Equity | Global | Metals & Mining
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Iron Ore – this bull run ain't over yet

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JFY08 Settlement lower and earlier than expected

Vale's settlement with Japanese & Korean steelmakers at +65% for Itabira fines and +71% for Carajas fines was in-line with revised market expectations and is proof of the current tightness in iron ore markets. We were surprised the settlement was so early, and that the % increase was not higher, with an earlier and lower settlement likely triggered by Vale's pending corporate activity with Xstrata and Glencore. We believe a higher price increase would have been supported by the elevated spot prices, supply disruptions, the tight steel markets (supported by several recent steel price increases) and strong Chinese demand.

Spot prices India ore CFR China Qingdao Port hit U$216/t on March 1, 2008, still significantly higher than Brazilian C&F price (US$146/t after the price increase), implying that contract prices could go up another 48% to match spot rates.

Australian minimum +71% increase – new index inevitable

Historically, Australian benchmark iron ore prices have been priced off Carajas fines, so the +71% Carajas settlement would be "benchmark". However prices are not yet settled as the Australians are still negotiating with Asian mills with the largest exporter attempting to drive a higher price to reflect freight differentials (in our view unlikely this year). The development of an independent 3rd party managed iron ore index appears inevitable in a 2-3 year timeframe (iron ore is the only mineral commodity not traded on an index). This index will enable both paper and physical delivery and allow should facilitate both index and contract sales, allowing 1 year contract positions to be swapped out along the forward curve.

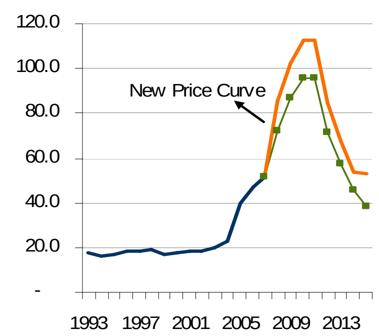
More price upside to come – just look at spot! Buy iron ore.

The iron ore market looks tight for the next 3 years and we are maintaining our previous % increases for JFY09-JFY11E from the new higher JFY08 base. Therefore our iron ore price forecast curve yet again moves upwards.

- **JFY08 +71% yoy:** in line with Carajas fines increase into Asian mills
- **JFY09E +20% yoy:** Consensus +14%
- **JFY10E +10% yoy;** Consensus -4% yoy: ML +24% vs consensus price
- **JFY11E 0% yoy;** Consensus -20% yoy: ML +61% vs consensus price
- **JFY12E -25% yoy;**
- **JFY13E -20% yoy;**
- **JFY14E -20% yoy;**
- **Long Term: +43% to U86.11/dmt fines** (US$55/t @ 63.5% Fe). + 20% vs Consensus

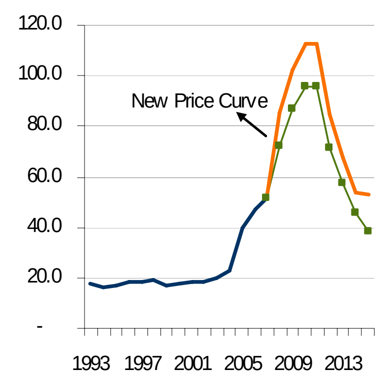
Despite strong iron ore equity share price performance, we still believe this price profile is not reflected into leveraged equity prices and recommend long positions in iron ore plays. **Best global leverage to this commodity are Vale, Kumba, Anglo American, and amongst smaller market cap stocks, Mt Gibson, Murchison, and Atlas Iron**. We are restricted on BHP Billiton and Rio Tinto.

Chart 1: Iron ore price forecasts (U$/t fob) for 63.5% Fe ores



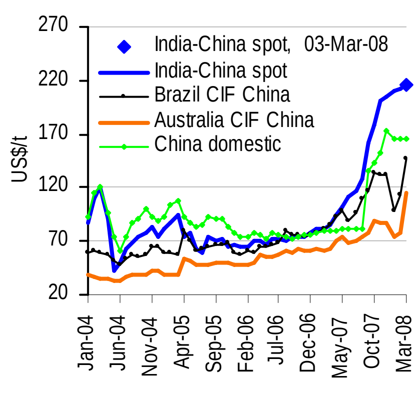
Source: Company Data, Merrill Lynch Research estimates

Chart 2: Iron ore price forecasts (U$/t fob) for 63.5% Fe ores



Source: Company Data, Merrill Lynch Research estimates

Chart 3: Spot prices still at historical highs post recent JFY08 settlements



Source: Bloomberg, Merrill Lynch Research estimates

Iron ore: it ain't over yet!

