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[STEEL]
# SBB STEEL MARKETS DAILY
COVERING THE RAW MATERIAL INPUTS TO STEELMAKING

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## Iran mills want 60% tariff on iron ore exports

*Bursa*—The Iranian steel producers' association has asked the government to impose a substantial tariff on iron ore exports to ensure supplies to the domestic steel industry.

"Iranian traders pay about $5 billion each year to import billet requirements, yet millions of tonnes of iron ore are exported to other countries," association president Mohammad Rajaei told a press conference in Tehran monitored by Platts Steel Business Briefing. Rather than be exported, ore should be used to produce finished steel, which can then be sold abroad, and a 60% duty should thus be imposed on ore exports to discourage them, Rajaei said.

Iran exported about 17 million mt of iron ore last year, mostly to China.

Steelmakers also have other concerns. Association member Navid Izadpanah said: "The price of energy in Iran is close to international levels at present, and any further increase would make domestic steel producers uncompetitive. The natural gas price in Iran for industrial consumption is Riyals 700 ($0.057 using the governmental exchange rate), which is about 80% of the world average."

He also lamented the Riyal's devaluation in February, arguing that importers have since been unable to use the (more favorable) governmental exchange rate when buying steel billet. "The cost of production is at least 20% more than before," Izadpanah said.

A steel market specialist told Platts SBB that Iranian steel producers, using iron ore, as well as re-rollers, are facing different challenges caused by the current financial climate and energy price levels, but re-rollers are worse off. "Iranian re-rollers need a considerable tonnage of billet, but financing imports is difficult due to a shortage of funds," he said.

*— Staff*

### Iron ore market

## Spot iron ore prices rise on traders' position taking

*Singapore*—Seaborne spot iron ore prices rose Tuesday spurred by traders taking positions. The IODEX 62% Fe assessment increased $1.25/dry mt to $135.50/dmt CFR North China.

Some traders felt the market was stable to firm following the Chinese government's initiatives on housing loans. "The Chinese central bank has reportedly lowered the housing loan interest rate by 30%. This will lead to an increase in demand for real estate in the country, and will almost certainly lend some support to steel margins," a Guangzhou-based trader said.

"Market sentiment is firming and

*(continued on page 2)*

### Platts raw material assessments, June 12

| | | Close/Midpoint | Change | % Chg |
|---|---|---|---|---|
| **IODEX Iron ore fines 62% Fe ($/dmt)** | | | | |
| CFR North China | 135.00-136.00 | 135.50 | 1.25 | 0.93 |
| Please see Platts complete iron price/netbacks table, p.3 | | | | |
| **Coking coal, premium low vol ($/mt)** | | | | |
| FOB Australia | 224.50 | 224.50 | 1.50 | 0.67 |
| CFR China | 237.50 | 237.50 | 1.00 | 0.42 |
| Please see full metallurgical coal price/freight table, p.4 | | | | |
| **Ferrous scrap ($/mt)** | | | | |
| HMS FOB Rotterdam | 340.00-350.00 | 345.00 | -10.50 | -2.95 |
| A3, FOB Black Sea | 338.00-342.00 | 340.00 | -10.00 | -2.86 |
| HMS CFR Turkey | 374.00-376.00 | 375.00 | -6.00 | -1.57 |
| **Ferrous scrap ($/lt)** | | | | |
| Shredded del Midwest US | 375.00-378.00 | 376.50 | 0.00 | 0.00 |
| Shredded del dock East Coast | 360.00-370.00 | 365.00 | 0.00 | 0.00 |
| HMS del dock East Coast | 330.00-340.00 | 335.00 | 0.00 | 0.00 |

### TSI raw material indices, June 12

| | | Frequency | Change | % Chg |
|---|---|---|---|---|
| **Iron ore fines 62% Fe** | | | | |
| Chinese imports (CFR North China port), $/dmt | 133.10 | Daily | 0.80 | 0.60 |
| Please see TSI's complete iron ore price table, p.2 | | | | |
| **Ferrous scrap** | | | | |
| HMS 1&2 80:20, Turkish imports (CFR port), $/mt | 376.00 | Daily | -6.00 | -1.57 |
| Shredded, US domestic (del Midwest mill)*, $/lt | 383.00 | Weekly (Fri) | -50.00 | -11.55 |
| Shredded, Indian imports (CFR port)*, $/mt | 439.00 | Weekly (Fri) | -11.00 | -2.44 |

* Latest index June 8

THE STEEL INDEX

### Today in raw materials

## Iron ore market

...from page 1

traders are actively taking positions. The market generally feels there is little room for softening steel and iron ore [prices] in the short run and that lends some support to spot prices," added a Chinese trader.

Overall, however, sentiment was still cautious as downstream steel sales were weak and buyers generally very guarded in purchasing seaborne iron ore. The spot price of square billet in Tangshan, keenly watched by iron ore market participants, was down Yuan 10 from Monday to Yuan 3,580/mt ($565) ex-stock.

The most active October rebar futures in Shanghai traded Yuan 23/mt lower on day to Yuan 4,100/mt.

"There is some bullish sentiment in the spot market but the lowering of interest rates has not translated to stronger steel prices. Steelmakers are finding it very difficult to sell their steel products at the downstream and they are returning with very low bids," said a Shanghai trader.

Another Chinese trader said steel and iron ore market direction remained unclear. "Buying sentiment is supposed to be stronger but the softening steel futures and billet price seems to suggest otherwise, which makes everyone confused," the trader said

Most trading and mill sources pegged the repeatable price of 61% Fe Pilbara Blend fines at about $135.50/dmt CFR China.

## TSI DAILY IRON ORE PRICE INDICES

### TSI daily iron ore indices, June 12

| | $/dmt | Change | % Chg | Low* | High* |
|---|---|---|---|---|---|
| 62% Fe fines, 3.5% Al, CFR Tianjin port | 133.10 | 0.80 | 0.60 | 116.90 | 181.00 |
| 58% Fe fines, 3.5% Al, CFR Tianjin port | 121.50 | 0.90 | 0.75 | 102.90 | 157.10 |
| 62% Fe fines, 2% Al, CFR Qingdao port | 134.80 | 0.70 | 0.52 | 119.20 | 183.40 |
| 63.5/63% Fe fines, 3.5% Al, CFR Qingdao port | 136.40 | 0.60 | 0.44 | 122.70 | 186.90 |

* Past 12 months

### Per 1% Fe differentials, $/dmt

| | $/dmt | Change |
|---|---|---|
| Range: 61-64% Fe | 3.00 | 0.00 |
| Range: 56-59% Fe | 4.00 | 0.00 |

### FOB netback per route / basis TSI 62% Fe, 3.5% Al fines

| Origin | Vessel Type | FOB ($/dmt) | Change | % Chg |
|---|---|---|---|---|
| W.Australia | Capesize | 123.13 | -2.19 | -1.75 |
| India | Supramax | 121.72 | 0.83 | 0.69 |
| Brazil | Capesize | 115.70 | 0.82 | 0.71 |

### Rolling Averages, $/dmt

| | 5-day | Monthly | Quarterly |
|---|---|---|---|
| 62% Fe fines, 3.5% Al, CFR Tianjin port | 131.68 | 132.23 | 141.22 |
| 58% Fe fines, 3.5% Al, CFR Tianjin port | 120.96 | 121.45 | 129.76 |
| 62% Fe fines, 2% Al, CFR Qingdao port | 133.46 | 134.02 | 143.01 |
| 63.5/63% Fe fines, 3.5% Al, CFR Qingdao port | 135.14 | 135.70 | 144.89 |

TSI's indices reflect average daily iron ore spot prices. Full price histories are available to TSI subscribers on its website. Details of TSI's methodology and product specifications, together with general information about TSI and its full range of steel indices and subscription services, can also be found on its website: www.thesteelindex.com

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Officers of the Corporation: Harold McGraw III, Chairman, President and Chief Executive Officer; Kenneth Vittor, Executive Vice President and General Counsel; Jack F. Callahan Jr., Executive Vice President and Chief Financial Officer; John Weisenseel, Senior Vice President, Treasury Operations.



