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## Low iron ore demand causes fall in capsize bulk carriers

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It is reported that resurgent iron ore demand from European and Japanese steel mills has underscored falls in the number of capsize bulk carriers hired on the spot market, as industrial giants emerge from the freight market collapse a year ago determined to take greater control of commodity and transportation costs.

Brokers are reporting that restocking mills have returned to using renegotiated contracts of affreightment and consecutive voyage contracts as they buy iron ore from miners under contract.

Mr John D'Ancona head of dry cargo research Howe Robinson said that "A lot of iron ore is being shipped but you have seen a reduction not a cancellation of spot market fixtures as Europe and Japan have come back in. The iron ore market is not slowing down, it is shipping the most quantities of iron ore ever. But it is switched off the spot, on to the contract."

The shift towards contract shipping coincides with this year's collapse of the 40 year old annual benchmark pricing system for iron ore, which provides employment for 70% of the world's fleet of 900 capsize bulk carriers.

With Australian iron ore now diverted to Japan, Mr D'Ancona forecasts short term tightness in global iron ore supplies. He said that this looming temporary shortfall, rather than any lull in demand, was behind a forecast fall in monthly

The Brazilian miner has chartered just four bulk carriers since mid July, after taking 44 in the second quarter of 2009, now it has shifted from fob to CIF sales. However, after spending USD 160 million in nine months to acquire a fleet of a dozen secondhand capsize vessels, Vale no longer needs to use the spot market.

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

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