

Roskill's 2012 report

Iron Ore: Markets Outlook to 2020, 7th Edition

Overview

From 2006 to 2011, the promise of a high return on investment led to a decrease in the concentration of corporate control of seaborne trade in iron ore. During this period, the share of seaborne trade controlled by Rio Tinto, BHP Billiton and Vale (the "Big Three") fell to 57.3% of the world total. This trend is expected to reverse to 2020, as the limited availability of capital will make securing project financing increasingly difficult for emerging producers.

It is estimated that 425Mtpy of nameplate capacity will be added from the middle of 2012 to the end of 2014 and that capacity additions will continue to exceed 100Mtpy through to 2020. These additions are likely to exceed demand growth and mostly represent low to medium-cost operations. Consequently, producers at the higher end of the cost curve – particularly those in China – will gradually find themselves unable to compete in the open market.

In 2012, a destocking phase among steel producers depressed demand for iron ore and the World Steel Association expects apparent consumption of finished steel products to grow by only 2.1% in 2012, down from 6.2% in 2011. During the period to 2020, however, rising demand from other emerging nations is unlikely to fully offset the slowing pace of growth in the intensity of steel use in China. Growth in apparent crude steel use will average 2.9%py from 2012 to 2020. Owing to the

on-going shift of steel production to countries with a higher use of iron ore per unit of steel, demand for iron ore, at 3.1%py, will marginally outpace steel demand.

Uncertainty over the Eurozone affects the iron ore industry through its effect on demand, as well as on the reduced availability and higher cost of capital. Revisions of figures on Chinese growth targets and performance are likely to result in further short term peaks and troughs, although much of the adjustment to a more realistic outlook has already taken place. Other risk factors include growing resource nationalism, particularly in Africa, highly unpredictable energy costs, rising labour costs, and the fate of the Indian mining industry following the mining bans in Goa and Karnataka states.

Following the slump in prices from June to September 2012, prices are expected to remain above US\$120/t cfr for 63.5% Fe content Indian fines until the end of 2014, while a restocking phase may push prices towards US\$135/t during 2013, although large fluctuations are not unlikely. As new capacity comes on-stream, the industry's price floor will gradually drop and it appears likely that the US\$100/t price level will be repeatedly tested and eventually broken towards 2015. In the baseline scenario for the iron ore industry, prices may trend towards US\$85 to US\$95/t during 2016 to 2020.

Get accurate answers from independent experts

- Which regions are the most likely growth markets during the outlook period?
- What is the status of existing and planned operations?
- What are the trends in the intensity of use of iron ore and steel?
- What will be the driving forces behind iron ore prices through to 2020?
- What upside and downside risk factors does the iron ore industry face?

Main Sections

1. Summary
2. Occurrence and reserves
3. Mining techniques
4. Specifications of iron ore used in steelmaking
5. World production of iron ore
6. Review of iron ore and iron production by country
7. Supply outlook to 2020
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9. End uses of iron ore
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11. World trade in iron ore
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