
Iron ore price negotiations - CISA may settle for lesser cut

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Caijing Magazine reported China Iron & Steel Association, lead negotiator with big three ore miners, has seemingly softened its stance on bigger price cut than Rio's settlement with Japanese mills. Chinese mills may accept price cut in the range of 33 to 40 percent, less than previous insistence on 40-45 percent price cut.

However, it remains to be seen whether the two sides manage to reach a deal in the coming weeks. And spot iron ore prices to China have already gained a fifth within one month, and now trade at a 4 month high above USD 80 per ton on a landed basis, equivalent to around USD 65 FOB higher than the contract price of USD 61 per tonne that the Japanese and South Korean mills secured, giving miners the upper hand.

A foreign media quoted CISA official as saying that "We made a statement in late May that we would not accept the price reached by Japanese steel mills and Rio Tinto, so we will keep negotiating. Therefore, we are still in the negotiations until an official statement is made."

According to Mr Xu Xiangchun senior analyst with Mysteel, 87 big Chinese mills have made profit of CNY 1.262 billion in May, ending a losing streak for seven straight months, thanks to rising iron ore and steel price. Therefore, Chinese mills should rethink the price cut magnitude as steel mills have already made profit now.

An official of Hebei Iron and Steel Group said that "33 percent price cut would send contract ore price to level with spot price, which would leave some profit margin for the mills given rising steel prices."

(Sourced from MySteel.net)

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