
Iron ore price negotiations - Chinese trying for upper hand

Monday, 05 Jan, 2009

It is reported that Chinese Government is seeking tighter control over iron ore imports to help drive down prices for the steel making ingredient.

Rio Tinto, BHP Billiton and Brazil's Vale as it will give Chinese steel giant Baosteel much greater muscle in the current round of iron ore price talks. Substantially reduced iron ore prices will put even more pressure on BHP and Rio, as they grapple with dramatic price falls across all major commodities.

Annual iron ore contract price negotiations are shrouded in mystery but are believed to have kicked off in the weeks before Christmas.

Beijing reportedly wants closer monitoring of where iron ore shipments end up after their arrival in China's ports. And it is looking at clamping down on the practice among import agents of making profits by stockpiling iron ore as a punt on future higher prices. The new regulatory regime could hurt BHP and Rio as it will potentially reduce shipments of iron ore Australia's second biggest commodity export after coking coal into China.

Iron ore demand has already softened dramatically in recent months as the global economic slowdown pulls in steel intensive industries such as construction activity and car makers. Global construction of crude steel experienced one of its biggest reversals in November, tumbling nearly 20% to just 59 million tonnes when compared with the same month of the previous year.

(Sourced from the Australian)

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