**To reach Platts**
E-mail:support@platts.com

**North America**
Tel:800-PLATTS-8 (toll-free)
+1-212-904-3070 (direct)

**Latin America**
Tel:+54-11-4121-4810

**Europe & Middle East**
Tel:+44-20-7176-6111

**Asia Pacific**
Tel:+65-6530-6430

**General Manager, Metals**
Andrew Goodwin

**Advertising**
Tel: +1-720-548-5508

**Manager, Advertisement Sales**
Kacey Comstock

The McGraw-Hill Companies

**BHP sells combined Capesize cargo**

Australian miner BHP Billiton sold a combined Capesize vessel of 61% Fe Mining Area C fines at $134.50/dmt CFR Caofeidian, and 57.7% Fe fines at $124/dmt CFR Caofeidian with loading dates June 26-July 5.

Platts understands that this shipment was not offered to the market at large, and it contains another parcel of 64% Fe Newman lump, which sold at $144/dmt CFR Caofeidian.

The price was very similar to the last reported MAC and Yandi fines trade: the miner last sold a co-loaded shipment of 61% Fe Mining Area C fines and 57.7% Fe Yandi fines at $133.50/dmt CFR Rizhao and $124/dmt CFR Rizhao at the close of Asian business time Monday, loading June 26-July 5 from Port Hedland.

Meanwhile, Vale sold a 170,000 mt cargo of 60% Fe Sinter Feed High Silica Guaiba (SFHG) at $117.16/dmt CFR China, according to traders who received the tender. The shipment contains 1.9% alumina, 9.7% silica, 0.06% phosphorus, 0.3% manganese, 2.3% Loss Of Ignition (LOI) and 8.5% moisture, and will pass through Singapore August 3.

With the delivery period to China approximately around August 10, trade sources said this cargo was likely sold to a trader because mills would not procure product that far ahead. Most said the trade value was repeatable.

One Shanghai-based trader said mills were looking to procure spot iron ore with lower silica content due to blending purposes, owing to cargoes like the SFHG being less popular with end-users. "Earlier when the market was weaker, mills bought more high-silica product because it was cheaper. Now that the market is doing better, high-silica ore needs to be blended with low-silica material," the trader said.

**GlobalORE trade not assessed**

Meanwhile, the miner also sold a 90,000 mt cargo of Australian fines at $136/dmt CFR Qingdao on the GlobalORE platform under the CFR Qingdao 62 bracket. This cargo contained a maximum of 2.6% alumina, 5.5% silica, 0.1% phosphorus, 0.05% sulfur and 10% moisture, and will load up to end-July.

However, the cargo could not be reflected in the Platts assessment because it was not clear if bidders knew what brands they would be taking delivery of at the point of trade, and on what their trading decisions were based.

Hong Kong trading house Continetal sold a cargo of 62.7% Fe Newman fines to a mill Monday this week at $138/dmt CFR North China. The cargo was reportedly 100,000 mt, and the mill was said to be in the Tangshan area.

**Low-medium grades on offer**

Elsewhere, among the low-medium Fe grades, Chinese state-owned trading company Minmetals Corp. bought a 55,000 mt shipment of 58/58% Fe Indian fines from trading house Frost International at $117/dmt CFR North China. The cargo, which has already passed Singapore, contains 5% alumina and 7% silica.

Some offers for Indian fines and lump cargoes were being tabled on the spot market Tuesday. Sources said west coast Indian mining giant Sesa Goa offered two lump cargoes in a tender closing 12 pm Indian time Tuesday (0630 GMT). There was, however, no news of confirmed buy-

## PLATTS DAILY IRON ORE PRICE ASSESSMENTS

### Platts daily iron ore assessments, June 12

| | $/dmt | Midpoint | Change | % Chg |
|---|---|---|---|---|
| IODEX 62% Fe CFR North China | 135.00-136.00 | 135.50 | 1.25 | 0.93 |
| 63.5/63% Fe CFR North China | 138.00-139.00 | 138.50 | 1.00 | 0.73 |
| 65% Fe CFR North China | 145.25-146.25 | 145.75 | 1.00 | 0.69 |
| 58% Fe* CFR North China | 119.00-120.00 | 119.50 | 0.25 | 0.21 |
| 52% Fe CFR North China | 90.50-91.50 | 91.00 | 0.25 | 0.28 |

*Al = 4.0% max

### Per 1% Fe differential (Range 60-63.5% Fe), $/dmt

| | $/dmt | Change |
|---|---|---|
| Range 60-63.5% Fe | 3.25 | 0.00 |

### FOB netbacks per route / basis IODEX 62% Fe

| Route | Vessel Type | Freight rate ($/wmt) | Moisture (%) | IODEX ($/dmt) |
|---|---|---|---|---|
| Australia | Capesize | 6.50 | 8.03 | 128.43 |
| India West | Panamax | 11.25 | 8.11 | 123.26 |
| India West | Handymax | 13.25 | 8.11 | 121.08 |
| India East | Handymax* | 13.00 | 8.00 | 121.37 |
| Brazil | Capesize | 17.30 | 9.00 | 116.49 |
| South Africa | Capesize | 12.75 | 3.00 | 122.36 |

* Typical two-port co-loadings from Haldia and Paradip

### Freight differentials to major import ports, $/wmt

| From Qingdao on a Free Out basis | |
|---|---|
| To North China: Caofeidian, Tianjin & Xingang | 0.25 |
| To East China: Beilun | -0.25 |
| To South China: Zhanjiang & Fangcheng | -0.75 |

### Rolling monthly average, $/dmt

| | |
|---|---|
| IODEX 62% Fe | 134.03 |

### IODEX 62% Fe CFR North China OTC swaps assessment, June 12

| IODEX 62% | $/dmt | Change | % Chg | switch TSI 62 |
|---|---|---|---|---|
| Jul 12 | 131.750 | -0.500 | -0.38 | 1.750 |
| Aug 12 | 131.000 | -0.500 | -0.38 | 1.750 |
| Sep 12 | 130.250 | 0.250 | 0.19 | 1.750 |
| Q3 2012 | 131.000 | -0.250 | -0.19 | 1.750 |
| Q4 2012 | 129.500 | -0.250 | -0.19 | 1.750 |
| Q1 2013 | 128.000 | -0.250 | -0.19 | 1.750 |
| Calendar 2013 | 124.750 | -0.250 | -0.20 | 1.750 |

Detailed methodology and specifications are found here: www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/ironore.pdf ers as the tender was not heard to have been awarded by the close of Asian business Tuesday.

The first cargo was a 70,000-80,000 mt shipment of 54% Fe lump that will load over June 15-30 from Goa. This cargo contains a maximum of 8% alumina, 7% silica, 0.1% phosphorus, 0.03% sulfur and 12% moisture. The second was a 56% Fe lump cargo of the same volume that will load over June 15-25. This shipment contains a maximum of 6.5% alumina, 4% silica, 0.1% phosphorus, 0.03% sulfur and 12% moisture.

Additionally trading house Synergy Resources HK Ltd sold 54% Fe fines cargo at $101/dmt CFR North China. The cargo was 50,000 mt and had 5% alumina and 8% silica. Synergy Resources HK Ltd was offering 55,000 mt of 59% Fe out of a bonded warehouse at $124/dmt CFR China. The cargo had 4.5% alumina and below 6% silica.

Elsewhere, state-owned trading company China National Building Materials (CNBM) was offering at $140/dmt CFR China a 63.5/63% Fe fines cargo it had earlier procured from India's Rungta Mines, a source close to the matter said. The source said CNBM was initially intending to sell the cargo for $138/dmt CFR China, but because the market had moved up it was choosing to offer at a higher price.

**Mauritanian fines trade based on index**

Meanwhile, a 140,000 mt shipment of high-silica 58/58% Fe Mauritanian fines was heard to have been offered at a floating price of a discount of $9/dmt to the May average of the Platts 58% Fe grade assessment, according to a Southern China trading house who received the offer. This cargo contained 1% alumina, 12.5% silica, 0.08% phosphorus, 0.007% sulfur and 2% moisture, and loaded over June 1-7.

