
Iron ore price negotiations - Minmetals calls for alternative sources

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It is reported that China Minmetals, China's largest state owned metals trader, has urged industry leaders to diversify iron ore supply and improve negotiation tactics to reverse China's unfavorable position in global iron ore deals.

Mr Zhang Ye deputy GM of China National Minerals Co Ltd, a wholly owned subsidiary of China Minmetals, said "Chinese steel mills seeking lower prices should think more about reducing dependence on the three global miners."

He said that the three global miners, Brazil's Vale SA, Australia Rio Tinto and BHP Billiton contributed to about 50% of Minmetals' iron ore trading volume. But the company is looking to diversify its iron ore suppliers.

Mr Zhang said "Minmetals will expand its list of buyers from the current five, which include Ukraine, Chile and Russia, to eight next year. The targeted iron ore suppliers will be from North and South America."

He also revealed that Minmetals is close to finalizing some overseas investment and acquisition deals but declined to reveal specifics.

He added that MINCO iron ore imports will touch 12 million tonnes this year, 2 million tonnes higher than anticipated due to higher steel output.

Mr Zhang said "It is difficult to reduce the proportion of iron ore imports from the three giant miners, given the quality of their iron ore and geographic position but what we can do is to cut the dependence. For example when the three miners cut supplies, we can at least have alternative resources."

He said that the relationship between Chinese steel mills and iron ore miners should be mutually beneficial since China is the largest iron ore consumer and the three giant miners account for 70% of the iron ore trading market.

He added that "Chinese steelmakers should realize that the three global miners are very eager to sell in China and are competing with each other. So, Chinese steel mills should take advantage of this to ask for a better discount."

Mr Zhang suggested all Chinese steel mills should join hands to exert their influence during iron ore price negotiations.

China steel industry lobby and top iron ore price negotiator, China Iron and Steel Association is made up of 216 members with 72 key members being State owned steel mills. CISA is often questioned on whether it really represents China's 1,200 steel companies.

His remarks come at a time when China's steel industry is facing a de facto breakdown in iron ore negotiations for the year, while the outlook for next year's talks seems gloomy at best.

(Sourced from China Daily)

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