



National Coin & Bullion Association

Blanks Issues Draw Blank Responses from U.S. Mint—Consequences of Mint Problems

The American Silver Eagle was once the top-selling bullion coin in the world. In recent years, however, dealers have struggled with selling U.S.-minted bullion coins as prices in the United States have far outpaced the prices of similar coins from foreign mints. When this was brought to the attention of the National Coin & Bullion Association, our research indicated that this issue could be laid directly at the feet of the U.S. Mint itself because of forced scarcity in its production practices and markups in the price as coins change hands between the Mint and dealers. Because of these issues, Silver Eagles are falling from grace as the “number one investment product” in the United States and are priced too steep for many collectors. The Mint’s failure to address problems of its own making has molded the Silver Eagle into a poster child for many of the problems facing U.S. bullion-coin dealers.

Issues Facing the Mint

Questionable “Supply and Demand” Issues

By law, the U.S. Mint is required to produce “sufficient numbers” of American Eagles to “meet demand.” The Mint has ignored that legislative requirement in recent years—even using blanks that could be utilized for producing more American Silver Eagles for other Mint products and then faulting suppliers for failing to provide enough blanks, claiming that the pandemic was a cause of blank shortages and/or production issues. Minting other products with these blanks goes against past Mint interpretations of guiding legislation, according to former Mint executives.

Although the Mint has argued that it was not possible to obtain enough blanks, especially during the pandemic, production records do not support the Mint’s argument. In fact, the Mint purchased and struck 40% more American Silver Eagles in 2020 and 2021—at the height of the pandemic—than Australia’s Perth Mint struck of its one-ounce bullion coins during the same time period. Those ratios completely reversed during the 2022 post-pandemic period, with U.S. Mint production dropping significantly. In September 2022, the Mint informed dealers in a letter that it would be increasing American Silver Eagle production quantities, when the Mint’s own bullion sales website posted the opposite information.

Contract Issues for Blanks

While we could argue that the Mint is misusing the blanks it does have, there is something to the argument that there are not enough blanks to go around. Blank suppliers’ issues are probably related to Mint contract issues. Recently, the Mint appears to have had only one source from which to acquire blanks. Interviews with companies that have supplied blanks in previous years detail their difficulties in dealing with the Mint—not only with the specifications required, but also the Mint’s refusal to commit to purchasing a guaranteed number of blanks. More importantly, one company stated that since the Mint would not contract to purchase a specific number of blanks, the blanks could be more profitably sold to producers of “rounds”

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when the silver market was up.

Excessive Wholesale Premiums Make ASEs Unprofitable Investments

The Mint sells American Silver Eagles through a network of Authorized Purchasers (APs). APs create the wholesale price for Silver Eagles based on the international spot price of one troy ounce of silver, adding a “modest premium,” stated to cover “minting, distribution, and marketing costs.” Finally, dealers will sell at retail prices to collectors and investors.

The Mint’s website specifies that American Eagles are provided at a “modest premium” and are a “cost-effective way to invest in precious metals.” But when we compare the premium APs with the Mint charge on American Silver Eagles to the premium for other major world mint bullion coins, the percentage of Silver Eagle premiums above spot silver prices are unbelievably disadvantageous to U.S. consumers. For example, on June 15, 2023, spot silver was quoted as \$23.42. Premiums charged by APs/the Mint was \$10.50, making the cost to dealers (\$33.92) 44.8% above the silver spot price, before any dealer profit was added. Contrast that with the Canadian Mint Silver Maple Leaf, with a premium of only \$3.25 (USD) above spot silver—only 12% above the spot price.

Since the Silver Eagles are often touted as “permitted to be placed in IRA accounts,” the Mint has perverted what was intended as a safe investment option for Americans based upon its assertion that it would charge only a “modest premium” and be “cost-effective.” Under the standards set by some recent New York court actions and state and federal agency inquiries, the Mint, if a private company, could arguably be charged as complicit in misleading elderly investors.

Causes of Mint Problems

Supply and Demand Issues

The Mint does not plan in advance to meet American Silver Eagle “demand.” Although prioritized by law for American Eagles, blanks are needed for the Commemorative coins mandated by Congress, as well as other Mint-created numismatic coins and/or medals, which frequently have the same purity and size requirements as Silver Eagles. The blanks they have, therefore, have multiple potential uses. The absence of a monitored blank acquisition plan is devastating. Many of the numerous higher-priced numismatic items initiated by the Mint are prioritized during blank shortages, reducing its ability to meet mandated American Silver Eagle production requirements. The limited runs of Silver Eagles create scarcity, which consequently affect prices for the Silver Eagle bullion coins desired by investors. The Mint markets numismatic items to entirely different categories of consumers. But public hostility over prices ends up too often aimed at the dealer who has to inform the purchaser about the current cost of the Mint’s items.

Contract Issues for Blanks

Both directly and indirectly, the “sole source” supplier situation virtually guarantees supply problems. The Mint does not want to contract for more blanks than necessary to meet the American Eagle demands, and the supplier does not want to be restricted from sales to other buyers if sales to the Mint are not guaranteed.

