

## Market Report on Iron Ore Fines

*The month of March has seen some mixed trend with export market seeing a stable movement in the first few days; a downtrend observed across various grades due to weak market demand and high inventory at Chinese ports in the initial period of week 02, however since then the market has seen some sharp price rise across various grades with Chinese market booming.*

*The market further improved in the month of April. Import prices for 63.5% Indian fines have touched \$165-170 per tonne cfr China in the first week of the month. While offers are rising, tonnages shipped slowed due to tight supply of iron ore from India as well as high price levels. Prices crossed further \$ 170 per tonne mark to prevail in the range of \$170-173 per tonne cfr beginning of second week supported by unusually strong Chinese demand and a continued shortage of material.*

Chinese buyers are not afraid to buy at such high prices, since the Chinese steel market is very strong. Chinese iron ore imports approached 60m tonnes in March.

Prices of Indian 63.5% Fe fines continue to climb, with offers from Indian sellers crossing \$182-185/tonne cfr late in the second week. The beginning of third week has seen further price rise with cfr prices for Fe 63.5% increasing by almost 10 USD over a week to prevail at USD 188/tonne, cfr on tight supply. Quotation of iron ore fines 61% rejection below 60% is USD143/t FOB Indian major ports, up by USD10/t from that late last week.

*Meanwhile, low grade iron ore trade has slowed considerably.* Indian exporters of iron ore grading less than 60% Fe are finding it increasingly difficult to conclude new deals with Chinese traders. Cargoes which have already been transacted continue to be loaded. But some ships carrying cargoes, for which letters of credit (LCs) have been opened by Chinese banks, are not being permitted to unload at certain Chinese ports. As a result of the confusion, very few fresh transactions are happening. The problems facing Indian exporters result from directive from the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters banning imports of iron ore under 60% Fe. However, Chinese buyers and Indian sellers are finding ways of working around these restrictions. While standalone traders are not being issued import licences, steel mills and their licensed agents are able to import ore. Chinese traders are therefore trying to obtain letters from steel mills authorizing them to import ore on the mills' behalf.

Some market participants expect the situation to resolve itself over the next few weeks while others say China's decision will backfire as low grade ore prices start to rise sharply.

**Factors affecting the market:** Strong Chinese demand and a continued shortage of material. At present, the inventory of iron ore fines in Chinese major ports, where Indian iron ore fines is mainly shipped, is low because three iron mine giants reduced the supply of iron ore to China. Therefore, Chinese buyers place orders with Indian exporters to maintain the normal business. Besides the strong demand, the supply in local market is keeping tight, which is also pushing the export price to move up. Now some illegal iron mines in India have stopped production. Iron mines can not transport iron ore from mines to ports smoothly at present. The lead-time is more than one week, but in past months it just needed four to five days.

The ban by the China Chamber of Commerce of Metals Minerals & Chemical Importers & Exporters (CCCMC) on importing iron ore with Fe content of less than 60% has also caused Chinese traders to compete for higher grade iron ore and pushed prices for iron ore with 63.5% Fe content up to \$180-183/tonne cfr on 20 April from \$171-174/t cfr on 13 April. Some traders who were importing low-quality iron ore before have stayed away from the market or turned to high-quality ore.

**Orissa iron ore exports plunge to 20%:** Iron ore exports from India's Orissa state have fallen by about 80% since the government started cracking down on illegal mines in March, said traders, miners and industry sources. More than 50 iron ore mines have been suspended in Orissa, the largest supplier of high grade

iron ore fines from India, sources told MB. All means of ore transportation have also been shut down by the government, to prevent illegal ore from leaving the state. There was hardly any iron ore at Orissa ports as railways have been stopped from lifting ore till the Orissa government gives the go-ahead, said Federation of Indian Mining Industry general secretary R.K. Sharma.

**Rail sabotage disrupts iron ore dispatches in India:** Indian public sector miner NMDC has been forced to halt iron ore deliveries of about 56,000-60,000 tonnes/day from its Kirandul and Bachelu mines in Chhattisgarh state since 19 April, after unknown saboteurs damaged a length of rail track causing a derailment. Early Monday morning, a train transporting about 4,000 tonnes of iron ore from Bachelu to Visakhapatnam in Andhra Pradesh derailed. Investigations revealed that fasteners on a 200-metre stretch of track had been removed.

The shipment was destined for steel producer Ispat Industries, a Chhattisgarh-based NMDC official told. An Ispat spokesperson said the disruption would not have an immediate impact on steel production as about a fortnight is needed for iron ore shipments from NMDC's mines to reach the steelworks.

