

China Iron and Steel Association Protests Long-Term Iron Ore Supply Cut

BY IDA CHEN
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SHANGHAI (Interfax-China) -- The China Iron and Steel Association (CISA) is against Rio Tinto's recent move to cut long-term iron ore shipments to Chinese steel mills by 10%, state media quoted a senior CISA official as saying at a press conference yesterday.

CISA secretary general Luo Bingsheng said that Chinese steel mills recently received written notices from Rio Tinto [NYSE:RTP; LSE:RIO] stating that, in accordance with contract stipulations, iron ore shipments under current long-term contracts will be cut by 10% due to a force majeure, according to *Shanghai Securities Journal*.

Luo said that iron ore suppliers should live up to their commitments to Chinese steel mills and stick to international iron ore trading practices.

"According to our investigations, some iron ore miners have cut iron ore shipments to Chinese steel mills to under 90% of contracted amounts under this term's prices. We firmly oppose such a move and will take appropriate response measures," Luo said.

Steel mills, including Tangshan Iron and Steel Group (Tanggang), recently received notice from Rio Tinto stating that the company will postpone long-term iron ore contract deliveries due to hurricanes. The notice did not specify how long it will take to resume normal deliveries, *Interfax* previously reported in early January.

However, Beijing Umetal analyst, Du Wei, told *Interfax* yesterday that regardless of whether Rio Tinto's move is the result of a force majeure or simply a ploy intended to pressure Chinese steel mills in the current iron ore price negotiations, supply to China's domestic iron ore market will tighten as a result.

"Rio is increasing spot iron ore sales to Chinese customers to make up for the 10% cut from long-term contracted supplies. However, the CIF spot prices it is offering at present are not particularly attractive to Chinese steel mills," Du said.

Chinese steel mills usually complete winter iron ore stockpiling before the Chinese New Year holiday, which reduces domestic spot iron ore prices, Du said.

Recent falling freight rates and reduced shipments from overseas miners due to force majeure have also encouraged easing spot prices.

The CIF price for Indian grade 63.5% iron ore fell from \$190 per tonne on Jan. 24 to \$185 per tonne yesterday.

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