At least three more bull years

- **Vale's settlement with Japanese & Korean steelmakers at +65% for Itabira fines and +71% for Carajas fines was in-line with revised market expectations and is proof of the current tightness in iron ore markets.**

- **We were surprised the settlement was so early, and that the % increase was not higher, with an earlier and lower settlement likely triggered by Vale's pending corporate activity with XStrata and Glencore. We believe a higher price increase would have been supported by the elevated spot prices, supply disruptions, the tight steel markets (supported by several recent steel price increases) and strong Chinese demand.**

- **Historically, Australian benchmark iron ore prices have been priced off Carajas fines, and this should deliver at least a +71% for the Australian producers. However prices are not yet settled as the Australians are still negotiating with Asian mills with the largest exporter attempting to drive a higher price to reflect freight differentials. We believe they will not be successful in this regard, this year.**

- **We believe that 3rd largest iron ore producer will be successful in encouraging an independent 3rd party to develop and support a traded iron ore index over the next 3 years (iron ore is the only mineral commodity not traded on an index). We understand Boston Consulting Group is already evaluating options. This index will enable both paper and physical delivery and allow should facilitate both spot and index sales, as well as allowing 1 year contract positions to be swapped out along the forward curve.**

- **Spot prices CFR China Qingdao Port from India hit U$216/t on March 1, 2008, still significantly higher than Brazilian ore C&F price (US$146/t after the price increase), implying that contract prices could go up another 53% to match spot rates.**

- **Consolidation continues in the sector, with Anglo American paying US$5.5bn to MMX, for 50% of Minas Rio & 70% of Amapa projects.**

- **We continue to believe the iron ore market will be tight for the next 3 years and we are therefore maintaining our +20%, +10%, 0% forecast increases for JFY09-JFY11E from the new higher JFY08 base. Therefore our iron ore price forecast curve yet again moves upwards. <u>We still believe those prices are not reflected into leverage equity prices and recommend long positions in iron ore plays</u>.**

- **Our forecast of a +20% increase for JFY09 is likely too conservative (although still at top end of consensus). However we will wait to see the outcome of current sub-prime and US recession induced market volatility, in order to make a judgement about steel mills ability to pass a price rise >20% along to the consumer in JFY09. In our supply / demand model, we still see the market in under-supply until 2012.**

- **We are also increasing our long term price forecasts for iron ore to U$55/t (based on the new incentive price work and the significant increase in capex, opex and acquisition prices across the industry).**

Even new brownfield expansions are at ~U$110/t new capacity. Our new fines long term price is U86.11c/dmt or US$54.7/t (63.5% Fe), +43% vs our previous forecast of US$38/t for Carajas and Au fines.

Table 1: Iron Ore Supply vs Demand forecast

Million tonnes	2008E	2009E	2010E	2011E	2012E
Supply	1,680	1,791	1,914	2,019	2,171
Demand	1,712	1,822	1,928	2,033	2,131
Supply - Demand	-33	-31	-14	-14	41

Source: Merrilll Lynch forecasts

We updated our supply / demand model, with minor changes in our deficits, however still a market in considerable undersupply until at least 2012. By 2012, we expect to see the impact of many projects starting/ ramping-up (Carajas Serra Sul, Mt. Gibson, Casa de Pedra, Minas Rio).

The Key event in 2008 is the start-up of Fortescue. First shipment is expected for May. We assume only 10mt produced in 2008 and 35mt in 2009 before ramping to 45mtpa capacity in 2010.

Key issues for Iron Ore

1. **Spot iron ore prices continue at new highs**, even with freight easing from peaks. Spot vs new contract price settlement is still substantially higher.
2. **Chinese demand continues to be exceedingly strong**, with record high January 2008 imports at 36.8mt, annualised 441mtpa, in line with our forecast 446mtpa for iron ore imports into China in 2008.
3. **Supply constraints continue to impact S/D, driving deficits in market even assuming conservative crude steel growth rates until at least 2011**: Au, Brazil and India all facing cut-backs – with Indian steel companies lobbying Indian Government to ban or drastically reduce exports.
4. **Capex/t new capacity in the industry continues to accelerate**, as new producers go greenfield and brownfield expansions demand more infrastructure spending (rail and port).
5. **Operating costs continue to rise on higher inputs and FX impacts - pressure on margins**. For Vale in Q4 2007, Iron ore total cash costs increased by 30% QoQ and only 22% of the cost increases were FX related.
6. **Fortescue will start commercial production in 2008.** First ore on ship expected in May 2008 although it appears trucking of ore will occur for the first few months as the rail line is as yet unfinished. This ore body is real and will produce 30-40mtpa in 2009 (ML est).