*— Celestyn Wong and Melvin Yeo with Annalisa Jeffries in London*

## Platts Daily Metallurgical Coal Assessments, June 12

**Coking coal price assessments ($/mt)**

| | FOB Australia | CFR China | CFR India | Change Australia | Change China | Change India |
|---|---|---|---|---|---|---|
| HCC Peak Downs Region | 224.00 | 237.00 | 240.00 | 1.50 | 1.00 | 1.50 |
| Premium Low Vol | 224.50 | 237.50 | 240.50 | 1.50 | 1.00 | 1.50 |
| HCC 64 Mid Vol | 180.50 | 194.50 | 196.50 | -2.00 | -1.50 | -2.00 |
| Low Vol PCI | 151.00 | 164.00 | 167.00 | 0.00 | -0.50 | 0.00 |
| Low Vol 12 Ash PCI | 129.00 | 142.00 | 145.00 | 0.50 | 0.00 | 0.50 |
| Semi Soft | 114.50 | 128.50 | 130.50 | -6.00 | -5.50 | -6.00 |
| Met Coke | - | - | 369.00 | - | - | 0.00 |

**HCC Assessed Specifications**

| | CSR | VM | Ash | S | P | TM | Fluidity |
|---|---|---|---|---|---|---|---|
| HCC Peak Downs Region | 74% | 20.7% | 10.5% | 0.60% | 0.030% | 9.5% | 400 |
| Premium Low Vol | 71% | 21.5% | 9.3% | 0.50% | 0.045% | 9.7% | 500 |
| HCC 64 Mid Vol | 64% | 25.5% | 9.0% | 0.60% | 0.050% | 9.5% | 1,700 |

**Penalties & Premia: Differentials ($/mt)**

| | Within Min-Max | % of Premium Low Vol FOB Australia assessment price | Net Value ($/mt) |
|---|---|---|---|
| Per 1% CSR | 60-74% | 0.50% | 1.12 |
| Per 1% VM (air dried) | 18-28% | 0.50% | 1.12 |
| Per 1% TM (as received) | 8-11% | 1.00% | 2.25 |
| Per 1% Ash (air dried) | 7-10.5% | 1.25% | 2.81 |
| Per 0.1%S (air dried) | 0.3-1% | 1.00% | 2.25 |

The assessed price of HCC Peak Downs® originates with Platts and is based on price information for a range of HCCs with a CSR > 67% normalized to the standard of HCC Peak Downs® (CSR 74%). Peak Downs® is a registered trade mark of BM Alliance Coal Operations Pty Limited "BMA". This price assessment is not affiliated with or sponsored by BMA in any way.

**Dry bulk freight assessments**

| Route | Vessel Class | Freight rate ($/mt) | Moisture (%) |
|---|---|---|---|
| Australia-China | Panamax | 13.00 | 9.50 |
| Australia-India | Panamax | 16.00 | 9.50 |

East Australia: basis Hay Point port. North China: basis Qingdao port. East India: basis Paradip port.

Detailed methodology and specifications are found here: http://platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/metcoalmethod.pdf

Source: Platts

## Coking coal market

# Asian spot coking coal import market hits 2012 high

*Singapore*—Spot prices for high-quality Australian prime hard coking coal rose to a 2012 high Tuesday, mostly on the back of recent transactions at $225/mt FOB, in line with July-September contract prices.

Platts assessed premium low-vol, low-sulphur hard coking coal with 71% CSR, 21.5% VM and 9.3% ash at $224.50/mt FOB Australia, up $1.50/mt from Monday, and the highest level since December 21, 2011.

Several cargoes of premium mid and low-vol HCC with good fluidity were reportedly concluded last week, at the headline July-September quarterly benchmark of $225/mt FOB Australia.

The deals included additional tonnage sold to traditional contract customers as well as pure spot deals to non-contract holders. Details on volume and the countries of destination could not be obtained.

Additionally, another premium HCC producer reported receiving two Chinese bids late last week for premium low-vol material at $225/mt FOB and just below. This was substantially higher than the $215-220/mt FOB indications reported by Chinese buyers last week.

The producer said he was seeing good contract uptake for July loadings, which could be because buyers were seeking some "insurance" against the risk of not receiving coals from strike-hit BHP Billiton-Mitsubishi Alliance. "Things are reasonably balanced at the moment."

Elsewhere, another miner said he saw opportunities for Australian prime HCC sales in Eastern Europe and South America.

**Non-premium and semi-soft buck bullish trend**

Non-premium HCC drifted further lower, dragged down by competitive prices for Canadian and domestic Chinese coking coal. Platts assessed second-tier HCC $2/mt lower Tuesday, at $180.50/mt FOB Australia, widening the spread with premium coals to $44/mt, the biggest differential since August 25, 2011.

While miners felt 60-63% CSR Australian low-vols should be sellable at $195/mt CFR China or above, some traders felt that even $190/mt CFR would be hard to achieve.

Reasonably-priced port stocks of imported HCC, including from Mongolia and Mozambique, were said to be limiting appetite for new cargoes. Sources reported Mongolian 27% VM coal with over 60% CSR selling at a CFR equivalent of $171-178/mt CFR, while Mozambique 65-70% CSR, 21-24% VM was being offered ex-stock at a CFR equivalent of $203/mt CFR.

Separately, a Canadian brand of mid-vol HCC with 60% CSR, 24% VM, 9% total moisture, 8.50% ash and 0.40% sulfur on offer at $190/mt CFR China was not finding any interest, after reportedly having been sold as low as $185/mt CFR a couple of weeks ago.

The offer at $190/mt CFR is close to $10/mt lower than the coal's specifications should imply, Platts calculates. One Beijing trader said the price sounded reasonable but that the coal would be hard to sell on as it remains unknown to Chinese buyers.

Such a low price seemed unique to this brand and did not appear repeatable for other similar brands of coking coal in the market, and was therefore not reflected in the assessment Tuesday.

Elsewhere in the market, Vale's Carborough Downs hard coking coal was still under *force majeure*, a source with knowledge of the matter said. It was not known when it would be lifted.

Meanwhile, BHP Billiton spokeswoman Fiona Martin said Tuesday negotiations would continue throughout June between BMA and union workers.

**PCI market 'can't get worse'**

In the pulverized coal injection market, three Australian producers of mid-vol pegged the tradable value of 18-20% VM, and 10% ash at $128-130/mt FOB, for Panamax cargoes. Asked about the likely market direction going forward for such coal, one said he "didn't think the market could get much worse."

An Indian mill said it saw $160-165/mt CFR India as a reasonable price for BMA's South Walker Creek, while for Russian PCI with 12% VM and 12% ash, the source would pay $155/mt CFR India.

Semi-soft coking coal, meanwhile, was still in free fall, based on Australian offers heard in China. Several New South Wales-based producers have said recently they would consider cutting production rather than selling spot at current levels.

A large producer of Australian semi-soft said he saw the domestic Chinese semi-soft market as "saturated", and reported hearing 35% VM, 6.5 CSN Hunter Valley semi-soft offered to China at $123-126/mt CFR.

A trader said he was not surprised, given recent offers of US high-vol high-sulfur, high-swell coal in Chinese ports, and the recent trend in thermal coal prices.

Platts Tuesday assessed typical Hunter Valley semi-soft at $114.50/mt FOB Australia, down 14.6% since early April.

**Indian tender**

Meanwhile, state-owned trader MMTC Monday floated a new import tender for 60,000 mt of soft coking coal to be delivered in early August in Paradip. The specifications of the coal desired were 10% total moisture, volatile matter between 20% and 30%, a maximum of 9% ash, a maximum of 0.6% sulfur, a minimum of 3 crucible swell number, and a maximum of 1.4%

## SBB-SMD raw materials reference prices

| | $/mt | Change | % Chg |
|---|---|---|---|
| **Coke and coal** | | | |
| Coke 10.5-12.5% ash - China export, FOB Tianjin | 487.50 | 7.50 | 1.54 |
| Charcoal - Brazil domestic | 196.25 | 0.00 | 0.00 |
| **Iron** | | | |
| SGX 62% Fe Iron Ore cash-settled swaps (dry mt) - front month | 132.75 | -4.50 | -3.39 |
| Iron ore concentrate 66% Fe wet - China domestic | 164.09 | 3.14 | 1.88 |
| Atlantic Basin iron ore pellets* FOB Basis (cents/dmtu) | 245.00 | 0.00 | 0.00 |
| Pig iron - FOB - Black sea export | 435.00 | -5.00 | -1.15 |
| Pig iron - FOB Ponta da Madeira - Brazil export | 467.50 | -10.00 | -2.14 |
| Pig iron - Hebei - China domestic | 489.12 | 11.78 | 2.35 |
| HBI - Venezuela export | 365.00 | -17.50 | -4.79 |

