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## Iron ore price negotiations - Benchmark may not survive - RCR

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Resource Capital Research has released its first study on the state of the iron ore market, to complement the quarterly studies it has been producing on uranium and gold. Iron ore supply and prices increased in the second and third quarters of this year, tracking stimulus driven demand for steel, especially in China.

Spot prices for iron ore rose in the September Quarter, reaching a 2009 high of USD 105.90 per tonne but RCR said Chinese imports and stockpiling of ore were now decreasing. No China benchmark contract price was set for 2009.

Iron ore share prices in the last three months continued to outperform overall equity markets and many iron ore projects commissioned by Australian companies in the pre 2009 boom have reached advanced stages of development but require transport infrastructure to reach production.

Mr Trent Allen iron ore analyst of RCR said that "The iron ore and steel markets continued to improve through the September Quarter, if erratically. Iron ore spot prices tracked up, in line with increasing demand for steel, though this trend has leveled off in recent weeks. A pullback was not unexpected, given the strong run through 3Q09, when the spot price gained 16% and reached USD 105.9 per tonne, which was 76% above the non China benchmark price of USD 62 per tonne at 64% Fe."

Mr Allen said the spot market was open to speculation and, in the absence of a China benchmark, was having an unusually strong influence on the iron ore space. This has helped dampen China's hopes for a 40% cut in the 2008 benchmark and was a major reason why no contract price was set.

(Sourced from [www.mineweb.com](http://www.mineweb.com))

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