
Iron ore price negotiations - FMG deal - Not a big deal

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Chinese analysts said that CISA has backed down from a demand for a 45% cut in iron ore prices, settling for a 35% reduction from Australia's Fortescue Metals Group Ltd and asking for the same deal with Vale, Billiton BHP Ltd and Rio Tinto Group.

Analysts said the cut is more of a face saving gesture after seven months of stalled talks involving miners and the China Iron and Steel Association.

Mr Hu Kai an analyst with Umetal Research Institute said that “FMG agreement would not end the long talks between China and the largest suppliers. Fortescue is too small to be representative in setting benchmark prices.”

Mr Fan Haibo an analyst from Xinda Securities said “Such a small fraction cannot shelter China from the dominant position enjoyed by the three global giant miners.”

Mr Xu Xiangchun of Mysteel questioned the value of the deal by saying that “Although it sounds like a breakthrough in the protracted talks, will the new mechanism be accepted by other miners. Actually, it is unlikely that the three global miners will offer China a better price after the 33% cut has been accepted by other countries such as Japan and South Korea.”

(Sourced from China Daily)

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