

Welcome to the C.N.A. E-Bulletin Vol. 3, No. 13 – March 6, 2007

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SPECIAL “\$1 MILLION DOLLAR COIN” EDITION

INTRODUCTION

Quite a few unusual items have been published about our soon-to-be introduced (or not) \$1 million dollar coin. I know you are a smart lot, but a number of people from the general population seem to have absolutely the wrong idea about the coin. I have seen a number of postings on websites where they are wondering how anyone could possibly want to carry it around in their pocket, the problem of having sufficient change on hand when they make a purchase with it, and some think it's a waste of money even though it would be a moneymaker for the Mint and the Canadian taxpayer.

“Misguided” is my one-word summary for them. Those that think this is a circulating coin must surely be kidding, right?

WE HAVE MAIL

From Ralph Trimble: “Judging by the articles in the papers about the new million dollar coin, I guess you were a little ‘off’ in your suggestion in last Friday’s bulletin that the gold content would probably be worth only 50 or 60 thousand dollars. Seems it’s going to be two million dollars or more! And at 100 kg, what are the rich folks supposed to DO with it...mount it on their wall? How many in a roll? But knowing that it is going to be 99.999% pure, instead of just that cheap stuff at 99.99%, I guess I WILL pick up a couple of rolls, after all.” – Yes, I was off in my prediction, but only about a million-and-a-half, thinking that it would sell for \$1 million dollars. By the way, how many to a roll?

THE \$1-MILLION COIN

The following, written by Paul Waldie, is one of the original announcements that appeared in the Globe and Mail:

For years, the Royal Canadian Mint has dominated the world market for gold coins, thanks largely to its popular Maple Leaf series that have been renowned for flawless quality and 99.99 per cent purity.

But with the gold market stronger than ever, the Mint is facing tough competition from Austria, Australia, the U.S. and China, which have jumped into the fray with coins that match Canadian quality.

To help win back attention and gain some bragging rights, the Royal Canadian Mint plans to launch the world's largest coin in April, a 100-kilogram piece that will carry a face value of \$1-million. The coin will feature a new Maple Leaf design and it will be one notch purer than any other bullion coin - 99.999 per cent.

The Canadian product will be three times larger than the current world champion, a 31-kilogram coin made by the Austrian Mint. Dubbed “Big Phil” after its namesake the Vienna Philharmonic Orchestra, the Austrian coin carries a face value of 100,000 euros (\$152,500 Canadian).

FROM THE GLOBE AND MAIL

At 100 kilograms, the metal in the new Maple Leaf coin will be worth more than twice its face value, based on gold's current price of \$684 (U.S.) an ounce.

Mints typically keep the face value low to ensure that these coins are not actually used as legal tender. They don't want consumers showing up at banks and demanding cash for the coins, which has happened in the past and caused much confusion.

The Mint acknowledged in a regulatory filing that it won't sell many of the coins and that the venture is a marketing ploy.

"The Royal Canadian Mint has recently lost some of its competitive edge in the industry with the introduction by other competitor Mints of 99.99-per-cent gold bullion coins," the filing said. The new coin "would create market visibility and excitement for the Royal Canadian Mint as it would be the world's largest, purest and highest denomination gold coin."

The Mint added that the coin will be mainly used "for advertising and promotional purposes at national and international events related to the bullion and investment industry."

Alex Reeves, a spokesman, said the Mint has received a few orders for the new piece, but he added that production "will be small in numbers and for a limited period." There is more than just bragging rights at stake for the Mint. Sales of gold coins and bullion accounted for almost half of its \$435-million (Canadian) revenue in 2005, the most recent available figure. While sales increased over 2004, operating costs jumped 35 per cent. The result was a 17-per-cent drop in profit to \$8.7-million.

The global coin trade is estimated at about \$3-billion (U.S.) in total and it's concentrated in much smaller pieces. More than half of the market is dominated by one-ounce gold coins. The Canadian Maple Leaf has been the undisputed top seller in that category since 1979, when it supplanted the krugerrand as the coin of choice.

But in recent years competition has emerged from a variety of new products including the Panda series from China, Kangaroo Nuggets from Australia and the American Buffalo launched last year by U.S. Mint.