### Chinese Domestic scenario:

Chinese domestic iron ore price tops \$200/t: Rapidly increasing prices in China's imported iron ore market within the past week have spurred China domestic iron ore producers to raise prices.

The price for 66% Fe iron ore concentrate in the Hanxin region of northern China's Hebei province increased to RMB 1,439/dry metric tonne (\$211/dmt) including VAT. This is up RMB 164/dmt (\$24/dmt) from 29 March. In Hebei's Tangshan city, 66% Fe concentrate is being sold at around RMB 1,229-1,252/wet metric tonne (\$180-183/wmt) including VAT, around RMB 176-199/wmt (\$26-29/wmt) higher than on 29 March.

A major producer in Hanxin district tells SBB that he increased offers on 13 April by RMB 94/dmt from RMB 1,275/dmt (\$187/dmt) last week as market demand was quite strong. "Our products sell well and we don't have any stock now," he says.

Meanwhile, a trader in Shanghai also notes that since the middle of March, increasing domestic steel prices are allowing mills to accept higher iron ore prices.

### Market price trend of Iron Ore Fines for various grades in the month of April'10:

**Iron Ore Fine Indian 63.5%min CNF China USD/t**

	Low price	High price	Avg Price
10-04-01	158	159	158.5
10-04-02	163	164	163.5
10-04-06	169	170	169.5
10-04-07	169	170	169.5
10-04-08	169	170	169.5
10-04-09	171	172	171.5
10-04-09	171	172	171.5
10-04-12	171	172	171.5
10-04-13	176	177	176.5
10-04-14	178	179	178.5
10-04-15	180	181	180.5
10-04-16	181	182	181.5
10-04-19	184	185	184.5
10-04-20	186	187	186.5
10-04-21	187	188	187.5
10-04-22	187	188	187.5

**Iron Ore Fine Indian 63.5%min FOB India USD/t**

	Low price	High price	Avg Price
10-04-01	125	126	125.5
10-04-02	126	127	126.5
10-04-06	127	128	127.5
10-04-07	128	129	128.5
10-04-08	129	130	129.5
10-04-09	130	131	130.5
10-04-12	131	132	131.5
10-04-13	134	135	134.5
10-04-14	137	138	137.5
10-04-15	140	141	140.5
10-04-16	145	146	145.5
10-04-19	148	149	148.5
10-04-20	153	154	153.5
10-04-21	153	154	153.5
10-04-22	155	156	155.5

**Iron Ore Fine Indian 61%min CNF China USD/t**

	Low price	High price	Avg Price
10-04-01	144	145	144.5
10-04-02	144	145	144.5
10-04-06	150	151	150.5
10-04-07	152	153	152.5
10-04-08	152	153	152.5
10-04-09	154	155	154.5
10-04-10	154	155	154.5
10-04-13	159	160	159.5
10-04-14	160	161	160.5
10-04-15	160	161	160.5
10-04-16	164	165	164.5
10-04-19	167	168	167.5
10-04-20	167	168	167.5
10-04-21	167	168	167.5
10-04-22	167	168	167.5

**Iron Ore Fine Indian 61%min FOB India USD/t**

	Low price	High price	Avg Price
10-04-01	115	116	115.5
10-04-02	116	117	116.5
10-04-06	117	118	117.5
10-04-07	118	119	118.5
10-04-08	119	120	119.5
10-04-09	120	121	120.5
10-04-12	121	122	121.5
10-04-13	124	125	124.5
10-04-14	127	128	127.5
10-04-15	130	131	130.5

10-04-16	135	136	135.5
10-04-19	138	139	138.5
10-04-20	143	144	143.5
10-04-21	143	144	143.5
10-04-22	145	146	145.5

