

# The Economics of Iron Ore

Sixth Edition, 2007

**Read the definitive report on the global iron ore industry, its markets and its future**

## **What this report gives you:**

- Independent research and analysis from industry experts
- Essential market intelligence for successful business planning
- Detailed survey of production in 76 countries
- Up-to-date profiles of major production companies and their activities, including CVRD, BHP Bilton, Rio Tinto, Metalloinvest, Evraz, LKAB, Kumba and Smart Group
- Forecasts for end-use consumption, world supply & demand

## *A valuable resource for:*

- Chief executives
- Market researchers
- Information centres
- Strategic planners
- Financial analysts
- Product developers

# Production being consumed by the burgeoning steel industries

Over the last decade iron ore production has increased by 5.3%pa, but the main explosion in output has occurred since 2001 with an AAGR of 9.7%. Iron ore production exceeded 1,400Mt in 2006 with much of this total being consumed by the burgeoning steel industries in China, India, Russia and Ukraine. These economies are in a rapid industrialisation period where consumption of steel is driven by the need to build new infrastructure. In mature industrial economies the demand for steel grows at a much lower rate and is even in decline in some countries.

While most iron ore is consumed directly in the production of steel in integrated steel works, the last decade has seen a significant increase in the production of merchant pig iron and DRI. Steel makers are increasingly turning to these resources in the face of limited scrap availability. This occurs particularly in countries undergoing rapid industrialisation, such as India, the largest producer of DRI, where output reached 14.7Mt in 2006.

**The key trends, issues and developments in the market are now analysed in this major new report from Roskill. It provides a clear insight into all areas of the industry and an authoritative analysis of the prospects for the future.**

## Report Highlights

Asia is the leading producing region, closely followed by South America and Oceania. China, India, Brazil and Australia represent the largest producing countries in these regions. Three large companies dominate production: CVRD, Rio Tinto and BHP Billiton, which between them control 34.7% of world output. More importantly they control 78.2% of seaborne trade and therefore exerted a large measure of control over world markets in 2006/7.

Consumers now have a choice of fewer suppliers than in previous decades and their bargaining power has thus been diminished. Global iron ore production has increased strongly since 2001 to meet rising demand from Asian steel industries, particularly in China and India. To date, this new capacity has resulted in a small surplus in the supply demand balance but there is now very little room for manoeuvre in the market.

A new generation of iron ore projects is now coming on-stream in Australia, South America, Western Africa, South Africa, Eastern Europe, the Middle East, China, India and other parts of Asia. Some of these projects are wholly or partially integrated with steel makers and others are independent of the major mining companies. Chinese steelmakers are investing heavily in iron ore projects overseas. This increasing trend will allow China to have a stronger control over raw material prices and seaborne trade. China is also, along with India, developing a number of new domestic projects to decrease dependence on high-cost imports.

Australia and Brazil will continue to be the main areas of growth, with exploration and development proceeding in those countries on a scale unmatched elsewhere in the world. New areas of exploration include West Africa and South America, which are likely to see deposits brought on stream in the near future.

Contract prices for iron ore are likely to increase by 50% in 2008. The large number of mining projects planned for the next few years could result in some price deflation by 2010.

## Sources and Methodology

This report is the result of an extensive programme of research by Roskill analysts. They have conducted a close appraisal of information from a wide variety of sources, including governments, trade associations, company sources, official organisations, trade journals and technical literature.

Information gathering is only the first step in preparing a report. The data is then extensively analysed so that the finished report provides a comprehensive insight into the industry today, as well as top-level analysis of the long-term prospects.

Authoritative research in this report can help you:

- Explore** commercial opportunities
- Gather** intelligence on your competitors
- Strengthen** your business capabilities
- Plan** your materials buying & sourcing
- Assess** key trends and growth areas
- Establish** sales targets for your products
- Analyse** company market share
- Save** time searching for specialist information
- And improve** your results

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Austria; Belgium and Luxembourg; Finland; France; Germany; Italy; Netherlands; Norway; Portugal; Spain; Sweden; Switzerland; Turkey; UK; Bosnia and Herzegovina; Bulgaria; Czech Republic; Hungary; Kazakhstan; Latvia; Macedonia; Poland; Romania; Russia; Serbia and Montenegro; Slovak Republic; Ukraine; Canada; Mexico; USA; Argentina; Bolivia; Brazil; Chile; Columbia; Paraguay; Peru; Trinidad and Tobago; Venezuela; Algeria; Egypt; Guinea; Liberia; Libya; Mauritania; Nigeria; Senegal; South Africa; Tunisia; Zimbabwe; Bahrain; Iran; Iraq; Oman; Qatar; Saudi Arabia; Syria; United Arab Emirates; Afghanistan; China; India; Indonesia; Japan; North Korea; South Korea; Laos; Malaysia; Mongolia; Myanmar; Pakistan; Philippines; Taiwan; Thailand; Vietnam; Australia; New Zealand

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