As a result of the uncertainties, it becomes likely that the supplier will follow the marketplace in choosing between supplying the Mint or meeting demands from other blank users for their own bullion or numismatic products. The Mint has stated it is looking for other blank suppliers. Some other world mints produce their own blanks.

Causes Of Excessive Premiums

No major world mint that we surveyed makes it more difficult to become an authorized purchaser than the U.S. Mint. Only a relatively small number of U.S. Mint APs have been approved, possibly contributing to the high premium structure of the Mint's claimed "modest premium." The wholesale markup charged to dealers by APs in recent years is often much higher than the Mint's initial premium charge. In the past, the U.S. Mint has acted to restrict APs charging high premiums, like with the "America the Beautiful" program launch in 2010. The current Mint, though, doesn't seem to fully understand the complications of a very substantial—sometimes enormous—markup added to the Mint's premium. This has resulted in a marketplace disadvantage to the American consumer unlike any other country and has turned bullion investors away from the American Eagle.

Because the Mint has mostly ignoring the wholesale and retail marketplaces, the Mint is complicit in the unpredictable, broken, and skyrocketing premium system. Further compounding these factors is the Mint's suspension of additional AP approvals. The Mint placed a notice on its website several months ago:

"The United States Mint is currently reviewing and updating our requirements for becoming an authorized purchaser of United States Mint products."

During this review of procedure—now exceeding several months—the Mint has suspended the review of all applications.

The Mint continues to describe the American Silver Eagle as "the number one investment product," apparently unaware of the impact of high premiums on investors' interest. In the past three years, retail pricing is often excessive compared to silver bullion coins available from other world mints with much lower premiums. Some of the other mints' products are even .9999 fine silver, compared to the U.S. Mint's .999 fine silver American Silver Eagles. The premium structure unintentionally created by the U.S. Mint is not good for the consumer or dealer but has resulted at times in greatly increased profits on American Silver Eagles sales by the APs. Retail dealers we have surveyed noted that response by new customers to their ads featuring American Silver Eagles has dramatically decreased. This affects the entry of new clients into the numismatic and investments markets, as a whole. Consequently, many dealers have turned to advertising more foreign silver bullion coins, to the detriment of the American Silver Eagle program.

Suggested Cures

Supply and Demand

1. Each category of Mint products should be planned for separately to ensure supply availability. Since the Silver Eagles are mandated by law for preference in striking, the U.S. Mint should examine the procedures employed by other major world mints. It should be reasonable to expect the U.S. Mint to do what other mints do well.
2. The Mint's contracts should be written to fairly treat both the Mint and the supplier, so that fluctuations in bullion price are anticipated. Blanks sales should be subject to a pre-determined scale based upon the spot price of silver.
3. Commemorative coins mandated by congressional legislation should contain language conforming to the existing law, giving Silver Eagles preference and providing the Mint

with greater latitude and authority to contract for the additional blanks required for the commemorative coins if prioritizing Silver Eagles threatens their production.

4. Other numismatic products should remain subject to the current law on American Silver Eagle preference but allow the Mint additional latitude to contract from sources other than the supplier of American Silver Eagle blanks, if only for the production of numismatic products otherwise unable to be lawfully minted.

Contracts for Blanks

1. The Mint should have the latitude to acquire blanks from non-U.S.-based manufacturers if its U.S. supplier or suppliers are unable to deliver the required volume of blanks for Silver Eagles and other Mint needs. Alternatives to the “sole source” situation must be created.
2. The Mint’s technical standards for blanks should be re-examined to determine whether the same standards are required for every product or form of strike (i.e., proof or other special finish).

Excessive Premiums

The APs were created for the purpose, in the Mint’s words, of creating “a two-way market buying and selling to wholesalers, financial institutions, and other secondary retailers.” There have been many benefits to the services provided by the APs.

The current limitation on the number of APs could restrict that intention and allow a small group to control premiums and markups that are layered on top of market conditions. This has resulted in large swings in the premiums added by the APs.

For example, in August 2022 the American Silver Eagle sold for \$12.50 over spot compared to the Canadian Maple Leaf at \$4.75, Australian Kangaroo at \$4.80, and Britannia King at \$4.00. Silver Eagles premiums have bounced up and down in part based upon supply and demand, but too often the Mint’s APs are imposing large premiums well above those of competing world mints.

The cure is obvious.

1. More APs will force more competition and possibly bring better premium pricing.
2. If the Mint cannot qualify more APs (despite there being several reputable dealers currently awaiting approval), legislation should be passed to direct the Mint to reach beyond U.S. sources if necessary. Congress should examine why major world mints do not have the “AP high premium volatility” issues.
3. The Mint should consider allowing credit-worthy non-APs to make large bulk purchases directly from it. These bulk purchasers could pay slightly more than the APs, providing extra income to the U.S. Mint.

Such actions could prevent the kind of premium swings that did not exist before 2021 and have continued over and over ever since.