**Iron Ore Fine Indian 58%min CNF China USD/t**

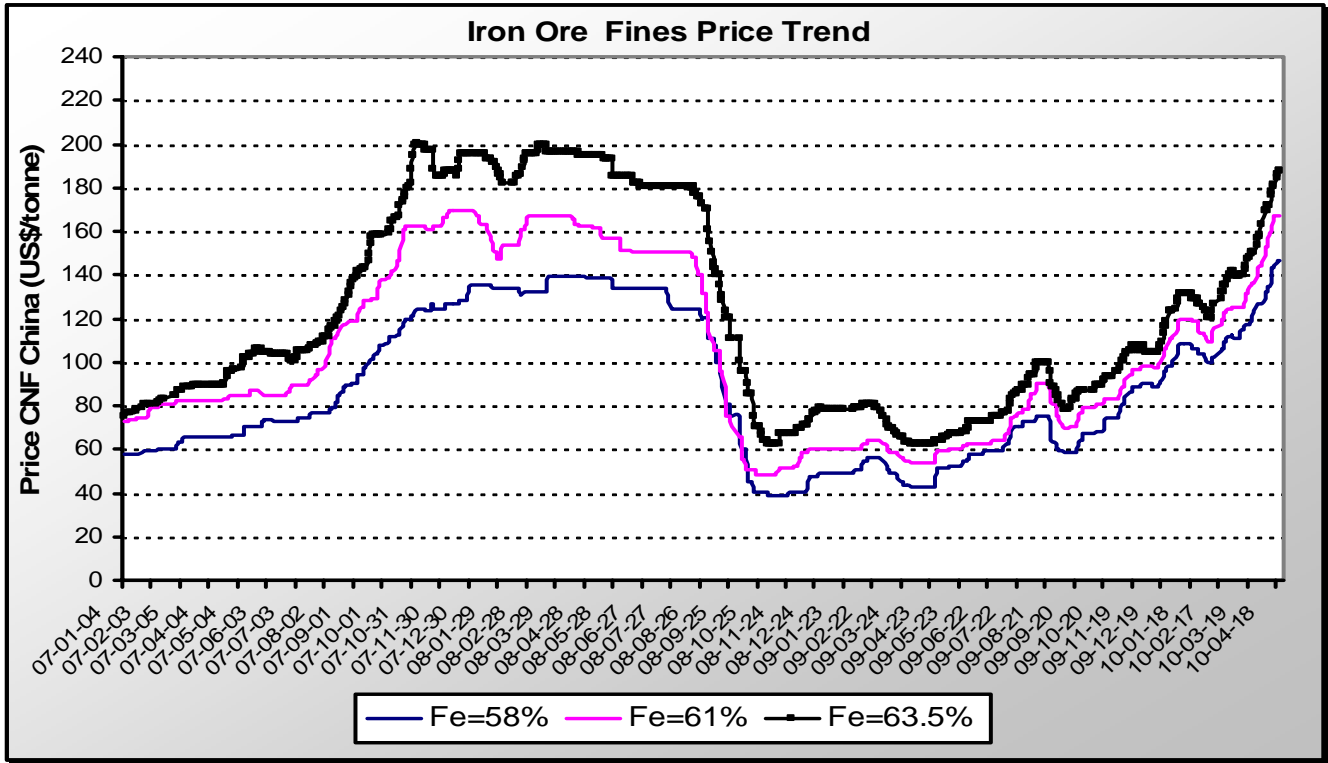
	Low price	High price	Avg Price
2010-04-01	126	127	126.5
2010-04-02	126	127	126.5
2010-04-06	129	130	129.5
2010-04-07	132	133	132.5
2010-04-08	132	133	132.5
2010-04-09	134	135	134.5
2010-04-10	134	135	134.5
2010-04-12	134	135	134.5
2010-04-13	138	139	138.5
2010-04-14	143	144	143.5
2010-04-15	143	144	143.5
2010-04-16	143	144	143.5
2010-04-19	146	147	146.5
2010-04-20	146	147	146.5
2010-04-21	146	147	146.5
2010-04-22	146	147	146.5

