
Iron ore price negotiations - Analysts views on Vale settlement

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BNamericas reported that the price discounts reported by Brazilian miner Vale for iron ore sales to Japanese and South Korean steelmakers were roughly in line with market expectations and could be very similar to those anticipated for Chinese producers.

Mr Pedro Galdi analyst with Brazil's SLW brokerage said that "In general the discounts were not very different from what the market expected. Last week, Australian miner Rio Tinto gave 33% to 44% in discounts and Vale's were a bit lower on the whole."

As for the highest of the discounts of 48.3% for pellets, Mr Galdi said that they were also more or less expected. He added that "The drop in pellet prices is due to an extremely weak market. Production at almost all of Vale's pellet plants has been halted."

Mr Leonardo Alves analyst at Link brokerage said that "From what I have been hearing, Vale's discounts are going to be very similar to the ones offered to Japanese and South Korean steelmakers." He added that China might have enough leverage to negotiate non price benefits also.

It may be noted that Vale unveiled the results of benchmark contract negotiations reached with Japan's Nippon Steel, Sumitomo, Kobe Steel and Nisshin Steel and South Korea's POSCO.

Vale granted a 28.2% discount on fines, 44.5% on lumps and 48.3% for pellets, compared to 2008 prices. Now the company charges USD 0.85 per tonne for fines from its southeastern system, USD 0.90 per tonne for sinter feed from Carajás, USD 0.99 per tonne for lump from its southeastern system and USD 1.01 per tonne for lump from its southern system.

(Sourced from www.bnamericas.com)

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