"This market is cut-throat, you have no idea," said Bret Evans, editor of Canadian Coin News. "This is a stunt, pure and simple," Mr. Evans added, referring to the Canadian mega-coin. "They believe it will help them sell more coins."

Others are more skeptical. "Who is going to buy it and where are you going to put it?" said Don Carlson, a coin dealer in Calgary. "And how would you store it?" Mr. Carlson said the largest gold product he sells is a one-kilogram bar. "And we don't sell them very often."

Brian Jenner, a coin dealer in Washington State, hadn't heard of the new coin but he said Canada is losing some ground to products from the United States and Australia. "There is more from the Australians, they are getting aggressive in some areas," he said. Over all, Mr. Jenner said he has never seen the coin market so strong for so long. "I've been in this business for 40 years," he said. "This is the longest sustained rally I've seen."

COMMENTS ON THE GLOBE AND MAIL WEBSITE

Gary Reid from Ottawa, Canada writes: "Now there is a coin that would put a hole in your pant's pocket! Might be tough to get change from my local Tim's after ordering my morning double-double."

Conservative Die Hard from Toronto, Canada writes: "What a waste of tax payer's money."

Jay Nad from Oddawa, Canada writes: "Not a waste of money, just smart marketing. I bet they could sell more than they make. So much more attractive than ordinary gold bars. A real waste of public money is the fact that the mint still makes and distributes pennies."

D K from Canada writes: "A Milloonie?"

Wayne B from Calgary, Canada writes: "D K, that's a good one! A Milloonie! I thought I was transported to April 1 when I read this article."

FROM THE OTTAWA CITIZEN

The following, written by Tim Naumetz for CanWest News Service, appeared in the Ottawa Citizen:

In a move some see as downright loonie, the federal cabinet has authorized the Royal Canadian Mint to produce \$1 million gold coins for collectors with deep pockets.

Not to mention a wheelbarrow to get the hefty thing home.

"I've heard of 10-ounce coins, I've heard of kilo coins, but I've never heard of this," said Bill Haynes, the owner of a major retail gold bullion trading house in Arizona.

The bold gold plan, confirmed by a Canadian Mint spokesman who said the idea was still "under development," would take Canada's collector coin production to astronomical heights.

Currently, the most expensive non-circulation coin offered by the mint is the 2007 Gold Maple Leaf, a \$1,900 memento with gold content so pure its vulnerability to marks and scratches has generated negative reviews among collectors.

Mint spokesman Alex Reeves was coy about the scheme. "All we have, by way of this order in council (cabinet) from government, is a green light to produce it. The very least I can say is it's not something that's in the cards for 2007."

Haynes, owner of CMI Gold and Silver retail bullion house in Phoenix, Ariz., said the mint must already have a customer in mind to be at such a planning stage. "I would guess they're making these coins because they know who the buyers are going to be," said Haynes. Reeves allowed that whenever production begins, the volume of million-dollar coins the mint makes will be low.

NDP MP Dennis Bevington said even if the once-bustling gold mines near Yellowknife were still at peak production, it would take a week for them to produce enough gold to make just one of the coins. Bevington joked at the estimated 1,200 ounces (34 kilograms) of gold it would take to produce the coin if the mint establishes the same level of purity it has for the Gold Maple Leaf.

"You don't want it to roll out of your pocket when you sit down, do you?" he said.

COMMENTS PUBLISHED AT COINFORUM.COM

From Codydude815: "Would I want a 75 pound coin in my pocket?"

From Starwarsfreak: "Yeah, I don't see how the coin can actually be worth \$1 Million."

From Svicja: "Probably a very good investment."

From BigRod: "75 pounds, I believe. \$804,000 by weight currently. Truly an insane idea. Sign me up for a dozen."

From Becoka: "Why not, I sure would be easier to stack than a bunch of expensive one ounce bullion coins. Personally I would rather buy a variety of stuff, I might get a little board (sic) if I could only look at one coin all of the time and most likely not even be able to lift it off of the ground."

From Laxmaster92: "Why would the mint even bother producing a coin like that? It will be as useful as the 1000\$ bills."

From Enzed: "A hundred kilos? Why not just bung a hole in the middle and sell them as novelty barbell weights. Good grief."

