
Iron ore price negotiations - EU steel industry outraged at 90pct hike prospects

Friday, 12 Mar, 2010

The European steel industry is outraged at the announcement by the iron ore industry to massively increase iron ore prices by 80% to 90 % compared to today's price levels for fines and even more for lump and pellets.

EUROFER said "These increases come while the industry is still reeling from the effects of the most serious financial and economic crisis since the 1930s. European governments should be aware of the implications for the wider economy if these price increases become reality. It is striking that these price hikes are coming from companies which, even in the worst crisis in the world economy in the last 80 years show EBIT margins of up to 50% per tonne."

EUROFER said "Increases of this magnitude will have a significant impact on steel prices and as such on the whole manufacturing and construction value chain and ultimately on the European consumer. This will reduce demand for many price sensitive products and therefore slow economic recovery or even push economies back into recession."

It added "The steel industry is increasingly concerned at the degree of concentration in the iron ore industry. It is striking in this respect that there is little variation in the level of price increases being talked about by the large producers which dominate the iron ore industry. The European steel industry has already indicated to the European competition authorities our concerns at the excessive pricing power now held by iron ore producers."

It also said that "This also reinforces EUROFER's concerns about the impact of the proposed joint venture of the Australian iron ore assets of BHP Billiton and Rio Tinto which would lead to a even further concentration on the market."

Represented by EUROFER, the European steel industry is the world leader in its sector with a turnover of EUR 190 billion and direct employment of 420,000 people, producing 200 million tonnes of steel per year.

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