
Iron ore price negotiations – Chinese mills to expedite process

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It is reported that as global iron ore shipping rates have tumbled at the beginning of New Year after hitting the peak in November 2007, Chinese steelmakers have been urged to expedite the yearly negotiations to drive some advantage out of this situation.

Some analysts suggest extraordinary factors may be contributing to the severity of the decline, which include a drop in iron ore cargo volumes from Brazil, perhaps influenced by maintenance work at the port; weather conditions in Australia interfering with shipments and suspected efforts by Chinese buyers to reduce imports to get better raw materials prices in upcoming contract talks.

The iron ore route from Brazil to China reached an all time high at USD 96.16 per tonne on November 11th 2007, while the fixture for Western Australia to China ore route also peaked at USD 38.645 per tonne. However, the freight rates have posted continuous slump in the following one and a half months. On January 2nd 2008 the fixture for Brazil to China ore route falls to USD 80.396 per tonne while that for Western Australia to China plummeted to USD 33.477 per tonne.

However, plunging freight rates have had little impact on export price of Indian iron ore, which still firms at USD 190 per tonne CIF. The reason is that Paramax ships are usually hired for moving iron ore from India to China instead of Capesize vessels.

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