
Iron ore price negotiations - BaoSteel confirms paying provisional prices

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Reuters reported that Baoshan Iron and Steel Co the flagship listed unit of China biggest steel mill confirmed that it is paying provisional benchmark prices for iron ore to major overseas miners.

Mr Chen Ying Vice President Baosteel said "The provisional prices are prices agreed to by Baosteel and the three major miners for the issuance of letters of credit. He said that Baosteel adopted the provisional prices because Chinese steel mills had not yet settled term iron ore prices with miners for the 2009/10 fiscal year which started from April."

Mr Ma Guoqiang president of Baosteel said "Aquila purchase will strengthen Baosteel's control over strategic resources, weaken the monopolistic grip over global iron ore supplies and lower purchasing costs. He said that the more favorable price for Fortescue ore would have only a limited impact on the company's earnings, however, as the volume was relatively small."

The miners, including Brazil's Vale and Australia Rio Tinto have said the provisional prices matched terms they were demanding in annual price talks but that the Chinese steel industry has rejected as too high. This marked the first time that Baosteel, the nominal representative of the world's largest steel industry in annual iron ore term price talks, acknowledged it had paid provisional prices.

Vale and Rio Tinto have said they agreed to grant Chinese mills provisional contracts until new annual prices were settled. BHP Billiton the other major miner involved in price talks has agreed on annual terms with several Chinese customers matching a benchmark 33% price cut from last year that steel mills in Japan and elsewhere accepted, despite the leading Chinese industry group rejection of those terms. Baosteel did not confirm however whether its provisional prices matched the 33% price cut offered by miners.

(Sourced from Reuters)

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