

Iron ore price could jump 10%

China steel group sees price rise in 2010

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The China Iron and Steel Association (CISA) forecasts a 10% increase in the contract price for iron ore, as compared with a 33% drop in 2009.

Negotiations for 2010/2011 fiscal year prices will begin soon, and Luo Bingsheng, CISA's vice chairman, tells Reuters a pickup in steel production above the expected 117 million metric tons this year will require more ore and justify a "modest" price increase. Hu Kai, an analyst with the Umetal consultancy, also tells the news service that "steel demand will be boosted in the next year and that will support higher ore prices."

As has been reported earlier, China wants a special deal in annual iron ore price talks as the world's biggest consumer of the steelmaking ingredient. Luo says CISA doesn't believe CISA has to follow prices set by other countries. However, analyst Su-Aik Lim at Fitch Ratings in Beijing tells Reuters that preferential treatment of China could cause problems. "I think (a separate pricing system) definitely gives Chinese steel mills a price advantage, and will that lead to them flooding the market with cheap steel?" she says. So, "implementation is going to be tough."