
China to shut 11 million tonnes steel capacity by end 2011

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Reuters reported that China plans to phase out 11.29 million tonnes of steel production capacity, as well as 100 million tonnes of iron smelting capacity by the end of 2011.

China currently has a total annual steelmaking capacity of 720 million tonnes and actual steel output hit 568 million tonnes in 2009, almost half of the world's total.

Mr Xin Guobin senior official from the Ministry of Industry and Information Technology said China cut outdated iron smelting capacity of 21.13 million tonnes and 16.91 million tonnes of steel capacity in 2009

He said that "Steel capacity is still expanding blindly, as fixed asset investment in the steel and iron industry still grew 20 percent in 2009. He added that apparent consumption of crude steel in 2009 was 565 million tonnes, and the real consumption was barely 530 million tonnes after factoring in 30 million tonnes in stockpiles."

Mr Xin said but the industry became slightly more consolidated from a year earlier with the top 5 steel mills' output counting for 29.1% of the total output compared with 28.6% in 2008.

Mr Xin also said Prehina's massive steel industry has shown growing appetite for imported iron ore. 70% of the ore consumed last year was sourced from overseas markets, up from 57% a year earlier.

Chinese steel mills have started talks with global miners such as BHP Billiton, Rio Tinto and Vale on term prices for 2010. The China Iron and Steel Association said it strongly opposes the attempt by miners to increase benchmark iron ore prices by 80% to 90%.

(Sourced from Reuters)

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