Until the issues of scarcity and excessive markups in pricing are resolved, the market is going to continue to see difficulty in moving Silver Eagles compared to other world mint bullion coins. Dealers will not want to continue losing money trying to push the Silver Eagle when there are other, more cost-effective options available. The American Silver Eagle should be returned to

the status of consistently being the “number one investment product” in the country, but more than that, U.S. purchasers and IRA investors should return to being the number one concern for U.S. Mint.

CHARTS

U.S. Mint Annual American Silver Eagle Sales and Pricing and that of Other Mints:

U.S. Mint Silver Eagle Sales (ounces)		Perth Mint Australian Silver Sales (ounces)	
2020	- 30,089,500	2020	- 16,452,490
2021	- 28,275,000	2021	- 19,091,681
*2022	- 16,000,000	*2022	- 23,176,142

<u>U.S. Mint Bullion Coins</u>	<u>2022 Sales</u>	<u>2023 Sales (Jan-Nov 30)</u>
Silver American Eagles	16,000,000	24,225,000

2023	-	January	3,949,000	
		February	900,000	
		March	900,000	
		April	900,000	
		May	1,593,000	
		June	1,482,000	
		July	2,091,000	
		August	3,124,000	
		September	2,970,000	
		October	3,938,000	
		*November	<u>2,378,000</u>	(As of 11/30/23)
		*Total	24,225,000	

The British Royal Mint noted their 2022 silver bullion sales **rose 29%** over 2021 sales. *

U.S. Mint AP Silver Eagle Premiums, Month of January

2019	\$2.25-\$2.50 over spot
2020	\$2.25-\$2.50 over spot
*2021	\$4.00 over spot
*2022	\$7.50-\$8.00 over spot
*2023	\$7.50-\$8.00 over spot
2024	\$4.00 over spot (Pre-Sale)

Total Premiums on 2022-2023 ASEs and Competing Nations' 2022 and 2023 One-Ounce Silver Bullion Coins:On August 29, 2022:

Eagles	\$12.50 over spot
Maples	\$4.75 over spot
Britannia Kings	\$4.00 over spot
Kangaroo	\$4.80 over spot
Krugerrand	\$4.00 over spot
Philharmonic	\$4.00 over spot

On May 2, 2023:

Eagles	\$14.00 over spot
Maples	\$5.00 over spot
Britannia Kings	\$3.00 over spot
Kangaroo	\$3.20 over spot
Krugerrand	\$2.85 over spot
Philharmonic	\$3.00 over spot

On June 14, 2023:

Eagles	\$10.50 over spot
Maples	\$3.25 over spot
Britannia Kings	\$3.00 over spot
Kangaroo	\$3.20 over spot
Krugerrand	\$2.45 over spot
Philharmonic	\$2.00 over spot

On July 12, 2023:

Eagles	\$6.00 over spot
Maples	\$2.35 over spot
Britannia Kings	\$2.30 over spot
Kangaroo	\$2.35 over spot
Krugerrand	\$2.45 over spot
Philharmonic	\$1.80 over spot

On July 25, 2023:

Eagles	\$4.50 over spot
Maples	\$2.35 over spot
Britannia Kings	\$2.10 over spot
Kangaroo	\$2.30 over spot
Krugerrand	\$2.35 over spot
Philharmonic	\$1.80 over spot

On August 1, 2023:

Eagles	\$3.70 over spot
Maples	\$2.35 over spot
Britannia Kings	\$2.10 over spot
Kangaroo	\$2.30 over spot
Krugerrand	\$2.35 over spot
Philharmonic	\$1.90 over spot

On August 29, 2023:

Eagles	\$4.40 over spot
Maples	\$2.30 over spot
Britannia Kings	\$1.95 over spot
Kangaroo	\$2.20 over spot
Krugerrand	\$2.30 over spot
Philharmonic	\$1.85 over spot

On November 14, 2023:

Eagles	\$3.90 over spot
Maples	\$2.35 over spot
Britannia Kings	\$1.95 over spot
Kangaroo	\$1.70 over spot
Krugerrand	\$1.95 over spot
Philharmonic	\$1.80 over spot

On December 7, 2023:

Eagles	\$3.40 over spot
Maples	\$2.35 over spot
Britannia Kings	\$1.90 over spot
Kangaroo	\$1.70 over spot
Krugerrand	\$1.60 over spot
Philharmonic	\$1.70 over spot

On November 14, 2024:

Eagles (2024)	\$4.00 over spot (Pre-Sale)
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* = Noteworthy change from previous numbers

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Jimmy Hayes is NCBA's general counsel, a numismatist and former member of Congress. He has also served as Commissioner of Financial Institutions and Commissioner of Securities in Louisiana. Jimmy Hayes and Anthony J. Correro (Securities professor at LSU Law School) wrote the current Louisiana Securities Code.

Mike Fuljenz is a member of the NCBA board of directors and executive committee, and chair of the ASE Supply Challenge Committee. Mike received the prestigious lifetime achievement, Clemy Award, from the Numismatic Literary Guild in 2013 and in 2021 was named the Dealer of the Year by the American Numismatic Association. He is the president of Universal Coin & Bullion, a renowned company in the field.