
Iron ore price negotiations- China aims to by close by July end

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Bloomberg reported that Chinese steelmakers, the world biggest aim to conclude annual contract iron ore talks by the end of this month and may consider trimming their price cut demands.

Mr Tian Zhiping vice president of Hebei Iron & Steel Group said “Some of the annual contracts which ended June 30th still have a one month grace period. The two sides should go on with the formal talks and settle the prices as soon as possible.”

Caijing magazine reported recently that the mills who had demanded a cut of as much as 45% are ready to discuss a reduction of between 33 and 40%. Umetal Research Institute analyst Mr Hu Kai said Rio Tinto Group the world second biggest exporter of the ore is unlikely to budge from the 33% drop it agreed in May with Japanese steelmakers.

Shanghai based Mr Hu said “Rio is more willing to sell to the spot market now because Chinese steelmakers have lost their credibility in honoring the long term contracts. He said that some mills have started to buy ore at a provisional 33% price cut level after cash prices rose.”

Mr Tian said “Whether we would agree to a cut less than 40% is dependent on Rio’s stance. He said that it hasn’t offered a cut bigger than 33%. There also needs to be discussion on whether prices would be set on a half year basis or on a quarter basis.”

Rio said June 30th that some contracts may revert to the spot market from the start of this month. Mr Gervase Greene Rio’s Perth based spokesman said “Rio Tinto has long been a supporter of the benchmark system but if customers choose to buy on the spot market instead they will.”

(Sourced from Bloomberg)

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