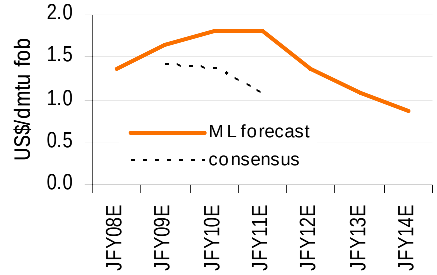
Iron Ore Price forecast profile again increased:

Vale's settlement with Japanese & Korean steelmakers at +65% for Itabira fines and +71% for Carajas fines was in-line with revised market expectations and is proof of the current tightness in iron ore markets. We still expect prices to go up over the next 3 years despite the higher 2008 settlement, and **we retain our iron ore price forecast profile of +20%, +10% and 0% for JFY2009, JFY2010 and JFY2011 despite the higher settlement in 2008**.

Major Changes to our iron ore price forecasts

Our new higher iron ore price profile from 2008 to 2014 is +18% for Itabira fines and +22% for Australian / Carajas fines and Pilbara Lump. Our long term prices (Carajas / Au fines) have been lifted 43% based on our revised incentive price analysis from US60.4c/dmtu (US$38/t) to US86.1/dmtu (US$54.7/t).

Chart 4: ML iron ore forecasts vs market iron ore price forecasts in US¢/dmtu



Source: Industry Association and Merrill Lynch forecasts

- **JFY08 +71% yoy: in line with Carajas settlement into Asian Mills**
- **JFY09E +20% yoy: Consensus +14%**
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- **JFY12E -25% yoy;**
- **JFY13E -20% yoy;**
- **JFY14E -20% yoy;**
- **Long term: upgraded long term price by 43% to U86.11/dmt or US$54.7/t (63.5% Fe) fines. +20% vs Consensus U69.63c/dmtu**

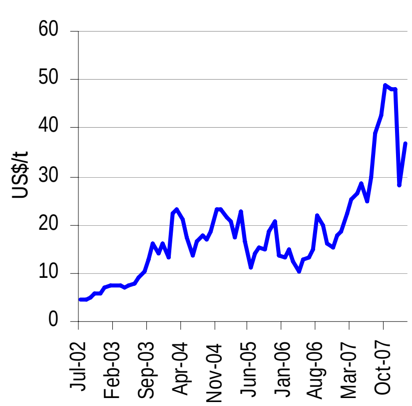
Our iron ore price profile remains substantially above market consensus (see margin chart). We believe consensus will be continually upgrading over the next 3 years, under-pinning share price performance of equities**.**

Table 2: Iron Ore Prices to be higher AT LEAST until 2012; +20% in JFY09E and another +10% in JFY10E

All Prices FOB	JFY2006A	JFY2007A	JFY2008A	JFY2009E	JFY2010E	JFY2011E	JFY2012E	JFY2013E	JFY2014E	Long term
Carajas / Au big producers										
Fe Fines (USc/dmtu)	73.5	80.4	137.5	165.0	181.6	181.6	136.2	108.9	87.1	86.1
Fe Fines 63.5% Fe (U$/t)	46.6	51.1	87.3	104.8	115.3	115.3	86.5	69.2	55.3	54.7
YoY % Change	+19%	+9.5%	+71%	+20%	+10%	0%	-25%	-20%	-20%	-1%
Change from previous forecast				22%	22%	22%	22%	22%	22%	43%
Pilbara Lump										
Fe Lump (USc/dmtu)	93.8	102.7	175.6	210.7	231.7	231.7	173.8	139.0	111.2	110.0
Fe Lump 63.5% Fe (US$/t)	59.5	65.2	111.5	133.8	147.1	147.1	110.4	88.3	70.6	69.9
YoY % Change	+19%	+9.5%	+71%	+20%	+10%	0%	-25%	-20%	-20%	-1%
Change from previous forecast				22%	22%	22%	22%	22%	22%	43%
Itabira Fines										
Fe Fines (USc/dmtu)	74.4	81.5	134.4	161.3	177.4	177.4	133.0	106.4	85.2	80.9
YoY % Change	+19%	+9.5%	+65%	+20%	+10%	0%	-25%	-20%	-20%	-5%
Change from previous forecast				18%	18%	18%	18%	18%	18%	33%

