

Rio Tinto says half of China iron-ore mines may have shut

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Roughly half of China's iron-ore mines may have shut down since prices dropped, opening the door for other low-cost producers to supply China with the key mineral for making building materials, an executive at Rio Tinto said on Monday.

"We believe that perhaps up to half of domestic iron-ore mines are currently shuttered," Anthony Loo, managing director for Rio Tinto, China, said at a China economic conference in Hong Kong on Monday. "Imports - lower cost producers around the world - have displaced domestic production," he said, speaking at the event, held by Australian investment bank Macquarie Group.

China's increase in iron-ore imports helps mining companies such as Rio, which are used to competing heavily with domestic producers. Many iron-ore mines sprouted up in China when prices of the commodity soared. But falling prices have put cost pressure on the smaller, domestic producer.

Rio Tinto, the world's number two iron-ore miner, is fighting to get shareholders and Australian regulators to pass its controversial US\$19.5 billion deal with Chinese state-owned aluminium group Chinalco, which was struck to help Rio Tinto handle its near US\$40 billion debt load.

Mr. Loo did not comment on the Chinalco deal. Chinese steelmakers have been pushing for a 40% price cut in this year's talks with iron-ore suppliers, as Chinese steel mills were not able to afford high ore prices due to their weak profits.

China imported a record 57Mt of iron ore in April, an all-time high, up 9% from a month ago and 33% greater than last April. The record imports will be seized on as leverage by both sides in annual benchmark iron-ore price talks between China's top mill, Baosteel and the top mining companies, BHP Billiton, Rio Tinto, and Vale.