
Iron ore supply slow to meet demand – CVRD & Rio

Wednesday, 06 Aug, 2008

Cia Vale do Rio Doce and Rio Tinto Group said that China's demand will keep the market for the steelmaking material tight as supply growth is slower than expected.

Mr Eduardo Bartolomeo executive director of logistics at Vale said that there may be a shortage of iron ore until 2011 and may find it very difficult to meet expansion targets on time.

Rio Tinto said that demand from Chinese steelmakers has raised prices fivefold since 2001. China will double imports in the next 6 years.

Mr Sam Walsh CEO of Rio's iron ore unit said that "Supply won't come on as fast as people are thinking and demand will remain tight. Chinese iron ore imports have increased by 70 million tonnes from a year ago. This is pretty robust and there hasn't been the projects to come on board to compensate for this."

Rio wants to triple production to 600 million tonnes a year eventually with expansions in Australia, Guinea and Brazil. It produced 133 million tonnes of the ore in 2006.

Meanwhile, Vale is planning a USD 59 billion expansion over the next 5 years, which will increase iron ore output by 40% to 450 million tonnes by 2010. It is also planning to double nickel and copper output.

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