
Iron ore price negotiations - Next year talks

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It is reported that discussion with China about iron ore pricing for 2010 are scheduled to begin next month even though no benchmark prices have been set for this year.

The talks are looming as China iron ore imports slump, falling 15% in August to 49.6 million tonnes, the lowest level this year as the country produces a growing glut of steel thanks to overcapacity in the sector.

Mr Jing Ulrich JPMorgan chairman of China equities & commodities said "Overproduction is the main reason for the 18% correction in spot steel prices during the past five weeks."

An Australian analyst said "China is still a positive force for demand but the big question that will drive commodity prices now is what is happening out of Europe and the US."

Chinese press reports said iron ore pricing talks for 2010 would start next month.

The China Iron and Steel Association which fronted the talks for the first time this year a move widely been seen as a disaster will take a back seat this time leaving China's largest steelmaker, Baosteel, to resume its customary lead role.

Other big producers will also be involved.

One analyst said "CISA has been criticized although not openly by mills and people in the industry that it missed the best opportunity in setting a better price when the market dropped to lowest early this year. It was not flexible enough, by insisting on a 40% reduction and left no room for compromise."

Another analyst said "China didn't want to break the iron ore price talk scheme completely. China only wants a better price. The half year price is an unexpected outcome. It's a temporary settlement. So China won't be seeking a price based on half a year or quarterly."

An Australian analyst said until China can better organize itself, Japan and South Korea were likely to be the industry price setters. Next year Japan and Korea will probably set a benchmark again because they seem to want the security of a benchmark."

(Sourced from www.news.com.au)

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