Source: Company data, Merrill Lynch Research estimates

Chart 5: Brazil/Australia to Asia Differential



Source: Bloomberg

Change in iron ore price mechanism underway

Next big question on the market is: at what level will the Australian producers settle their benchmark prices in JFY08? We believe 71%. Historically, Australian Benchmark iron ore prices have been priced off Carajas fines, and this should deliver at least a +71% for the Australian producers. The biggest Australian is also chasing a portion of the freight differential this year however our view is this will unsuccessful as the focus of others in the Au industry is to move pricing to a traded index over the next 3 years which would enable a "market price" to be set. The freight differential between Brazil-Australia to China, currently at US$37/t.

New contract between A Big Australian and Baosteel could be first step towards creation of new index pricing in iron ore. We understand this Australian producer is writing no new benchmark contracts and will only re-new tonnes at an "agreed annual market price". This should allow these contracts to be rolled onto an index when one is operational. This index would be a market in which iron ore buyers and sellers could sell along the forward curve of any time duration and investors could take paper and physical positions and over which derivatives could be written. **Companies can still buy or sell on a yearly contract basis however each participant has a choice of whether they then swap this position out along the forward curve**. This is a similar structure to the energy coal index in Europe / Asia that has been implemented over the last 5 years.

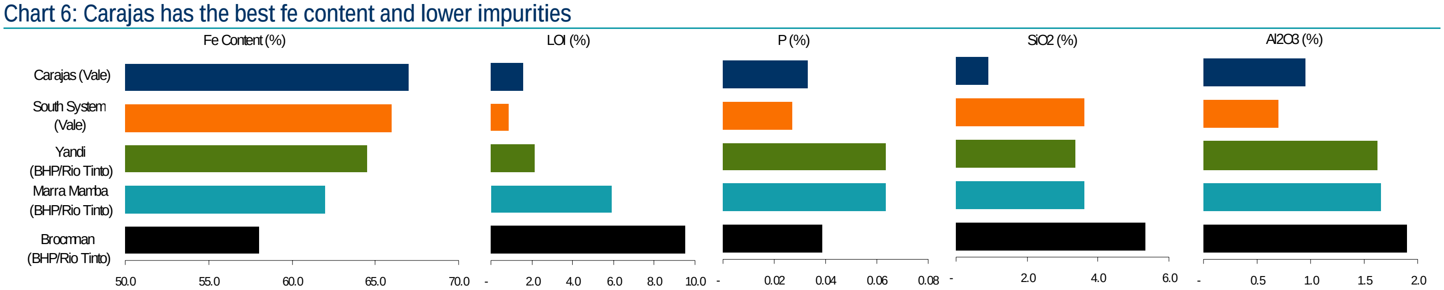
Most industry players admit this iron ore index will take some time to enact, although the aim is to have it fully operational 3 years from now. We understand Boston Consulting Group is at present evaluating a range of service providers in order to set up an independently 3rd party operated iron ore index. This period should also see the expiry of the remaining that Australian producer's contracts that are "benchmark-linked".

So, if agreement cannot be reached on an acceptable "benchmark market price" this year, then we would expect the Australian producers will sell any uncontracted iron ore on the spot market at substantially higher prices – this will certainly impact the bottom line of steel mills, and the Australian producers hope it will attract them to the Index.

Quality differential now makes a difference

Higher price for quality is new news: On top of the +65% increase for Itabira fines, Vale has secured at 6% premium for Carajas ore to Asia, given the higher quality. Carajas has the highest quality iron ore in the world, with high level of Fe content (67%), low LOI (loss on ignition) and impurities. Premium over Southern System fines increased from US$1.1/dmtu (1.5%) to US$6.2/dmtu (5.2%). It is a clear sign that, despite the higher freight cost, Asian steelmakers are wiling to pay the premium for higher quality, increasing productivity at blast furnaces. Chart below shows how Vale's iron ore compares to Australian ore:

Chart 6: Carajas has the best fe content and lower impurities



Source: Company Data, Merrill Lynch Research estimates

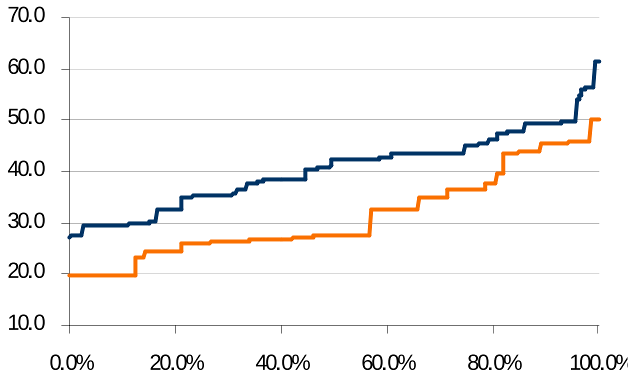
Long term price upgrades: +43% to US$55/t in 2015

We are increasing our long term iron ore price estimate by 43% to US$54.7/t from US$38.3/t, based on our updated incentive price analysis for iron ore projects. Our new LT price is still 37% below new FOB prices in 2008.

