
Iron ore price negotiations - CISA to ask Rio and BHP for 35pct cut

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Bloomberg reported that China will ask Vale SA, Rio Tinto Group and BHP Billiton Ltd for a 35% cut in iron ore prices, scaling back demands for a larger reduction after seven months of stalled talks with the world's biggest producers.

Mr Shan Shanghua the secretary general of the China Iron & Steel Association said the CISA agreed on the reduction with Australia's Fortescue Metals Group Ltd and will seek the same cut with larger suppliers.

He said that "China will apply this price in talks with BHP, Vale and Rio. The agreement is an important step for establishing a China model of only having one price in China, whether it's for small, large, private or state owned mills."

Mr Zhou Xizeng a Beijing based analyst with Citic Securities Co said "Fortescue and China are hoping the miner has the potential to break the duopoly of BHP and Rio for Australian iron ore. The 35% deal is symbolically a bigger cut. It signals Fortescue and China have made concessions."

Fortescue, Australia third largest ore exporter rose 2.9% to AUD 4.58 in Sydney. Rio dropped 4.8% and BHP Billiton fell 3%. Baoshan Iron & Steel Co the listed unit of China largest mill fell 7.6% in Shanghai.

The pact marks a step back from China earlier demand for a 45% price cut and brings it closer to the 33% reduction offered by Rio and BHP. The nation lenders will arrange USD 6 billion of financing to help Fortescue part owned by China Hunan Valin Iron & Steel Group, expand as part of the deal as the world's largest iron ore buyer seeks to reduce its reliance on Vale, Rio and BHP.

(Sourced from Bloomberg)

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