



## Wuhan Steel Signs Long-Term Iron Ore Contract With Venezuela

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By Bloomberg News

Nov. 16 (Bloomberg) -- **Wuhan Iron & Steel Group**, China's third-biggest steelmaker, said Venezuela's Corp. Venezolana de Guayana will supply iron ore under a long-term contract, helping the mill to diversify its raw material sources.

Wuhan Steel will buy the steelmaking material at "China prices," which will differ from the benchmark rates set yearly by the world's top three suppliers, the Hubei province-based company said today on its [Web site](#), without giving details. Corp. Venezolana de Guayana is the only iron ore producer in Venezuela, the statement said.

The agreement may pave the way for China to set iron ore prices separately from the rest of the world and exercise its bargaining power as the largest buyer. Chinese steelmakers and suppliers **Rio Tinto Group**, **BHP Billiton Ltd.** and **Cia. Vale do Rio Doce** have failed to reach a price agreement this year.

Corp. Venezolana de Guayana, also known as CVG, has a production capacity of 23 million metric tons this year, Wuhan Steel said. The South American nation has a proven iron ore reserve of 4.18 billion tons, it said.

Wuhan Steel will have a pre-emptive option on an expanded supply of the ore once the mining company completes its expansion plans, the steelmaker said, without elaborating.

Chinese mills have been acquiring iron ore mines overseas in a bid to reduce their dependence on Rio, BHP and Vale, which together account for three-quarters of global seaborne iron ore trade. Wuhan Steel has offered to buy a stake in Brazil's MMX Mineracao e Metalicos SA and a unit Batista, for \$400 million.

Japanese and South Korean steelmakers won a 33 percent price cut for contract iron ore from suppliers this year. Chinese mills have rejected the cut as too small. Prices may jump 14 percent in 2010 to the second-highest on record, according to a Bloomberg News survey of analysts last month.

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