*Reflects estimated monthly price term contract delivery

## SBB-SMD ferrous scrap reference prices

| | Price | Change | % Chg |
|---|---|---|---|
| **Scrap, Europe/Turkey** | **($/mt)** | | |
| Auto bundles - Turkey domestic, delivered | 405.28 | 0.00 | 0.00 |
| OA (plate & structural) - UK domestic, delivered | 374.22 | 1.93 | 0.51 |
| Shredded - delivered - N. Europe domestic, delivered | 387.59 | 9.30 | 2.34 |
| Shredded - delivered - S. Europe domestic, delivered | 395.86 | 0.00 | 0.00 |
| **Scrap, Asia*** | **($/mt)** | | |
| H2 - del Okayama - Tokyo Steel purchase price, at works gate | 400.06 | 25.40 | 5.97 |
| H2 - del Utsunomiya - Tokyo Steel purchase price, at works gate | 393.71 | 12.70 | 3.13 |
| Heavy - Shanghai - China domestic | 478.92 | 31.40 | 6.15 |
| HMS 1/2 80:20 CFR - East Asia import (WEEKLY) | 425.00 | 0.00 | 0.00 |
| Shindachi Bara - del Okayama - Tokyo Steel purchase (list) price | 425.46 | 25.40 | 5.63 |
| Shindachi Bara - del Utsunomiya - Tokyo Steel purchase (list) price | 419.11 | 12.70 | 2.94 |
| Shredded scrap A (auto) - del Okayama - Tokyo Steel purchase (list) price | 410.22 | 25.40 | 5.83 |
| Shredded scrap A (auto) - del Utsunomiya - Tokyo Steel purchase (list) price | 403.87 | 12.70 | 3.05 |
| **Scrap, Americas** | **($/lt)** | | |
| #1 Busheling - N. America domestic, del, Midwest US | 377.50 | -10.00 | -2.58 |
| HMS 1/2 - N. America domestic, del Midwest US | 342.50 | -10.00 | -2.84 |
| Plate & Structural - N. America domestic, del Midwest US | 372.50 | -5.00 | -1.32 |
| | **($/mt)** | | |
| HMS 1/2 - Brazil S.E. domestic | 245.89 | 0.00 | 0.00 |

*Monthly unless otherwise noted

mean maximum reflectance.

Submissions are to be made by June 29, according to the tender document.

*— Julien Hall*
*with Helena Sheng*
*and Edwin Yeo*

## Scrap market

## Japanese scrap tenders deliver mixed pricing results

*Singapore*—The winning prices in auctions held Tuesday for Japanese H2 grade scrap for export next month were mixed, though trending lower as expected, traders told Platts Steel Business Briefing.

In the sale held by dealers around Tokyo in the Kanto Tetsugen grouping, the winning price was Yen 26,560/mt ($334) for a parcel of 5,000 mt and was won by trader Metal One, sources said. The second-highest bid was markedly lower at Yen 25,580/mt — for 3,000 mt — and was won by Arai Shokai. The others were Yen 25,320/mt (for 5,000 mt also by Metal One) and Yen 25,300/mt (by Ohgitani Corp and awarded 5,000 mt).

In the Kansai Tetsugen auction held the same day by Osaka-based dealers, the winning bid of Yen 25,360/mt — for 3,000 mt — was placed by Sumikin Bussan, the trading arm of Sumitomo Metal Industries.

Of the two auctions, the Kanto result is the more important because the bulk of Japanese scrap for export is collected by Kanto-based dealers and shipped through Tokyo Bay. The parcels secured Tuesday are likely bound for Korea, Taiwan and Vietnam, sources said.

Traders in Tokyo dismissed the Kanto winning bid price as being too high to be representative in the current market. “MetalOne clearly had a short sales contract that they had to fulfill, so they bid high,” one trader told Platts SBB. “Current market prices are only about Yen 24,500/mt FAS,” he insisted.

Traders Monday had expected the winning bids in both auctions to be around Yen 25,000/mt FAS, mostly the same as prices Korean mini-mills are currently offering for Japanese H2 of around Yen 26,000-27,000/mt FOB, as Platts SBB reported.

The results, nevertheless, have led some traders to believe prices are now close to bottom. They argued that suppliers have exhausted most of their stocks and that soon mini-mills such as Tokyo Steel Manufacturing will be obliged to raise buying prices in order to receive material. Tokyo Steel is currently paying Yen 27,500/mt for H2 delivered to its Tahara and Okayama works.

*— Russ McCulloch*

## Romanian scrap exporter tries to cut port prices

*London*—A large exporter of heavy melting scrap in Romania attempted this week to force port prices down to their lowest point since 2009, at around $300/mt delivered Constanta, although the supplier in question stated that fierce competition has meant few bookings at this level.

The latest concluded price into Turkey from Romania was $355/mt CFR Tekirdag made this week, according to a buy-side market participant. This is $5/mt down on sales made at the end of last week and the same mill is now chasing $350/mt CFR.

However, the exporter — who issued a note to local sellers stating that from Monday buy-in prices would be $300-310/mt delivered terminal for HMS scrap — said that only 50-60 mt had been bought at this rate. “Someone is keeping his buy-in rates inflated to win material; this policy doesn’t make much sense in a continuously falling market,” he said.

Sales made last week include a 20,000 mt A3 sale to a large mill at $365/mt CFR Marmara and a bonus tender concluded at $390/mt CFR Eregli to an integrated works. According to a range of market participants these were sold by a second large supplier.

In May, according to one exporter’s calculations, more than 200,000 mt of scrap was sold from Romania to Turkey, as mills looked to source more from local sources rather than turn to higher-priced and larger-volume cargoes available elsewhere.

Platts daily Black Sea export assessment slid another $10/mt Tuesday to $340/mt FOB for A3 grade.

*— Ciaran Roe*

## China’s scrap prices forecast flat, outlook unclear

*Singapore*—The Chinese domestic scrap market could remain weak and prices could generally stay flat in most regions of the country in mid-June, given the unclear trend for the finished steel market, local market sources said Tuesday.

Currently, market prices for heavy melting scrap (more than 6 mm thick) are holding stable at Yuan 3,100-3,200/mt ($487-502) in Hebei and Yuan 3,010-3,080/mt ($473-484) in Jiangsu. Both prices include 17% VAT.

In northern China’s Hebei province, major scrap buyers are tending to retain their buying prices in a wait-and-see attitude. “Rebar prices have stayed flat over the past few days, but a price increase seems unlikely in the short term due to lack of tangible support, so we would like to keep our scrap prices unchanged for the moment until there is a clear trend,” said a major mill procurement source.

Some Hebei traders slightly lifted their scrap offers late last week in line with stronger billet prices. However, this didn’t affect market prices since transactions were still sparse and sentiment remained largely negative, participants told Platts SBB.

Market participants in eastern China’s Jiangsu province also lack confidence in short-term prospects. “It is difficult for scrap prices to trend upward, since demand from end-users remains sluggish,” a Jiangsu mill source said.

A Jiangsu-based trader also told Platts SBB that he would keep his scrap stocks at a relatively low level to avoid risk. “Mills remain inactive in purchasing and this situation is unlikely to improve in the near-term since their scrap supply is still plentiful,” he explained.

*— Della Fu*

## Exchanges

## Iron ore swaps prices drift as eurozone worries drag

*London*—Macroeconomic uncertainty weighed on sentiment in the iron ore swaps market Tuesday amid ongoing turbulence in the eurozone.

The market continued to lack direction despite increases on the physical, with prices down marginally in Asian trading before rising later. By the close of play in London, brokers’ curves had prices up nominally.

June traded at $131-131.50/dry mt basis *The Steel Index*, with July printing at $130/dmt and August $129/dmt, brokers in London and Singapore said. Q3 traded at $129.5/dmt with Q4 changing hands at $128/dmt.

TSI is a separate, specialist pricing unit owned by Platts.

The October rebar contract in Shanghai tracked equities lower, with prices softening, albeit slightly, to Yuan 4,100/mt ($643). Physical spot billet was also down on weak finished product sales, which suggested shaky sentiment.

And Baosteel, a bellwether for the Chinese steel sector, cut its cold-rolled coil list price Yuan 200/mt ($31) with other majors expected to follow suit.

However, TSI's reference price for 62% Fe iron ore, CFR North China, moved up 80 cents to $133.10/dmt, while the Platts IODEX rose $1.25/dmt to $135.50/dmt. Sources suggested traders' were leading the upward push as mills remained wary of steel market fundamentals and were holding off from purchasing as a result.

