

Brazil's Vale sees iron ore prices higher in 2010



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RIO DE JANEIRO, Dec 14 - Iron ore prices will likely rise in 2010, underpinned by growing demand from China, the chief executive of Brazilian mining giant Vale said on Monday, without offering estimates of how much prices could rise.

"I think it's going to be a positive year, and iron prices are showing a tendency towards increase, but I do not know by how much," said Roger Agnelli in remarks to reporters.

Iron spot prices are still some 30 percent above 2009 contracts on a freight-adjusted basis, a sign of continuing demand for raw materials as the global economy begins recovering from last year's financial crisis.

Prices for much of the seaborne iron are negotiated in benchmarking talks between consumers currently led by China, the world's top iron importer, and the world's top three miners -- Vale <VALE5.SA>, BHP Billiton <BHP.AX> and Rio Tinto <RIO.AX>.

Agnelli said Vale, the world's largest iron ore producer, had not yet started talks with Chinese steelmakers to determine 2010 benchmark prices.

"If you have contracts that are valid until April, there is no reason to accelerate the negotiations," he said.

The 2009 contracts are officially still in discussion but in practice are based on a 33 percent cut from 2008 prices as offered to South Korean and Japanese steelmakers.

Talks fell into disarray after China arrested top officials from Rio Tinto on charges of espionage. The company denies any wrongdoing.

Agnelli said despite a market consensus for higher iron prices, mining companies are worried about the weakening of the U.S. dollar.

"I think there's been a strong impact on costs as a result of the declining value of the dollar," he said. (Reporting by Brian Ellsworth and Denise Luna; editing by Jim Marshall)