
Iron ore price negotiations - Next year talks in jeopardy

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China Daily reported that 2010's negotiations over iron ore prices now look in jeopardy after Rio Tinto finally ended this year's talks with Chinese steel mills without agreement just 2 months before the 2010 round was due to begin.

Mr Sam Walsh Rio Tinto CEO for iron ore said that the company was no longer negotiating with Chinese steel mills on a benchmark iron ore price for the 2009 contract year. The company is selling iron ore to Chinese steel makers on a provisional price.

Analysts said that negotiators were in such a dilemma over the failure to reach agreement that it boded badly for 2010.

Mr Yu Liangui director of the research center at Mysteel consultancy said that "The top 3 miners and the Chinese buyers are unlikely to achieve an agreement this year as both sides are intransigent. However, negotiations for 2010 also bristle with difficulties."

Mr Fan Haibo analyst of Xinda Securities said that if 2010's negotiation does take place they would not be easier than this year with the global economy recovering and iron ore demand from Europe, Japan and Korea booming again.

Mysteel's Mr Yu said that the most difficult part of the next round of negotiation was whether and how China would insist on a Chinese mechanism.

Mr Yu said that "The China mechanism is just a rough concept, without a clear cut framework." He added that CISA lacked communication with other international competitors such as Japanese and Korean steel makers. It will be difficult for Chinese negotiators to fight in isolation.

Mr Yu said that "But vital to the iron ore talks for China is the need to reduce its reliance on BHP, Rio and Vale and accelerate overseas investment and operations."

The annual price talks between the three global iron ore miners and China's steel industry have been deadlocked for months after China refused to accept the 33% and 28% cuts on 2010's prices offered by Australia miners and Brazilian miner Vale respectively and hold out for a 45% cut. However, the 33% cut was accepted by Japanese and South Korean steel mills.

Rio's announcement about pulling out of the talks came a few weeks after Mr Roger Agnelli CEO of Vale said the company was not negotiating with Chinese steel makers over the 2009 benchmark iron ore price. A senior executive of BHP China told Chinese media that BHP would not match the price agreed with FMG.

(Sourced from China Daily)

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