We continue to see capex and cost overruns in the industry. Average cost of new Greenfield projects has increased to US$110/t new capacity from US$75/t new capacity, in the past 12 months, as projects have become more complex, labour more expensive, and infrastructure commitments have grown,

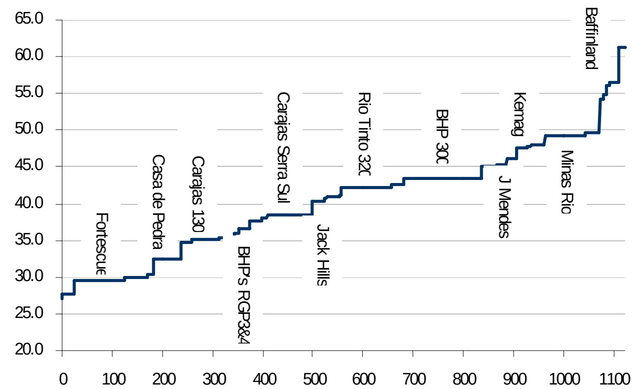
Carajas Serra Sul project is one good example of higher capex / more complex projects in the industry. At US$112 capex / t new capacity, it was twice as expensive as previous expansions at Vale. Not only has the price of equipment/services accelerated, but also the costs of developing the new mine demanded extending the current railroad, expanding the port and building a new iron ore processing plant. Charts below show the incentive price curve (iron ore price at which projects would yield a 15% return) and how it compared to our previous curve:

Chart 7: Incentive prices continue to go up in 2007



Source: Company Data, Merrill Lynch Research estimates

Chart 8: New LT price at US$55/MT



Source: Company Data, Merrill Lynch Research estimates

Table below summarizes the projects we analysed to calculate the long term incentive price:

Table 3: Capex for new projects still on the upside; Average of US$110/t new capacity

Company	Project	Country	Capex (US$ million)	Total Capex/ton	Production mtpa	Operating Cost	Incentive price @ 63.5%	Start-up
Rio Tinto	Mesa A	Australia	900	42.0	25.0	16.0	27.6	2010
Fortescue	200mtpa	Australia	6,000	66.0	100.0	10.9	29.5	2008
Fortescue	100mtpa	Australia	2,700	66.0	45.0	10.9	30.0	2008
Kumba	SEP I	South Africa	671	57.6	13.0	17.0	30.3	2008
CSN	Casa de Pedra	Brazil	2,870	59.1	54.0	20.0	32.5	2008
Rio Tinto	Brockman	Australia	1,500	74.2	22.0	16.0	34.8	2010
Fortescue	55mtpa	Australia	2,766	56.3	55.0	18.0	35.2	2008
CVRD	Carajas 130	Brazil	2,478	113.6	30.0	10.0	35.3	2009
Kumba	Sishen South	South Africa	711	84.9	9.0	17.0	35.9	2011
BHP Billiton	RGP3	Australia	1,529	82.5	20.0	16.0	36.5	2008
BHP Billiton	RGP4	Australia	2,100	86.8	26.0	16.0	37.6	2013
MMX Metalicos	AVX	Brazil	449	50.9	10.0	25.0	37.9	2009
CVRD	Carajas Serra Sul	Brazil	10,094	128.8	90.0	10.0	38.5	2012
CVRD	Maquiné-Baú	Brazil	2,207	123.0	24.0	12.0	40.4	2011
Consolidated Thompson	Bloom Lake	Canada	350	76.0	5.0	21.0	40.7	2009
Murchison Metals	Jack Hills	Australia	2,790	117.6	25.0	16.0	40.9	2011
Gindalbie	Mungada	Australia	100	49.5	3.0	25.0	41.1	2009
Rio Tinto	RIO 320	Australia	10,000	106.0	100.0	16.0	42.2	2013
Bahia Mineracao	Caetite	Brazil	2,500	106.0	25.0	20.0	42.5	2011
BHP Billiton	BHP 300	Australia	14,700	111.0	140.0	16.0	43.4	2015
Cape Lambert	Cape Lambert	Australia	1,050	74.7	15.0	25.0	43.4	2010
Usiminas	J Mendes	Brazil	3,000	108.7	29.2	25.0	45.1	2013
Mittal	Faleme	Senegal	2,640	138.0	20.0	15.0	45.3	2011
Anglo-American	Amapa	Brazil	2,897	150.9	20.0	15.0	46.1	2009
New Millenium	Kémag	Canada	4,046	193.3	21.6	26.0	47.5	2012
Gindalbie	Karara	Australia	1,625	209.1	8.0	20.0	47.8	2010
CITIC	Sino Iron	Australia	5,200	198.6	27.0	20.0	47.9	2010
Anglo-American	Minas Rio	Brazil	13,750	179.0	79.5	13.5	49.3	2010
MHAG	Bonito	Brazil	1,800	66.0	30.0	35.0	49.6	2009
Grange	Southdown	Australia	1,469	222.0	6.8	42.9	54.2	2011
Aurox	Balla Balla	Australia	561	99.5	6.0	27.9	54.8	2011
Sphere	Mauritania	Guelb el Aouj	2,150	313.1	7.0	40.0	56.0	2011
Baffinland	Mary River	Canada	4,100	233.8	18.0	15.0	56.4	2013
Australasian	Balmoral South	Australia	2,100	181.0	12.0	40.0	61.3	2011

