
Iron ore price negotiations - Warm up begins in China

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According to an official from CISA, "This year, China will produce up to 700 million tons of crude steel. The nation iron ore imports will take up some 70% of the global total. As the largest iron ore importer and steel maker in the world, we have enough reason to ask for a special offer for China."

A senior official from Japan Iron & Steel Federation said "The expansion in China steel industry comes as a surprise. More and more problems are highlighted as the same time. The official added that some officials from Chinese steel industry were seeking for the roots of these problems."

Recoveries have been seen in the global steel industry since 2009. The emerging countries boast quicker growth than the developed countries. At present, the capacity usage rate in both Japan and South Korea are lifting up gradually under the impact of rebounds in exports and automobile demand.

An analyst from Shenyin Wanguo Securities disclosed that Japanese capacity usage rate exceeded 80% with NSC capacity usage rate over 90%. In South Korea, POSCO is almost running at full capacity. The analyst pointed out that the recoveries in these two countries' steel industry would become an obstacle to the annual benchmark talk.

The analyst was quoted as saying that "Most Japanese and South Korean steel mills we ever paid visits to foresee rises in iron ore benchmark for fiscal 2010 as they attributed the price rise to China robust demand. Besides, the appreciation of yen and won also help them to be alleviated from the pressure caused by the price rise in iron ore."

However, Mr Luo Bingsheng Vice chairman of CISA held that Japanese and South Korean steel mills suffered from losses. The global iron ore were still oversupplied which would not be reversed.

Some experts said frankly that there is still a long way for Chinese steel mills to catch up with Japanese and South Korean steel mills in terms of management and capital operation even though some of Chinese steel mills, such as Baosteel Group have already surpassed Mittal and NSC in technical equipments.

Japanese and South Korean steel mills have already shifted to directly serving end consumers from merely selling steel products. Though Chinese steel mills generally organized their production according to the demand, no obvious resulted were achieved as there were so many steel traders in China that Chinese steel mills had difficulties in organizing and adjusting their production according to consumers' real requirements.

(Sourced from MySteel.net)

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