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Iron Ore Deficit to Last Until 2012, BofA Merrill Lynch Says

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By Simon Casey

Oct. 20 (Bloomberg) -- The iron ore market will be undersupplied until 2012 after the Chinese and European steel industries recovered, BofA Merrill Lynch Global Research said.

The bank increased price forecasts for iron ore in 2010 and 2011, BofA analysts led by Sydney-based **Stuart Howe** wrote today in a note.

Pilbara fines, a type of iron ore, will advance 15 percent in the 2010 Japanese fiscal year to \$70.80 a metric ton, compared with a previous forecast of \$67.70 a ton, BofA said. Prices will gain 15 percent in 2011, up from an earlier prediction of a 5 percent increase, BofA said.

"This is a significant tighter market than the one we were forecasting in the beginning of the year," BofA wrote. "Vale, BHP and Rio Tinto are already operating back at full capacity and there are no significant growth projects to be delivered over the next two years."

Brazil's Vale SA, London-based Rio and Australia's BHP Billiton Ltd. are the world's three largest iron ore producers.

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