Source: Company Data, Merrill Lynch

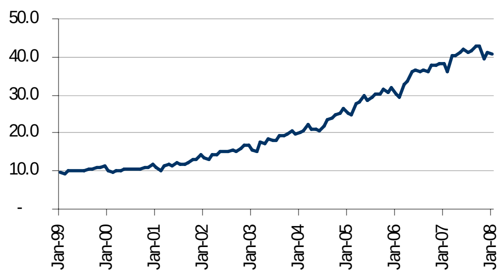
Supply / Demand

All about China: 80% of growth in consumption

China continues to be the main driving force behind the current tightness in the iron ore market. In 2007, China represented 80% of the growth in iron ore exports from Australia and Brazil combined, representing 46% of the total exports.

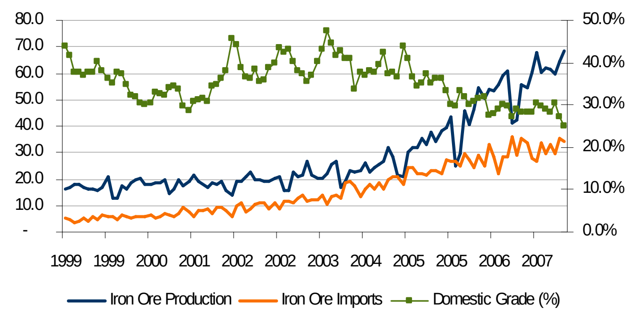
China imported 384mn tonnes in 2007, 17.6% higher than 2006 (+57mn tons), based on a 15.6% growth in steel production to 487mn tonnes. Charts below show Chinese monthly steel production and monthly imports and production of iron ore. Note that domestic grade kept declining steeply in 2007:

Chart 9: Chinese monthly steel production going up



Source: Bloomberg, Merrill Lynch Research estimates

Chart 10: Iron ore imports and domestic production on the upside



Source: Bloomberg, Merrill Lynch Research estimates

Table below summarizes the breakdown of Australian and Brazilian exports:

