eight of our SPS Savor Silver Partners and all had exceptionally strong seasons. I look forward to seeing the results of our forthcoming Nielsen/National Jeweler survey, to be fielded in coming weeks, which will quantify the overall results.”

Most Expensive Coin in the World Sold at Auction

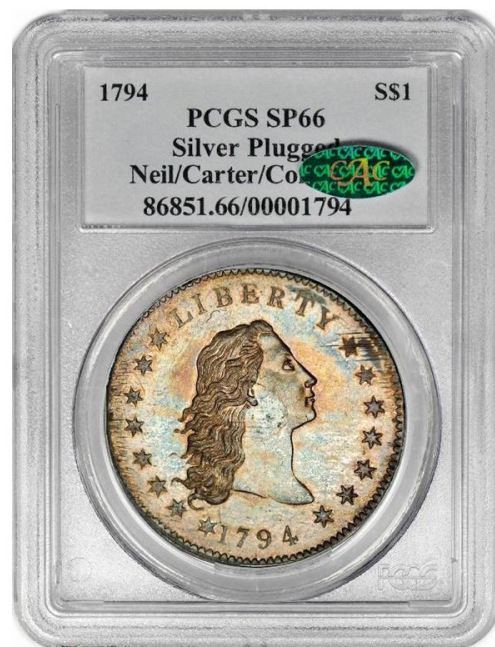
The highest price ever paid for a coin – US\$10,016,875 - was for the 1794 *Flowing Hair Silver Dollar* which sold in January in New York City by Stack's Bowers Auctions.

The coin was sold by the Cardinal Collection to Laura Sperber of Legend Numismatics.

The final price topped the previous auction record of US\$7.59 million for a 1933 *Saint-Gaudens* gold double eagle in 2002. Legend Numismatics, a New Jersey firm, won the 1794 silver dollar with a final bid of \$8.525 million. The total price of more than \$10 million includes a 17.5% buyer's fee. The coin was last sold in 2010 for \$7,850,000.

According to coin researchers, this coin may be the first U.S. silver dollar struck of 1,758 pieces produced during the U.S. Mint's first year of silver dollar fabrication. It is unique, because it contains a silver plug, believed added by the Mint to make certain that the coin contained a specified amount of silver.

Click [here](#) for a video of the auction including interviews with attendees.



The 1794 Flowing Hair Silver was the first silver dollar produced by the U.S. Mint. This one fetched over \$US10 million at auction, the highest price ever paid for a coin.

Strong Sales Cause U.S. Mint to Run Out of Silver Eagles

Canadian Mint Rationed Maple Leaf Coins

On January 17, the [U.S. Mint](#) informed authorized purchasers that they had run out of 2013 American Silver Eagle coins and were suspending sales until the end of the month.

This announcement came after more than six million of the one-ounce coins were sold since they went on sale January 7. On that day, authorized purchasers had ordered almost 4 million coins, the highest one-day sales in the program which began in 1986.

The Mint also had run out of all 2012-dated coins on December 17, 2012 and did not produce new ones in anticipation of the 2013 coins.

January sales tend to be high because of buyers wanting the newest coin. This year, January Silver Eagle sales were 7,498,000, which exceeded the record set in January, 2012 of 6.1 million. Last year saw record sales of 33,742,500 coins.

Between 2008 and 2010, short-term sales suspensions and rationing of Silver Eagle coins had occurred on several occasions. The shortage of blanks also caused the Mint to cancel collectors' versions of the coins in 2008 and 2010. The Mint attempted to address the shortages by improving fabrication processes at the West Point Mint, adding additional blanks suppliers and adding supplemental Silver Eagle production at the San Francisco Mint.

The US Mint is not alone in shortage problems. After the U.S. Mint announced its shortage, the [Royal Canadian Mint](#) also suffered from a silver coin shortage and limited sales to distributors of their popular Silver Maple Leaf coin.



The American Silver Eagle is the most popular silver bullion coin in the world.

Antibiotic Drugs Delivered by Real Silver Bullet

Researchers at Louisiana State University are working on a nanoscale drug delivery system that uses silver to help target antibiotics to specific locations in the human body.

By sharp targeting of antibiotic drugs, they hope to lessen the overall use of antibiotic drugs which suffers from drug resistance because of overuse.

The delivery system is composed of an iron core inside a ceramic shell covered by a silver coating, according to Dan Hayes, assistant professor and an engineer at the LSU AgCenter Department of Biological and Agricultural Engineering. The entire 'bullet' is then covered with drug molecules that attach to the bacteria causing the infection.

"The objective is to create an antimicrobial and diagnostic combined in one package. The silver provides a broad spectrum of antimicrobial activity while the surface coating/surfactant provides selectivity. The paramagnetic iron core provides contrast for an MRI allowing the infected tissue to be pinpointed more precisely," says Hayes.

"We use targeting molecules that have been identified to be attracted to particular bacteria," Hayes says. "When it hits the right bacteria, it sticks." He adds that it is particularly effective in attacking bacteria in deep tissue such as those resulting from implant surgery.

The iron core is about 6 nanometers across, and by the time the ceramic and silver coatings are added, the particle can be about 50-60 nanometers across. Then the target molecules are added. "Generally, the particle is about 70 nanometers across," Hayes says.

Once the 'bullet' reaches the infection, the antibiotic drugs are triggered by the infection or it can be activated by a laser from outside the body.

Upcoming Events

The *World Silver Survey 2013* will be released on April 24 in New York City and the following day in Mexico City. The New York event will be available on a webcast. Details will be made available on the Silver Institute website www.SilverInstitute.org.

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