
Iron ore price negotiations - CISA suggests short term benchmark

Sunday, 28 Jun, 2009

According to Mr Shan Shanghua secretary general of China Iron & Steel Association the iron ore benchmark in place for 40 years would be used to set the price for the steel making raw material this year with changed period. The agreement will not be signed once a year.

An official from CISA told the reporter that many steel makers suggested CISA consider setting price for the material once a quarter or half a year. "Both parties are now exploring news ways. CISA proposes to set the price on the basis of steel price fluctuation."

Mr Shan added that the existing system could not reflect real situation of the market. "Long term contract price for iron ore was too high to be accepted at the end of last year. It is ridiculous for the price to remain so high when market is in a downturn period."

Mr Shan held that "China would persist in long-term contract negotiation though the negotiation should be changed according to the present situation. As iron ore is exclusively applied to steel industry, both suppliers and consumers should rely on long term contract system to stabilize the relationship."

Mr Zeng Jiasheng an analyst from Mysteel.com said that "Chinese steel makers could ask for price adjustment according to steel product prices. However, to shorten fixing price period meant that iron ore price would be further influenced by spot iron ore price, which would be easily controlled by iron ore heavyweights. If it was so, Chinese steelmakers costs would be very high as well."

At present, China is still seeking for greater price cut for iron ore. Mr Shan claimed again that China would not follow the price deal reached between Rio and Japanese rivals.

Analysts disclosed that China expected Australian iron ore supplier to give a price different from the one given to Japan. If China could really get a different price, long term contract system would be broken.

(Sourced from MySteel.net)

Visit www.Mysteel.net for real time access to China steel news!

For more news visit at www.steelguru.com