**Hot-rolled coil swap trades**

Meanwhile, London-based FIS brokered a northern European hot-rolled coil swaps contract basis TSI. The trade was at $520/mt for Q3 at 800 mt/month, FIS said. The trade was cleared by LCH. No scrap or billet swaps have traded so far this week, according to both a London-based broker and a Singapore-based trader.

*— Colin Richardson*

## Platts steel industry assessments, June 12

| | | Close/Midpoint | Change | % Chg |
|---|---|---|---|---|
| **Asia** | | | | |
| **Hot-rolled coil** | **$/mt** | | | |
| FOB Shanghai* | 605.00-615.00 | 610.00 | -2.50 | -0.41 |
| **Reinforcing bar** | **$/mt** | | | |
| FOB China* | 600.00-610.00 | 605.00 | 0.00 | 0.00 |
| * Assessed June 07, 2012 | | | | |
| **Europe** | | | | |
| **Hot-rolled coil** | **Eur/mt** | | | |
| Ex-works, Ruhr | 525.00-535.00 | 530.00 | -2.50 | -0.47 |
| CIF Antwerp | 515.00-525.00 | 520.00 | 0.00 | 0.00 |
| | **$/mt** | | | |
| FOB Black Sea | 565.00-570.00 | 567.50 | 0.00 | 0.00 |
| **Plate** | **Eur/mt** | | | |
| Ex-works, Ruhr | 580.00-590.00 | 585.00 | 0.00 | 0.00 |
| CIF Antwerp | 540.00-550.00 | 545.00 | 0.00 | 0.00 |
| **Reinforcing bar** | **Eur/mt** | | | |
| Ex-works, NW Eur | 510.00-520.00 | 515.00 | 0.00 | 0.00 |
| | **$/mt** | | | |
| FOB basis Turkey | 615.00-625.00 | 620.00 | 0.00 | 0.00 |
| **Billet** | **$/mt** | | | |
| FOB Black Sea | 560.00 | 560.00 | 0.00 | 0.00 |
| **North America** | | | | |
| **Hot-rolled coil** | **$/st** | | | |
| Ex-works, Indiana | 620.00-630.00 | 625.00 | 0.00 | 0.00 |
| CIF, Houston | 620.00-640.00 | 630.00 | 0.00 | 0.00 |
| **Plate** | **$/st** | | | |
| Ex-works, US SE | 880.00-900.00 | 890.00 | 0.00 | 0.00 |
| CIF, Houston | 800.00-820.00 | 810.00 | 0.00 | 0.00 |
| **Reinforcing bar** | **$/st** | | | |
| Ex-works, US SE | 665.00-685.00 | 675.00 | 0.00 | 0.00 |
| CIF, Houston | 590.00-610.00 | 600.00 | 0.00 | 0.00 |

## Europe and US cold-rolled coil assessments, June 12

| | Eur/mt | Close/Midpoint | Change | % Chg |
|---|---|---|---|---|
| Ex-works, Ruhr | 615.00-620.00 | 617.50 | -10.00 | -1.59 |
| CIF Antwerp | 580.00-590.00 | 585.00 | 0.00 | 0.00 |
| | **$/mt** | | | |
| FOB Black Sea | 655.00-660.00 | 657.50 | -10.00 | -1.50 |
| | **$/st** | | | |
| Ex-works, Indiana | 720.00-740.00 | 730.00 | 0.00 | 0.00 |
| CIF, Houston | 730.00-750.00 | 740.00 | 0.00 | 0.00 |

## Ferroalloys market

# US FeSi trade nervous after 'cheap' third quarter sale

*New York*—US ferrosilicon prices appear to be under downward pressure this week and some traders are nervous of further weak sales after a reported 300 st sale to a steel mill for 2.5-3.0 cents below previous comparable business, market sources said Tuesday.

A mini-mill reportedly bought 300 st of Vietnamese or Norwegian origin ferrosilicon from a trader at 92 cents/lb delivered North Carolina, for third quarter delivery, which several sources equated to around 89.50 cents/lb on an in-warehouse Pittsburgh/Baltimore basis. The business could not be verified.

In mid-May, another mill bought a similar quantity at the equivalent of 92.50 cents/lb on an in-warehouse basis for June-July deliveries.

The Platts weekly assessment for 75% Si ferrosilicon stands at 93.50-95.00 cents/lb, basis in-warehouse in US major hubs. The market will next be assessed on Wednesday.

Some sources were uncertain as to whether the latest business represented a one-off deal, or the repeatable level for such transactions.

"It was certainly a cheap sale, if the reports are right," said one trader. "It's hard to know if this is repeatable, because there are no other inquiries around for anything like this size.

"The only thing we see is the occasional truckload inquiry, either from a consumer, or a prompt cash, in-warehouse, inquiry from another trader; both types are few and far between, though, and you can't compare those with a 300 tons sale," he added. The latest business, the next nearest offer had been at 93 cents/lb in-warehouse, the trader said.

"It's quite shocking, really, given the next nearest offer was 93 cents in-warehouse, there was no need to go as low as the equivalent of 89.50 [cents, in-warehouse]," he said. "But it sets a precedent and the other mills will be looking for lower prices."

The amount of freight involved in the deal depends on where the ferrosilicon was stored, sources said.

"Anyone with material in Baltimore is at an advantage in this case compared with bringing it in from Pittsburgh," a second trader said. The freight from Baltimore was around 2.0 to 2.5 cents/lb, whereas it would be over 3 cents from Pittsburgh, he said.

A mill buyer said he had seen price indications from sellers in the second half of last week at around 94 cents/lb delivered for single truckloads, but had no need to buy.

A second mill buyer said he had bought a truckload for delivery in the second week of July at 94 cents/lb delivered. "I think you'll see most mills start summer maintenance in July, but we'll be back on by the middle of July, which is why I took this one," the buyer said.

**Crude steel production declines**

US crude steel production had already experienced some slippage, added the buyer.

"Looking at the weekly data, you can see it's down, although a large part of that might be down to RG Steel cutting production, which means the rest is holding up fairly well," the buyer said. "But once we get to July, I think you'll see further slippage in the numbers."

US weekly crude steel production slipped 1.8% last week to its second lowest weekly total seen so far this year, according to data released Monday by the American Iron and Steel Institute. In the week to June 9, steel output was an estimated 1.886 million st (1.71 million mt), down from 1.92 million st (1.74 million mt) a week earlier. Capacity utilization slipped to 76.3% from 77.7%.

Last week's production total was only marginally above the 1.884 million st achieved in the second week of January, which was the lowest weekly total so far this year.

A third trader said that while the general tone in US bulk alloys appeared to be softer, "the downside on ferrosilicon might be overdone, so it could spring back quickly when the recovery comes."

A similar situation occurred at the end of last year when ferrosilicon prices fell on a combination of heavy imports from Norway and Vietnam and cheap domestic sales, "compounded by a few people shorting the market," he said.

Suppliers and consumers were approaching the third quarter "with a healthy amount of caution," he said. "We've had a strong first half in production terms, and it's not sustainable. When you look at the recent strength of the dollar, it means the US is increasingly open to imported steel, which will hurt domestic demand."

The trader said he was not willing to peg the domestic ferrosilicon market as low as 89.50 cents/lb in-warehouse on the basis of one third quarter sale. "I would like to see some more business at, or close to that, first. I think it's perfectly possible that we'll get there, but I don't think we're there yet," he said.

*— Anthony Poole*

## S Korea's June ferromoly production down over May

*Tokyo*—South Korea's total ferromolybdenum production for June could be 1,000-1,500 mt, down compared to May, market sources said Tuesday.

Two plants are planning for output of 300-500 mt, while three others anticipate 100-300 mt each for June, sources said. Output at two plants is down 100-200 mt from May, sources said.

SeAH M&S' output is near full capacity of 300-400 mt, but others are running at 50% or less, according to sources. Sources cited negative margins as the reason for low run rates.

"European buyers have bid $31.80/kg in-warehouse Rotterdam for ferromoly, which means moly oxide feedstock needs to be $13-13.10/lb to breakeven. But the current price of moly oxide is $13.40/lb," said one South Korean trader. Current production is for toll processing and for sales to term customers.

The negative margins are causing financial difficulties for some South Korean companies, sources said.

As ferromoly plants are capable of producing ferrovanadium, a shift to the ferrovanadium business is one possibility the companies may pursue, according to some.