**Iron Ore Fine Indian 58%min FOB India USD/t**

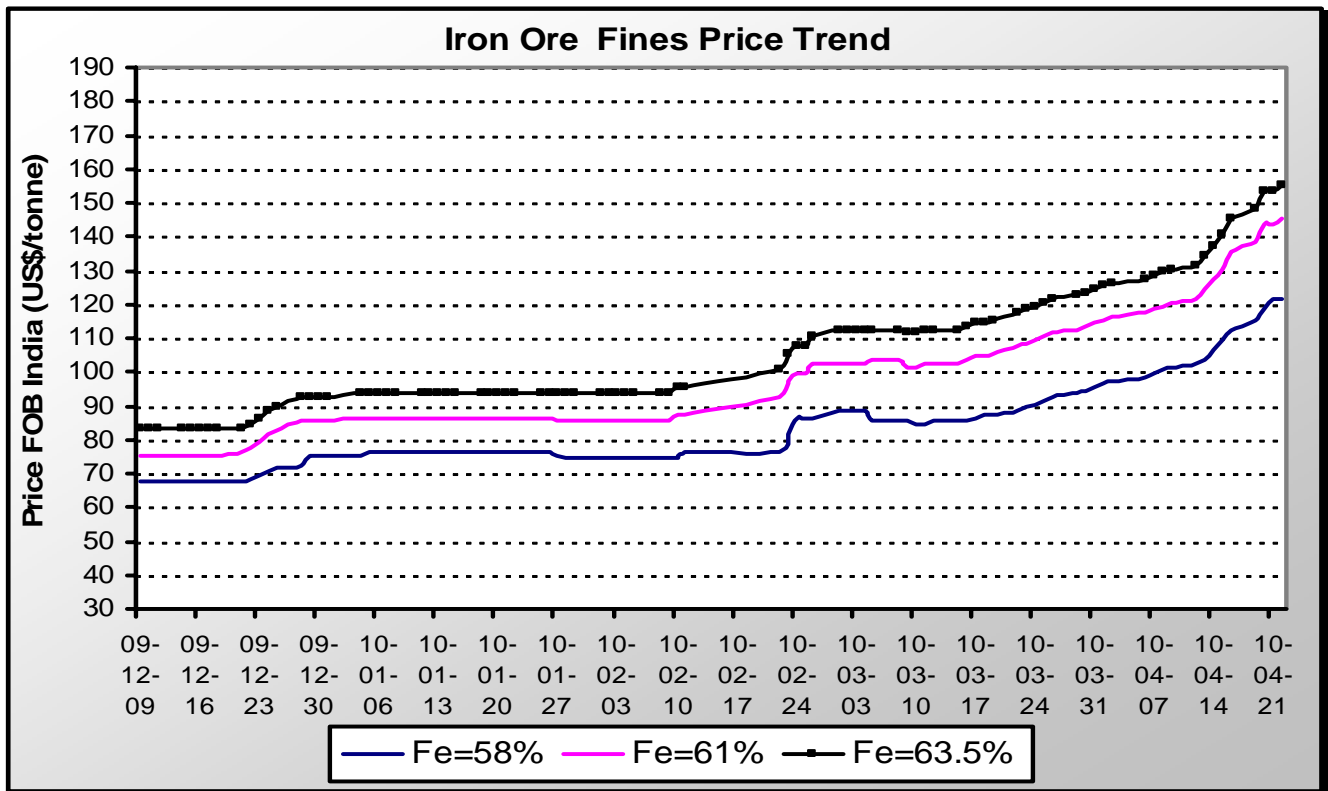
	Low price	High price	Avg Price
2010-04-01	97	98	97.5
2010-04-02	98	99	98.5
2010-04-06	99	100	99.5
2010-04-07	100	101	100.5
2010-04-08	101	102	101.5
2010-04-09	102	103	102.5
2010-04-12	103	104	103.5
2010-04-13	106	107	106.5
2010-04-14	109	110	109.5
2010-04-15	112	113	112.5
2010-04-16	115	116	115.5
2010-04-19	118	119	118.5
2010-04-20	121	122	121.5
2010-04-21	121	122	121.5
2010-04-22	121	122	121.5

Source: Asian metal

CNF China port price trend over a period of three years.



