

Iron Ore Fines Report

Market Scenario

The month of January, 2010 witnessed a positive trend with demand shooting up from Chinese market. Indian grade prices increased by 10% in the first week itself since the close of December with Fe 63.5% grade trading at \$133-135 per tonne cfr main China port. Offers for 58% grade fines have jumped to \$107-110 per tonne cfr China. The second week of the month made a whopping rise in price with Chinese demand further gaining strength. Fe 63.5% grade soared above \$135/tonne cfr China. One 60,000-tonne parcel of prime Fe 63.5%/63% fines, from miner Rungta Mines was booked by a trader on 6 January at \$110/t fob at Paradip port in the eastern state of Orissa. With the current prevailing freight of \$25/t on a single loading basis in a Panamax vessel and a demurrage of \$2/t for the current six-day waiting period at the port, the cfr price of the ore amounts to \$137/t cfr main port China. Added to that is the trader's \$2/t commission, which brings the final selling price of the ore to the end user to \$139/t cfr. One 40,000t cargo of Fe 57%/56% ore was booked at \$70/t fob on 8 January to be shipped from Kakinada port on the east Indian coast to North China at \$26-28/t freight cost. On that same day, another 45,000t lot of Fe 58% fines was booked from the western port of Goa, at \$110/t cfr China. Prices for the same grade of ore are currently being negotiated at levels of \$113/t cfr (including \$27-28/t freight). Apart from the shortage of ore from Orissa and Karnataka, reasons for the soaring prices include dwindling ore stockpiles of around 66m t at Chinese ports (from the 2009 average of 70m t), hungry buying by steel mills before the Lunar New Year holidays in February, and the 5% export duty recently levied by the Indian government.

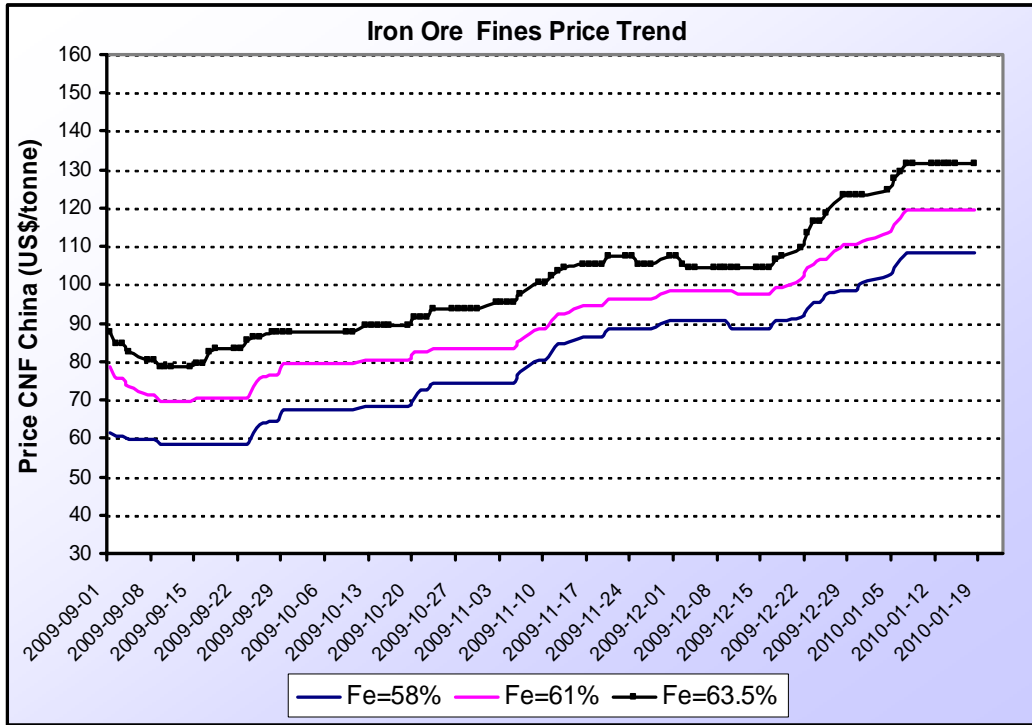
Prices however retreated towards the end of second week as buyers get jitters after the rapid escalation. Spot prices for 63.5% Fe content fines fell to \$133-135 per tonne cfr China, down from \$133-137. Transactions remained scarce, high-grade Indian iron ore prices faced strong resistance as Chinese steel prices slid. Chinese steel mills have noticeably been slowing down their buying of Indian ore in a bid to cool escalating prices. A 25,000-tonne parcel of Fe 62%/61% ore was booked early second week at \$121/t cfr to be shipped from Kolkata port with a freight cost of around \$25/t cfr. Although the price of iron ore fines in China, the major buyer of Indian iron ore, is much higher than the quotation Indian exporters offer, Indian exporters still keep the price stable this week. The current price of iron ore fines 63.5% rejection below 62.5% is around USD93/t FOB Indian major ports. Adding the average ocean freight of USD25/t, the offer on CNF China basis is just USD118/t, much lower than the price of USD135/t in Chinese major ports. Another exporter in Goa confirmed that Indian sellers keep the price stable while the price of same materials rises sharply in the target market, China. Now the source quotes USD73/t FOB Goa for iron ore fines 58% rejection below 57%, the same as that of last week. The Indian Fob prices are expected to remain stable in order to prevent buyers from retreating the market.

Indian IOF Price movement since the last VISL auction on Dec 09, 2009

	Dec 09, 2009	Jan 15, 2010	% change	Today's Avg price(USD/tonne)
63.5%min CNF China USD/tonne	104.5	131.5	25.84	131.5
63.5%min FOB India USD/tonne	83.5	93.5	11.98	93.5
61%min CNF China USD/tonne	98.5	119.5	21.32	119.5
61%min FOB India USD/tonne	75.5	86.5	14.57	86.5
58%min CNF China USD/tonne	90.5	108.5	19.89	108.5
58%min FOB India USD/tonne	67.5	76.5	13.34	76.5

Source: Asian Metal

The graph below shows the price trend of Indian Iron Ore fines for various grades



Source: Asian Metal

As seen from the above table and graph, since the last auction held on Dec 09, 2009 prices have seen a rise of around USD 18-27/tonne in the Indian export market till date across various grades. Fe 63% has seen a rise of around 26.0% since Dec 09, Fe 61% has seen a rise of around 21% while Fe 58% has seen a rise of around 20%.

Outlook

Indian Iron Ore prices are expected to remain firm in the short-term as both domestic market demand and Chinese market demand holds strong.