*— Mayumi Watanabe*

## Indian buyers seek 5-20 mt lots, other buyers absent

*Tokyo*—Spot molybdenum oxide trade in Asia was quiet Tuesday with only inquiries from India for 5-20 mt, traders said.

Two Korean traders said several Indian companies were seeking 5 mt, 10 mt and 20 mt of moly oxide. One Indian buyer bid $13.50/lb CIF for 10-20 mt but the seller rejected it, according to one source.

Some Korean buyers were making enquiries but were said to be checking prices ahead of local buy tenders at the end of the month, sources said. Several Korean mill sources confirmed they had plans to issue buy tenders for July or July-September oxide briquette and ferromoly supplies within this month.

Demand from Korean ferromoly plants for moly oxide powder was slow with most production currently for tolling purposes, sources said.

There was talk in the market that one Korean moly oxide producer had suspended output on slowing demand, which generated buying interest for several containers, but this could not be confirmed. Meanwhile, Chinese traders remained inactive as prices were lower than expectation, they said.

The Platts daily dealer oxide assessment was $13.30-13.50/lb Tuesday, from $13.35-13.50/lb previously.

Some Chinese traders were optimistic there would not be fire-sales pushing prices down, as inventories were low. One trader, however, said some traders may still get desperate if demand shows no signs of recovering.

She reported hearing molybdenum oxide transacted at as low as $13.10-13.20/lb in-warehouse Rotterdam, and ferromoly at $31.5/kg in-warehouse in Europe. Platts was unable to confirm deals as low as $13.20/lb in-warehouse.

A trader in northeast China may restock some if moly oxide prices drop to below $13/lb, she said.

*— Mayumi Watanabe*

**Other News**

## BlueScope using iron sands at Port Kembla plant

*Melbourne*—BlueScope Steel has begun using iron sands, imported from a captive operation in New Zealand, for the first time at its Port Kembla blast furnace, south of Sydney.

The flat steel producer received the first shipment of around 120,000 mt of iron sands from Taharoa in New Zealand's North Island in April and the next shipment is due in August, a BlueScope spokesman said.

The Australian company expects the iron sands to account for 5% of its Fe requirements over the next 12 months before increasing to 10%, helping it reduce its raw materials input costs. "Based on the trials to get the sinter mix right and the [steel] production run rates to date, it's going pretty well," the spokesman told Platts SBB.

BlueScope also recently commissioned a larger vessel to mine the iron sands, which are located close to the seabed and grade around 57% Fe. The vessel was paid for by an undisclosed offtake customer and will allow production to increase from 900,000 mt/year currently to 1.2 million mt/year later this year.

Output from Taharoa, which is operated by BlueScope subsidiary New Zealand Steel, could potentially rise to 2.4 million mt/year at a later date and lift the amount available for sale.

The spokesman said BlueScope's one blast furnace at Port Kembla was operating at full capacity of 2.6 million mt/year. Some 2 million mt/year of steel is consumed by the domestic market with the balance exported directly to customers or to BlueScope's affiliates in Asia. The company halved steel output by shutting one of its two blast furnaces last October and has generally exited the export market.

*— Paul Bartholomew*

## NAE expects coking coal prices to remain high

*Melbourne*—The long-term outlook for coking coal remains very robust as supply growth projections for the raw material will not sustain demand, the head of an emerging Australian coking coal producer said Monday.

"Simply put, God did not make enough coking coal, unlike thermal coal where abundant reserves exist," said Gary Fietz, managing director of New Age Exploration, which has just secured a license for a major coking coal project in the United Kingdom.

Fietz expects coking coal prices to stay above $200/mt in the long term on the back of supply constraints as future growth projects and limited reserves globally will not meet expected demand.

NAE's license to develop the Lochinvar coking coal project near Carlisle, on the Scottish and English borders, is part of the Canonbie coal field discovered in the 1950s by the National Coal Board. NAE plans to rapidly develop the project and expects an inferred resource estimate to be established after 12 months.

Lochinvar will now be a major focus of development for the company and Fietz sees Europe as the project's "highest value primary market" — in particular, steelworks, that currently operate in the UK, which are located in close proximity to the project.

Currently, the UK has three steelworks operating nearby, in particular Tata Steel's Scunthorpe site and SSI UK's Redcar blast furnace.

Fietz said that labor and capital costs to develop Lochinvar are on "the attractive end of the cost curve" and the project's location in northern UK means it is close to rail, port and other important infrastructure.

"The area is not economically prosperous, labor costs are relatively low but most importantly there are a lot of experienced coal people in the UK," Fietz said.

Lochinvar has an exploration target of 330 million-410 million mt and is NAE's first coal acquisition outside of Colombia, where the Melbourne-based company owns five coking and thermal coal assets.

*— Marnie Hobson*

## Royal Resources sells Pilbara iron assets to FMG

*Melbourne*—Perth-based Royal Resources has exited an iron ore project in the Pilbara because of constrained infrastructure access in the region, the company said Monday.

The company sold its three last remaining tenements in the Pilbara to FMG Pilbara, a subsidiary of Fortescue Metals Group, for A$350,000 (US$348,397) and a sliding royalty on gross revenue of any future production from the tenements. The royalty will start at 1.5% and reduces to 0.1% for any production over 20 million mt.

Marcus Flis, Royal's managing director, said the tenements were unlikely to "deliver a significant iron resource." "Given the lack of cheap access to third party rail, and the congestion at the Pilbara's iron export ports, Royal had decided that these holdings were not core assets."

The company now intends to focus on its main Razorback iron project in South Australia, where Flis said "infrastructure is both available and low cost."

The Razorback magnetite project is located 240km (149 miles) northeast of Adelaide and has access to nearby transport infrastructure and power. It hosts a 1.52 billion mt resource at 23.3% Fe and a pre-feasibility study is expected to be completed by the end of September.

*— Marnie Hobson*

## Low prices could stymie investment in nickel supply

*Melbourne*—A nickel supply shortage is looming in the next two years as low prices curb investment in future supply, Australian producer Mincor Resources' managing director David Moore said Tuesday.

Moore said the nickel market is small and hence volatile and "the current depressed prices are predicated on generally negative assumptions about global economic growth and predictions of oversupply".

With lower prices generating no investment, a shortage is likely to emerge, which will prompt a sharp turnaround in prices, he said in an interview filed to the Australian Securities Exchange.

Moore said demand will start to exceed supply in 2014. "However, the market will look ahead, as it always does. So a turning point in the nickel price will come some considerable time before that," he said.

Nickel was trading at $16,810-16,815/mt on the London Metal Exchange Monday, down from 19,570-19,575/mt on January 12.

Mincor has reduced its average cash

### News in Brief

**Turkish iron ore imports continued their year-on-year growth in January-April owing to increasing blast furnace output** in the country. According to the Turkish Statistical Institute (TUIK), ore imports in April amounted to 225,791 mt, 11% up on 2011. However, this figure was 71% down on the 791,921 mt imported in March; the on month decline is attributed to tonnages carried over from April to May, as well as high stock levels. In the first four months of the year, iron ore imports totaled 2.07 million mt, 7% up on year. In the same period, Turkish blast furnace production also increased by 7%, according to the Turkish iron and steel producers association (DCUD). Only two countries supplied Turkey's iron ore needs in April; Sweden provided 168,973 mt and Ukraine 56,818 mt.

**A total 2.1 million mt of coking and thermal coal destined for export was loaded on to 22 ships at Australia's Newcastle port** in the seven-days to 7am Sydney time Monday (2100 GMT Sunday), down 14.5% on week, the port said in its latest operational update Monday. Storms and rough seas disrupted the port's vessel loading operations in the most recent week, a Newcastle Port Corp. spokesman said Friday. About a dozen ships waiting in the port's offshore vessel queue were advised by NPC to set sail for safer waters last Tuesday to avoid the risk of a repeat of a June 2007 incident, in which the Panamax Pasha Bulker ran aground during rough sea conditions. The ships were allowed to return to the offshore vessel queuing area, and shiploading operations at Newcastle port resumed Friday after the storms had subsided. Last week's storms also had a disruptive impact on ship-loading operations at Port Waratah Coal Services' two coal terminals at Newcastle port, which missed their loading target by 741,000 mt in the week ended Sunday, a report by the Hunter Valley Coal Chain Coordinator said.

costs for production by around 30% to A$5.63/lb ($5.63/lb) this year from A$7.95/lb a year earlier by restructuring operations at its Kambalda operations and mining higher grade ore at Miitel, both located in the state of Western Australia. Moore said the company is targeting cash costs of A$5.50-6/lb going forward.