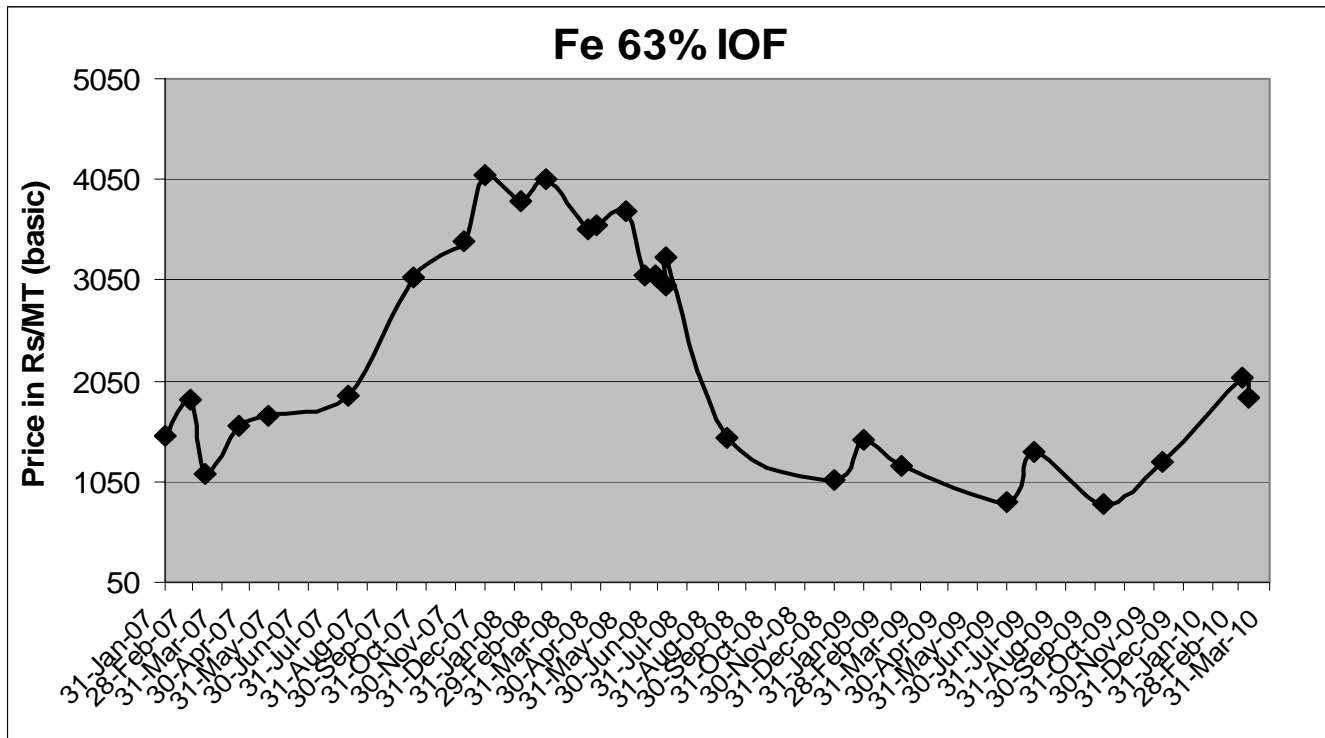
FOB India port price trend since December, 2009.



Note: FOB prices are available from Dec'09 only.

Source: Asian Metal

E-auction price trend over a period of three years.



Price in Rs./t is basic

**Market Outlook:**

**Iron Ore Prices May Drop 30% on China Curbs Concern:** Iron ore spot prices, trading at a 21 month-high, may drop about 30% in coming weeks on concern China is taking steps to slow the pace of economic growth, UBS AG said.

Cash prices for 63 percent iron ore into China, the biggest buyer, from India may drop to \$130 a dry metric ton, including freight, UBS Sydney-based analyst Tom Price said yesterday in a report. The ore traded at \$188 on April 22, the highest since July 25, 2008, Prices have risen 38 percent this year as Chinese steelmakers including Baoshan Iron & Steel Co. are increasing purchases to feed furnaces and fulfill order books. Along with stronger demand from other countries, iron ore prices will stay above \$120 a ton this year, Train said. Exports from India will also be lower in the second-and third quarter because of the impact from seasonal weather patterns, he said. Exports from India's western state of Goa, which exports 38 percent of the country's iron ore, typically stops after seasonal rains start in late June.

**Rio Tinto raises forecasts on iron ore demand:** Rio Tinto has revised up its iron ore guidance for the year, after production surged 39 per cent on the back of increasing Chinese demand. The Anglo-Australian miner said it expected to produce about 234 million metric tons of the steel-making commodity this year from mines in Australia and Canada, an upgrade from previous guidance of 230 million metric tons. Global iron ore production for the first quarter of 2010 was up 39 per cent, to 43.4 million metric tons, compared with the first quarter of 2009, when heavy rains disrupted mining operations. Rio said that the long term outlook remained "very strong".

**BHP Raises Iron Ore Output 11% to Meet Chinese Demand:** BHP Billiton Ltd., the world's largest mining company, raised third-quarter iron ore output by 11 percent, less than Credit Suisse Group AG forecast,

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as demand from Chinese steelmakers surged. "BHP reached agreement with the majority of its iron ore customers to permanently move existing contracts to index based prices," the company said in the statement today. Market prices for ore for immediate delivery into China, the biggest buyer, gained 30 percent in the March quarter to \$155 a ton. The price for 62 percent fines delivered to China yesterday stood at \$180.8 a ton, according to The Steel Index. Global seaborne demand is estimated to increase 12 percent to 1 billion tons this year, according to UBS. China's economic growth accelerated to the fastest pace in almost three years in the first quarter, rising 11.9 percent from a year earlier, the statistics bureau.