Table 4: China represented 80% of growth in exports

Australia	2006	Share (%)	2007	Share (%)	Growth (%)	% of Growth
China	128.6	52.0%	142.6	53.3%	10.9%	70.4%
Japan	73.8	29.8%	77.4	29.0%	4.9%	18.1%
Taiwan	9.4	3.8%	10.0	3.7%	6.4%	3.0%
Korea	26.3	10.6%	30.6	11.4%	16.3%	21.6%
Europe	9.0	3.6%	6.4	2.4%	-28.9%	-13.1%
Other	0.3	0.1%	0.3	0.1%	0.0%	0.0%
Total	247.4	100.0%	267.3	100.0%	8.0%	100.0%
Brazil	2006	Share (%)	2007	Share (%)	Growth (%)	% of Growth
China	81.3	33.5%	105.0	39.0%	29.2%	88.1%
Japan	36.5	15.1%	35.4	13.1%	-3.0%	-4.1%
Taiwan	5.2	2.1%	4.3	1.6%	-17.3%	-3.3%
Korea	12.3	5.1%	10.3	3.8%	-16.3%	-7.4%
Europe	75.1	31.0%	82.8	30.7%	10.3%	28.6%
Americas	18.4	7.6%	16.5	6.1%	-10.3%	-7.1%
M.E./Africa	11.6	4.8%	10.4	3.9%	-10.3%	-4.5%
Other	2.1	0.9%	4.7	1.7%	123.8%	9.7%
Total	242.5	100.0%	269.4	100.0%	11.1%	100.0%
Aust.+Brazil	2006	Share (%)	2007	Share (%)	Growth (%)	% of Growth
China	209.9	42.8%	247.6	46.1%	18.0%	80.6%
Japan	110.3	22.5%	112.8	21.0%	2.3%	5.3%
Taiwan	14.6	3.0%	14.3	2.7%	-2.1%	-0.6%
Korea	38.6	7.9%	40.9	7.6%	6.0%	4.9%
Europe	84.1	17.2%	89.2	16.6%	6.1%	10.9%
Other	32.4	6.6%	31.9	5.9%	-1.5%	-1.1%
Total	489.9	100.0%	536.7	100.0%	9.6%	100.0%