From Spoon: "It's not a coin so much as a manhole cover! Australia recently minted a 1kg gold coin:"

From Enzed: "Someone like the jeweller Lam Sai-Wing (would buy one). He's the Chinaman that has a solid gold toilet and is working on a golden apartment. I would think that you could make money by attracting the curious to come and see it."

From Volkssturm: "A piece of precious metal of that size is indeed a life raft for one wealthy family in financially unsure times."

From SquidMaximus: "How is it a life raft? What are you going to do, cut a little piece off to buy a hot dog with? How do you transport that thing? No, gold is essentially worthless, which is why the government doesn't care if they hand it out in manhole sized chunks."

From Enzed: "No one is going to put their entire reserves into one large coin. If gold is to be used in some future financial meltdown it will be in easy to handle and marked quantities like ounce coins and bars. The sorts of people who would buy such a coin would be multi-millionaires and billionaires looking for a curio. It really doesn't matter if the government views gold as worthless as the majority of the people in this world do view it as having worth and they'll be the ones using it."

From Stormbataljon88: "There was actually a Swedish coin weighing some 20 kilos during the 1600s. It was made of copper and looked somewhat like a small square millstone."

From Volkssturm: "Gold has always been valued highly in barter situations, regardless of the value assigned by any particular government. And yes, it is malleable enough to take it apart and this is exactly what one would do in an era of pure barter. What better way to look after your precious metal than to keep it all together in one place until you need it? That's what the Fort Knoxes of the world are for."

VERY SMART OR VERY CRAZY

The following appears on the Kempton website at:

<http://kempton.wordpress.com/2007/02/11/us-coin-and-million-c-coin:>

In Canada, we are a practical people and gave up our dollar and two dollars bills long time ago in exchange for our beloved Loonie (with our lucky Loonie history to boot) and Toonie. Of course, we have our crazy and silly side too. Simply witness the fact that Royal Canadian Mint will stamp out a \$1-million coin. It will likely be made of a mixture of gold and other metal but I hope the Mint will make a decent profit from this coin by not putting too much gold into it. (smile) A million dollar coin, they are either very smart or very crazy. (smile some more).

IS CANADA FIRST WITH \$1 MILLION COIN?

Did someone beat the Royal Canadian Mint to a \$1 million coin? The answer is "Yes" if you believe the following write-up in Promo Magazine that mentions that a \$1 million gold coin is the top prize in a new Dr. Pepper promotion.

The following excerpts from an article by Patricia Odell, under the heading "Dr. Pepper sends consumers on hunt for \$1 million gold coin" appears at:

http://promomagazine.com/contests/news/drpepper_goldcoin_hunt_012307/index.html

Dr Pepper is out with a treasure hunt that sends people across the U.S. on a search for 23 hidden gold coins worth a collective \$1.7 million. The hunt plays on the brand's recent efforts to highlight in TV spots and other marketing materials that Dr Pepper is a blend of 23 flavors.

The on-pack game drives consumers to <http://www.DrPepper.com> to find clues that will be revealed each day. The clues test players' knowledge of geography, history and world events. Consumers can purchase specially marked 24-ounce bottles and 24-packs of Dr Pepper to enter online to receive clues. Packaging on the 24-packs designed to look like a treasure chest support the promotion. As part of a bonus virtual component, each clue given for a physical treasure location will be accompanied by a second one for locating a virtual gold coin that can be claimed via telephone instead of having to pinpoint the physical location.

Each physical gold coin found has a unique code and toll-free number on the back so the winner can call to claim the prize.

The coins are redeemable for varying amounts, including 13 \$10,000 coins, three \$15,000 coins, three \$25,000 coins, two \$50,000 coins, one \$100,000 coin, one \$250,000 coin and the top prize...are you ready...one \$1 million coin.

Understanding that the "coin" from Dr. Pepper is really a token redeemable for \$1 million, at least I won't have to break the bad news to the Royal Canadian Mint that they are not the first after all. But it wouldn't matter. The Mint has gotten so much publicity already that it doesn't matter if they actually issue one or not!

CONCLUSION

Based on all the publicity, I can see the Royal Canadian Mint striking and selling a number of these special coins. I wonder what the cost of manufacturing the obverse and reverse dies will be. And what type of press will be used to strike them?

John Regitko

Your C.N.A. E-Bulletin Editor

Canadian Numismatic Association

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