

---

## Chinese market situation likely to weaken iron ore price negotiation

*Thursday, 23 Aug, 2007*

It is reported that iron ore concentrate prices in the North China have rocketed up over the recent month, with the past two weeks seeing rises every single day, concerted by purchase price of the steel makers. Iron ore prices in North China went straight up by CNY 135 per tonne (USD 18) on average within one month a 16.5% gain.

Analysts said that iron concentrate prices in larger part of China have recorded new high, with panic spreading the market seems having lost control. The analysts believe regional tight availability and panic market sentiment combined to push up the price. The situation is said quite similar to that of March to April 2004.

In addition, the improving steel market and constantly rising imported iron ore price have effected the domestic iron ore prices as more and more steel makers especially small and medium plants have reduced the purchase of imported iron ore turning to domestic sources putting sever pressure on the supply and demand chain and thus resulting in overall shortages and price jumps. This was further pressurized by reduction in domestic iron ore production hit by recent floods.

In addition, a number of unsafe and backward small pits are closed across the China, which has led to prevailing supply strain. In the North, dressing plants' output is cut by one third for limited electricity and the steel makers all report dissatisfied stock level. Northeastern mills want to build stock for winter while the sellers would not like to ship out and raise the price frequently.

On the other hand the spot prices for import of Indian iron ore have climbed to highest ever level. As per the released the average reference prices release by China Chamber of Commerce of Metals Minerals and Chemicals Importers and Exporters for import transactions of Fe 63.5% Indian iron ore concluded last week on August 20th 2007 was USD 122 to USD 125 per tonne on CIF basis, a gain of USD 15 in last 20 days.

This situation of China's domestic as well as spot Indian iron ore import prices is likely to strengthen the position of global iron ore miners while negotiating the bench mark prices for next year.

For more news visit at [www.steelguru.com](http://www.steelguru.com)