Source: AME, IISI, Merrill Lynch Research estimates

Supply / Demand: Market tight until 2012

Table 5: Global Iron Ore Supply/Demand Balance

(Revised: 7-Mar-08)	2003	%chg	2004	%chg	2005	%chg	2006	%chg	2007E	%chg	2008E	%chg	2009E	%chg	2010E	%chg	2011E	%chg	2012E	%chg
Iron Ore Supply (million tonnes)																				
Australia	212	13.6%	234	10.3%	262	12.1%	277	5.6%	293	5.7%	354	21.0%	408	15.3%	445	9.1%	472	6.1%	541	14.6%
Rio Tinto	118	13.9%	127	6.8%	142	12.2%	150	5.8%	165	9.7%	193	17.2%	210	8.8%	217	3.3%	219	0.9%	220	0.5%
BHP Billiton	83	13.6%	95	14.0%	106	12.3%	108	1.2%	106	-1.6%	125	17.9%	129	3.2%	147	13.8%	155	5.5%	200	29.1%
Fortescue	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	10	-	35	250.0%	45	28.6%	45	0.0%	45	0.0%
Other Australian Producers	11	10.4%	13	21.2%	14	9.4%	19	34.3%	19	1.6%	21	7.3%	27	31.2%	28	3.7%	28	0.0%	28	0.0%
Other probable	0	-	0	-	0	NA	1	-	3	520.0%	6	93.5%	8	30.0%	9	15.4%	26	188.9%	49	88.5%
Brazil	233	8.5%	259	11.2%	277	7.1%	309	11.3%	342	10.7%	370	8.4%	394	6.4%	446	13.2%	504	13.0%	555	10.2%
CVRD	183	6.0%	208	13.6%	234	12.6%	264	12.9%	296	12.0%	314	5.9%	322	2.6%	347	7.8%	377	8.7%	407	8.0%
MMX	0	0.0%	0	0.0%	0	0.0%	1	-	2	100.0%	9	350.0%	15	71.1%	25	64.9%	35	37.8%	40	14.3%
CSN	15	14.1%	15	0.0%	13	-13.3%	16	23.1%	16	0.0%	15	-6.3%	15	0.0%	30	100.0%	42	40.0%	55	31.0%
Samarco (50% CVRD / 50% BHP)	16	-11.1%	16	-1.3%	15	-3.9%	14	-7.4%	14	4.8%	16	7.2%	22	41.9%	24	9.1%	24	0.0%	24	0.0%
Other	19	18.3%	21	6.9%	15	-25.7%	15	-4.7%	15	4.7%	26	72.1%	36	35.4%	46	28.1%	61	34.6%	70	13.7%
India	99	14.6%	121	22.0%	146	20.7%	145	-0.3%	150	3.0%	152	1.7%	155	1.6%	155	0.0%	152	-1.9%	152	0.0%
South Africa	34	0.7%	35	2.8%	37	5.4%	37		38	2.9%	47	24.2%	53	14.1%	57	6.4%	55	-3.4%	58	5.5%
North America	93	0.0%	95	2.2%	102	7.4%	103	1.1%	102	-0.9%	107	5.0%	109	1.9%	112	2.2%	112	0.0%	115	2.8%
Other (Europe, Other LatAm, Africa)	86	4.7%	91	6.2%	94	4.0%	104	10.1%	110	5.4%	114	4.4%	117	2.5%	123	4.7%	134	8.8%	144	7.9%
China (63% Fe equivalent)	151	7.2%	165	8.8%	224	36.1%	278	24.1%	314	12.7%	337	7.5%	353	4.7%	374	5.8%	388	3.7%	396	2.1%
Inventories in China	21	180.8%	-6	-128.3%	5	-186.2%	0	-	0	-	0	-	0	-	0	-	0	-	0	-
CIS	172	8.3%	181	5.7%	182	0.3%	183	0.7%	188	2.3%	190	1.3%	194	2.0%	196	1.0%	196	0.0%	203	3.6%
Other	17	-84.8%	4	-76.5%	7	75.0%	8	7.1%	8	0.0%	8	0.0%	8	0.0%	8	0.0%	8	0.0%	8	0.0%
World Supply	1,117	0.8%	1,179	5.5%	1,337	13.4%	1,443	8.0%	1,542	6.8%	1,680	8.9%	1,791	6.7%	1,914	6.9%	2,019	5.5%	2,171	7.5%
Iron Ore Demand (million tonnes)																				
European Union (EU 25)	163	4.0%	167	2.6%	162	-3.4%	167	3.3%	167	0.0%	169	1.0%	170	1.0%	172	1.0%	174	1.0%	176	1.0%
Other Europe	20	34.7%	22	6.4%	23	8.4%	23	-1.3%	23	0.0%	23	1.0%	23	1.0%	24	1.0%	24	1.0%	24	1.0%
FSU	141	7.3%	146	3.8%	145	-1.0%	151	4.2%	160	6.0%	166	4.0%	173	4.0%	180	4.0%	187	4.0%	195	4.0%
North America	81	-1.0%	87	7.9%	78	-10.3%	78	0.0%	78	0.0%	79	1.0%	80	1.0%	80	1.0%	81	1.0%	82	1.0%
South America	73	9.3%	80	9.0%	82	2.6%	82	0.2%	98	20.0%	107	9.0%	113	5.0%	118	5.0%	124	5.0%	130	5.0%
Africa	25	18.0%	23	-6.4%	27	13.7%	28	5.7%	29	4.1%	30	2.3%	31	2.3%	31	2.3%	32	2.3%	33	2.3%
Middle East	21	15.8%	22	5.7%	24	8.0%	24	-0.8%	29	20.0%	35	20.0%	40	15.0%	42	6.0%	45	6.0%	47	6.0%
China (63.5% Fe equivalent)	299	18.5%	373	24.5%	499	34.0%	598	19.8%	697	16.6%	783	12.3%	859	9.7%	936	9.0%	1014	8.3%	1081	6.5%
Japan	132	2.3%	135	2.1%	132	-1.9%	134	1.5%	139	3.4%	138	-0.9%	141	2.3%	144	2.3%	147	2.3%	151	2.3%
South Korea	43	-0.5%	44	2.5%	44	-1.4%	44	0.5%	45	1.9%	46	2.5%	47	2.5%	48	2.5%	49	2.5%	51	2.5%
India	42	33.0%	60	41.8%	57	-5.0%	70	22.8%	76	9.0%	83	9.0%	91	9.6%	96	5.0%	99	3.3%	104	5.5%
Taiwan	16	1.3%	16	0.6%	16	1.3%	16	3.1%	17	1.9%	17	2.5%	17	2.0%	18	2.0%	18	2.0%	19	2.0%
Other Asia	6	-17.9%	7	NA	10	46.2%	10	3.1%	10	1.9%	10	2.5%	11	3.0%	11	3.0%	11	3.0%	12	3.0%
Oceania	28	89.1%	27	-2.5%	25	-7.7%	25	0.0%	26	3.6%	26	2.0%	27	1.0%	27	1.0%	27	1.0%	27	1.0%
World Demand	1090	10.7%	1209	10.9%	1323	9.5%	1451	9.6%	1594	9.9%	1712	7.4%	1822	6.4%	1928	5.8%	2033	5.5%	2131	4.8%
Supply - Demand	27		-30		14		-7		-52		-33		-31		-14		-14		41	
Fe Ore fines price			0.3599		0.6173	71.5%	0.7346	19%	0.8043	9.5%	1.3754	71%	1.6505	20%	1.8155	10%	1.8155	0%	1.3617	-25%

Source: AME, Merrill Lynch Research estimates. Please note that BHP Billiton and Rio Tinto numbers reflect company data.

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