Mincor intends to produce 10,000 mt of nickel-in-ore in full year 2012, with annual production forecast at 7,500-8,000 mt/year over the longer term.

*— Marnie Hobson*

## Americas

## Jindal officially exits Bolivian iron and steel project

*Sao Paulo*—Jindal Steel Bolivia has decided to abandon the El Mutún iron ore project in Bolivia, announced parent company Jindal Steel & Power (JSP) via an official letter sent to the Bolivian government.

According to the company statement, the contract required a total investment of $2.1 billion, the largest foreign expenditure in Bolivia's history. "The main reason for ending the contract was the non-fulfillment of the contractual obligations on the part of the Bolivian government," JSP said.

A lack of natural gas supply weighed on JSP's decision, since it was demanding 10 million cubic meter per day, while the Bolivian government was willing to commit only 2.5 million. Regarding this, energy company YPFB, responsible for the gas supply, said JSP never presented a final plan of its requirements.

The Indian company informed Bolivia it has 30 days to present a resolution on these issues, then JSP can terminate the contract within seven days thereafter. "If Bolivia comes clean and says how much gas it can actually supply and agrees to reconfigure plant capacity and investment and amend the contract, JSP can consider staying and continue investing in Bolivia," JSP concluded.

The contract, signed in 2007, was for investment in iron ore and the production of 10 million mt/year of pellet, 6 million mt/year of DRI, and eventually 1.7 million mt/year of steel. However, none of the goals were reached.

The Bolivian government has fined JSP $18 million twice, claiming it did not meet timetables for investing. However, JSP claims it has invested the entire amount required so far of $600 million.

**Other firms interested in the project**

Following JSP's announcement to pull out, the Bolivian government stated there are already other companies interested in continuing it.

According to Bolivian mining and metallurgy minister Mario Virreira, companies from Brazil, Australia and the UK have showed interest in the Mutún area.

"Immediately we will mobilize to re-bid the area, based on new terms of reference that allow us to easily adapt to the current reality our country faces, particularly in the energy sector," Virreira said. The bidding process should take up to six months.

There was concern about the Bolivian government possibly losing a large amount of money in such a transition, but the minister denied this. "Bolivia won't lose anything, honestly, but will win opportunities to find other companies with greater seriousness and responsibility to invest in El Mutún," said Virreira.

Comibol, responsible for the other 50% of the Mutún iron ore exploration, is also taking steps forward and negotiating new mining contracts with foreign companies, such as Switzerland's Glencore and US-based Coeur D'Alene.

*— Guilherme Baida*

## Vale appealing $177 million Swiss tax evasion charge

*Sao Paulo*—Global mining giant Vale is being charged $176.5 million by Swiss authorities on a charge of tax evasion using a tax exemption agreement signed in 2006. According to the company, the decision provides a levy relief of 60% over the 80% exemption originally offered.

### Platts steel assessments currency and unit comparisons, June 12

| | | | | | Prior assessment | | |
|---|---|---|---|---|---|---|---|
| | Eur/mt | $/mt | $/st | $/CWT | $/mt | $ change | % change |
| **Hot-rolled coil** | | | | | | | |
| Ex-works, Ruhr* | 530.00*** | 661.28 | 599.91 | 30.00 | 665.52 | -4.24 | -0.64% |
| FOB Black Sea* | 454.84 | 567.50*** | 514.84 | 25.75 | 567.50 | 0.00 | 0.00% |
| CIF Antwerp* | 520.00*** | 648.80 | 588.59 | 29.44 | 649.90 | -1.10 | -0.17% |
| Ex-works, Indiana** | 551.28 | 688.93 | 625.00*** | 31.25 | 688.93 | 0.00 | 0.00% |
| CIF, US Gulf states, basis Houston** | 555.69 | 694.44 | 630.00*** | 31.50 | 694.44 | 0.00 | 0.00% |
| **Cold-rolled coil** | | | | | | | |
| Ex-works, Ruhr* | 617.50*** | 770.45 | 698.96 | 34.96 | 784.25 | -13.80 | -1.76% |
| FOB Black Sea* | 526.97 | 657.50*** | 596.48 | 29.83 | 667.50 | -10.00 | -1.50% |
| CIF Antwerp* | 585.00*** | 729.90 | 662.17 | 33.12 | 731.13 | -1.23 | -0.17% |
| Ex-works, Indiana** | 643.90 | 804.67 | 730.00*** | 36.50 | 804.67 | 0.00 | 0.00% |
| CIF, US Gulf states, basis Houston** | 652.72 | 815.70 | 740.00*** | 37.00 | 815.70 | 0.00 | 0.00% |
| **Plate** | | | | | | | |
| Ex-works, Ruhr* | 585.00*** | 729.90 | 662.17 | 33.12 | 731.13 | -1.23 | -0.17% |
| CIF Antwerp* | 545.00*** | 680.00 | 616.89 | 30.85 | 681.14 | -1.14 | -0.17% |
| Ex-works, US Southeast** | 785.03 | 981.04 | 890.00*** | 44.50 | 981.04 | 0.00 | 0.00% |
| CIF, US Gulf states, basis Houston** | 714.46 | 892.86 | 810.00*** | 40.50 | 892.86 | 0.00 | 0.00% |
| **Reinforcing bar** | | | | | | | |
| Ex-works, Northwest Europe* | 515.00*** | 642.57 | 582.94 | 29.15 | 643.65 | -1.08 | -0.17% |
| East Mediterranean, basis Turkey* | 496.91 | 620.00*** | 562.46 | 28.13 | 620.00 | 0.00 | 0.00% |
| Ex-works, US Southeast** | 595.39 | 744.05 | 675.00*** | 33.75 | 744.05 | 0.00 | 0.00% |
| CIF, US Gulf states, basis Houston** | 529.23 | 661.38 | 600.00*** | 30.00 | 661.38 | 0.00 | 0.00% |

*LN 16:30 Eur/$ ex rate = 1.2477; **NY 16:30 $/Eur ex rate = 0.8002. ***the primary assessments and have not been converted

The company does not yet have to make a disbursement.

"The decision is merely procedural," said Vale in a statement, adding that the company has already appealed the decision and Swiss courts will now determine if and how much Vale has to pay.

As previously reported, under the terms of the deal, Vale's Swiss profits should have had a cap of $50 million and generated employment opportunities. However, Swiss authorities claim the Rio de Janeiro-based company used the 2006 agreement to adopt the country as a tax shelter for its global profits with alleged earnings of more than $5 billion.

*— Jose Guerra*

## US scrap exports dip in April on weak Far East interest

*Pittsburgh*—US ferrous scrap exports decreased to 1.89 million mt in April on weak Asian interest, down 12% from 2.15 million mt in March and 2.26 million mt in April 2011.

Turkey, the largest purchaser of US scrap, imported 617,711 mt in April, which is an eight-month high for the country.

However, reduced buying from the next three largest purchasers, Taiwan, Korea and China, lowered the total. Taiwan at 300,544 mt, Korea at 213,065 mt and China at 178,036 mt combined to import 691,645 mt of US scrap in April, off 30.8% from the 1 million mt total bought in March.

India was the next largest importer of US steel scrap, taking in 156,209 mt in April. Guatemala and Morocco, two countries who rarely purchase American ferrous scrap, imported 30,000 mt and 25,000 mt, respectively. Egypt was out of the market in April, with only 380 mt of US scrap imports recorded, the first time the country imported fewer than 30,000 mt/month since April 2011.

No. 1 heavy melting scrap was the most popular grade to leave the US, with 656,438 mt being exported in April, over half of which went to Turkey (344,416 mt). The other leading grades of scrap exported from the US were: shredded (565,591 mt), No. 2 heavy melting scrap (102,408 mt), No. 1 bundles (74,769 mt) and plate and structural material (57,813 mt).

The majority of the shredded scrap exports went to Turkey (141,381 mt) and India (113,788 mt) while No. 1 bundle exports more than doubled to a 10-month high on strong buying from Korea, which accounted for 54,147 mt of the total US No. 1 bundle exports of 74,769 mt.

*— Nicholas Tolomeo*

## Steel headlines

**Nucor and SDI move long-product pricing down $30/st**

Nucor and Steel Dynamics Inc have announced a $30/st price drop on most long products effective immediately, undercutting a previous announcement of a $15/st price drop by Gerdau Long Steel North America.

