Recent developments and outlook in the iron ore market

by

Virgilio Gaggiato
Business Intelligence Manager, Samarco Iron Ore Europe BV
The Netherlands

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Commodities and Development

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Virgílio Gaggiato
Iron Ore Market

1º Characteristic: Low level of substitution

- Mining
- Scrap
- Iron Reduction
- Steel Production
- Semi-finished
- Finished products
- Final application

Source: Samarco
Iron Ore Market

2º Characteristic: Dependence on resource location

➢ Relevance of the seaborne market

Source: Samarco
Iron Ore Market - Past developments

Iron Ore consumption

- Crude steel production growth
- Push on seaborne demand
- Shift on market center

Source: Wood Mac, Samarco
Iron Ore Market - Recent developments

Iron Ore Prices

- Steel and iron ore prices
- Start of spot prices (India)
- Collapse of benchmark system

Source: Tex Report, Samarco
Iron Ore Market
2012 Volatility and Margins

Source: SBB, Samarco
Iron Ore Market Trends

New players over on pricing iron ore

Financial Market (derivatives)

Trader’s influence on prices

Source: Platts, Samarco
Iron Ore Market Trends
*New Supply and changes on ore's characteristics*

- Prices moving downwards
- Costs moving upwards

Source: CRU, Wood Mac, Samarco
Iron Ore Market Trends

Conclusion

The return of the current cycle?

- Lower grades
- Higher production costs
- New pricing systems
- Higher volatility
- Environmental pressures
- Prices to moderate over medium term
- Higher project costs