
Iron ore price negotiations - Fitch sees prolonged stand off with China

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Bloomberg quoted Fitch Ratings said a prolonged stand-off may occur in this year's iron-ore contract price talks between Chinese steelmakers and international producers.

Mr Su Aik Lim director of the rating agency's Asia Pacific team said Chinese steelmakers are maintaining demands for price reductions as much as 45% lower than last year and their large stockpiles of the steelmaking raw material give them a bargaining advantage.

Mr Su said "Vale SA and Rio Tinto Plc the world's biggest iron-ore producers reached accords in recent weeks with Japanese and Korean steelmakers on 2009 contracts at prices 28% and 33% below those of last year. China's Steelmakers Institute CISA has rejected a deal at these levels which would cause higher-cost Chinese mills to lose money."

Mr Joe Bormann MD in Fitch's Latin American Corporate team said "We could be in for a prolonged stand-off. Vale won't want to undercut the competitiveness of the Asian steelmakers they've already settled with. Vale has a strong incentive to continue to sell to China on the spot market."

(Sourced from Bloomberg)

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