**For more steel news, please visit: www.sbb.com**

- Rise in China's May steel exports 'only temporary': traders
- Baosteel cuts most prices for July; no demand growth seen
- Turkish scrap import prices continue down on low demand
- Marcegaglia increases Eur 20/t on all its products
- Italy's Ilva idles 3.6 million mt/year hot strip mill
- Jindal officially decides to leave El Mutún project
- Special Report: US sheet market 'not dead' but HR nears $600
- Essar Algoma posts $37 million profit for FY, but losing quarter
- Chinese plate prices drop $29/mt in three weeks
- Korean re-roller starts adding new color line in Busan
- Korean Q2 ship plate price talks remain deadlocked
- Special Report: New rules seen choking Indian HRC imports
- Automotive output in Turkey down, but exports up in May
- Turkish sheet prices to fall further unless capacity cut back
- Brazil's CSN gets free pass to stake in Usiminas
- US coil prices drop sharply again; Europe also weaker - TSI
- Taiwan's Feng Hsin cuts rebar prices on scrap drop
- Vietnamese demand for longs could rebound as credit eases
- Major Chinese mills retain mid-June rebar prices
- North China's billet prices gain slightly after a drop
- JSW eyes post-monsoon start for new West Bengal works
- Al Tuwairqi seeks partners to restart UK mini-mill
- Amurmetall workers alert president envoy to plant's problems
- Billet market softens; revived Iran bids heard
- Emirates Steel receives Saudi quality certification
- MFRI ends quarter with net loss, functional Saudi works
- HRC holding back HSS, strength seen in heavy equipment
- Standard pipe pricing hanging on, but for how long?
- Sinopec boosts linepipe demand with new gas projects
- Taiwan stainless dumping complaint still pending
- Mexico's flat and long steel prices stable in June
- US April imports up slightly from March
- American mill capability utilization falls again
- Tata Steel signs up for 6 million mt/year Karnataka steelworks project
- SMS looks to Asia for growth, other customers cut spending
- Salzgitter expands distribution with Austrian acquisition
- El Mutún area shall go to bidding, says Bolivian government
- OECD sees economic slowdown in China, India

## Australia's Cleveland Mining in Brazil iron ore project

*Sao Paulo*—Australia's Cleveland Mining has signed a binding agreement to purchase a 5 million mt/year iron ore project in northern Brazil's Amapá state.

As previously reported, the miner in February signed a memorandum of understanding with authorities in Amapá to explore a non-confirmed deposit of more than 300 million mt with an average iron content of 38.6%.

"Iron grade appears to be easily upgradeable through washing out the mud and clay matrix to leave just the iron clasts," a company statement said.

Cleveland Mining will have a 100% interest in the Ferradura Project by initially paying $2 million and providing a 4% royalty on all FOB iron ore revenue, with performance milestone payments.

"Hematite and magnetite iron ore mineralization are abundant at Ferradura, along with the infrastructure and supportive government that are needed to build a robust operation," said managing director David Mendelawitz.

*— Jose Guerra*

## Vale to spend $2 billion in Northern Brazil this year

*Sao Paulo*—Despite an evolving battle against Brazil's Pará state mining taxes, Vale plans to invest nearly $2 billion on its projects in the state this year. Capital expenditures include iron ore mining development and logistics improvement projects.

Vale's Carajás Serra Sul project in the state will receive $794 million of investment and Carajás Serra Leste will get $239 million. The first is expected to generate 90 million mt/year from 2016.

Carajás Serra Leste "involves building a new iron ore processing plant with estimated nominal capacity of 6 million mt/year. Start-up is planned for the second half of 2013," explained the firm.

Another $890 million is approved to be spent this year to increase the capacity of the railway that links Pará mines to Ponta da Madeira port to 150 million mt/year and to build a fourth pier terminal there. The Rio de Janeiro-based company has already invested $1.8 billion in the project and expects its start-up in the second half of 2014.

In southeastern Brazil, Vale plans to build an iron ore concentration plant at Conceição Itabiritos in Minas Gerais state, investing $184 million this year. The company is also fighting against mining taxes in that region. The start of these operations is expected in the second half of 2013.

"One of the main benefits of the project will be an increase in the mine's lifespan achieved by reusing the waste rock pile and making use of low-grade iron formations," said the company.

*— Jose Guerra*



**Analysis**

## Australia's Mincor forecasts nickel shortage by 2014

*Melbourne*—A nickel supply shortage is looming within two years as current low prices curb investment in future supply, Mincor Resources managing director David Moore said Tuesday.

He said the nickel market was small and volatile and that "current depressed prices are predicated on generally negative assumptions about global economic growth and predictions of oversupply."

With lower prices generating no investment, a shortage was likely to emerge, which would prompt a sharp turnaround in nickel prices, he said in an interview filed to the Australian Securities Exchange.

Moore expected demand to start to exceed supply in 2014. "However, the market will look ahead, as it always does. So a turning point in the nickel price will come some considerable time before that," he said.

Nickel was trading Monday on the London Metal Exchange at $16,810-16,815/mt, down from $19,570-19,575/mt on January 12.

Nickel producer Mincor has reduced its average production cash costs by around 30% to A$5.63/lb ($5.63) in 2012 from A$7.95/lb a year earlier, by restructuring operations at its Kambalda mine and mining higher grade ore at Miitel in Western Australia. Moore said the company was targeting cash costs of A$5.50-6/lb.

Mincor is targeting 10,000 mt of nickel-in-ore in 2012, with annual production forecast at 7,500-8,000 mt/year over the longer term.

*— Marnie Hobson*

**Marketplace**

- Iron ore, 63.5/63% Fe Indian fines — State-owned trading company China National Building Materials offering Rungta cargo at $140/dmt CFR China, June-loading
- Iron ore, 54% Fe Indian lump — Sesa Goa offering 70,000-80,000 mt, loading June 15-30, in a tender closing Tuesday, June 12, 12 PM Indian time (0630 GMT), according to traders who received the tender
- Iron ore, 56% Fe Indian lump — Sesa Goa offering 70,000-80,000 mt, loading June 15-25, in a tender closing Tuesday, June 12, 12 PM Indian time (0630 GMT), according to traders who received the tender
- Iron ore, 62% Fe Australian fines — BHP Billiton sold at $136/dmt CFR Qingdao on GlobalORE platform, 90,000 mt, loading over July, maximum Al 2.6%, Si 5.5%, 0.1% phosphorus, 0.05% sulfur, 10% moisture
- Steel, square billet — Spot price down Yuan 10/mt from Monday at Yuan 3,580 / mt ex-stock Tangshan, mill source in Hebei said
- Coking coal, PCI — Australian miner pegs 19% VM, 10% ash at $130/mt FOB Queensland or just below
- Coking coal, HCC — Trader says 60-63% CSR low-vols offered no lower than $190/mt FOB Australia
- Coking coal, HCC — North China trader heard Canadian mid vol HCC with around 60% CSR offered at $190/mt CFR China
- Coking coal, PCI — Beijing trader pegs BMA's South Walker Creek at $160/mt CFR
- Coking coal, HCC — North China trader heard Mozambique 65-70% CSR, 21-24% VM offered at Yuan 1550/mt ex-stocks at China ports, approximate $203/mt CFR after deducting Yuan 35/mt port stocks and 17% VAT
- Coking coal, HCC — Beijing trader heard Mongolian 60+% CSR, 27% VM HCC being sold Yuan 1400-1450/mt deliver to mill including 6-month credit, approximate to $169-176/mt CFR China main ports, after deducting 4% interest rate for six months, Yuan 45/mt freight to port, Yuan 35/mt port charges and 17% VAT
- Coking coal, HCC — Two north China traders peg $190/mt CFR "reasonable" for Canadian 60% CSR, 24% VM HCC
- Met coke — Trading source believes 62% CSR Japanese coke can be sold to India at $370/mt CFR India
- Coking coal, Premium HCC — Indian steel mill would pay at most $215/mt FOB for BMA's Goonyella

*(This is a sample of trade and market information gathered by Platts editors as they assessed the daily iron ore, coking coal, steel, scrap and freight prices. They were first published on Platts Metals Alert earlier in the day as part of the market-testing process with market participants. For more related information about that process and our real-time news and price services, please request a trial to Platts Metals Alert or learn more about the product offering by visiting http://www.platts.com/Products/metalsalert)*