The current state of the global iron ore market

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Outline

• Demand
• Global iron ore supply
• Oversupply of iron ore?
• China
• Conclusions
World iron ore demand


Global iron ore production

Global iron ore production


Iron ore mines/ projects

Possible iron ore supply


Iron ore imports

China 687 Mt + 11%

Chinese demand and production structure

- Fragmented structure.
- Many small mines.
- Low grades, under ground.
- Vertical integration.

Chinese production costs

- Small mines most < 0.5-1 Mt.
- Max total volume 300- 400 Mt.
- Marginal cost of production ~140-150 USD/t
- Deeper underground.
- Cost components increasing.
China crude steel production


Chinese iron ore imports

India iron ore market

Source: RMD Iron ore

Iron ore mines/ projects

Project delays

• Supply constraints increasing.
• Lack of trained/ experienced staff.
• Under estimated infrastructural problems.
• Lack of investors.
• Political risks/ resource nationalisation.
• Permitting processes.

Project delays

• Fortescue 150-115 Mt.
• Simandou project, change of government – revision of terms.
• Belinga, not to be awarded until 2014, after Chinese CMEC lost the rights.
• El Mutun, Jindal lost the rights.
• BHP’s outer harbour.
• LKAB environmental permits.
• Carajás railway expansion halted.
Iron ore price forecast

USD/t 62% Fe cfr China

Source: RMD Iron ore, UNCTAD

Conclusions

• Demand outlook still strong.
• China, later India drive demand.
• Supply constraints increasing.
• India reduced exports.
• Chinese overseas expansion slow.
• Prices will fall but remain on a high level.
• There is room for small newcomers like the European iron ore producers.
Thank you!

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