

## IRON ORE MARKET RESEARCH

Metal Expert Consulting has prepared special research of Russian and Ukrainian iron ore markets and these countries' position in the world iron ore trade.

**The urgency of the research is connected** with the fact that the global economic crisis led to essential changes in Russian and Ukrainian iron ore markets and in the world market in whole. The **urgent changes** in the iron ore markets as well as possible consequences of these changes considered in the research will determine market landscape in medium-term perspective having essential influence on economics of steel production, supply flow volumes and structure, investment appeal of mining and metallurgical assets.

**The research is addressed to** managers and specialists of steel, raw material and transportation companies whose terms of reference cover sales, procurement, marketing, to investment companies as well as to everyone who is interested in profound understanding of processes taking place at the iron ore markets today and in suitable and grounded forecast of the market changes.

This **report is distinguished** from analogs by presence of expert appraisal of the markets prospects, analysis of not only natural but also financial indices, price forecast and analysis of logistics component of iron ore cost.

### **The results will enable**

#### **raw material consumers**

- to reveal risks and opportunities for purchases
- to optimize procurement and logistics operations
- to set an efficient buying strategy and to strengthen raw material security

#### **raw material suppliers**

- to objectively assess their current market status and competitiveness
- to find potentially attractive markets and new opportunities
- to set an efficient selling strategy in target markets

#### **carriers**

- to evaluate and predict directions, volumes and structure of iron ore streams of supply

#### **financial institutions**

- to reveal investment-attractive raw material assets

Results of the research are presented as a report supplemented with tables of statistics data. The outlook contains detailed description of the research results.

The report may be submitted in basic version or in the one, adapted to customer's specific requirements. The adapted version includes basic material supplemented with additional reports.

### **Structure of the report basic version**

- analysis and forecast of supply and demand
- analysis of export potential
- production and consumption
- market growth factors, limitations and risks
- main trends and market dependence
- market development prospects estimate
- major players
- pricing principles
- estimation of transport component in iron ore cost
- financial indices of iron ore producers

### **Price of the report (basic version, VAT included):**

1500 USD

### **Possible options**

Adapted version of research may include the following additional materials upon a customer's request:

- SWOT analysis of the company and environment
- detailed study of specific market segments targeted by the customer
- prospective estimate of specific market segments (by volumes, by regions, by industries, by rates of growth, by profitability)
- prospective estimate of industrial assets potentially interesting to the customer
- other issues of customer's interest related to the research

### **Contacts**

For more detailed information on the project, including options to adapt the research to your specific needs, please contact any of our offices:

Andrey Baev  
Tel. / fax+7495775-60-55 or 780-30-93  
Post address: 73, Volokolamskoe shosse, Moscow  
Moscow 123424, Russia

Andrey Kuzmin  
Tel. / fax +38 056 370 1203 or 370 1207  
Post address: Metal Expert, 48b, Naberezhna Peremohy,  
Dnipropetrovsk, 49094, Ukraine

[A.Kuzmin@metalcourier.com](mailto:A.Kuzmin@metalcourier.com)

# IRON ORE MARKET OVERVIEW

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## Annotation

The report includes analysis of the world, Russian and Ukrainian agglomerated and non-agglomerated iron ore markets.

Indices of the world iron ore market in dynamics have been observed since 2005, as well as the structure of iron ore supplies by the world major exporters, the price situation in the world iron ore market, the landscape and main trends of the world iron ore market.

Russian and Ukrainian iron ore producers are represented in details; structure of their supplies to the domestic markets is specified. Structure of Russian and Ukrainian companies export and import of iron ore are investigated, dynamics and structure of flows of raw materials in Russian and Ukrainian markets with separation of the share of supplies within holdings are analyzed. Iron ore indicative prices in the concerned markets are given and their forecast is suggested.

Iron ore capacities expansion (modernization) plans are considered. Announced projects of the iron ore capacities expansion are classified according to their implementation perspectives.

The most important aspects of the global economic crisis impact on the iron ore markets are analyzed. Forecast of the concerned iron ore markets development (including prices, volumes, structure of the markets) are given.

The report contains 85 pages, 61 tables and 25 charts.

The research is addressed to managers and specialists of steel, raw material and transportation companies whose terms of reference cover sales, procurement, marketing, to investment companies as well as to everyone who is interested in profound understanding of processes taking place at the iron ore markets today and in suitable and grounded forecast of the market changes.

The research results will help to disclose risks and new opportunities when purchasing iron ore, to form efficient procurement strategy and to increase raw material security, to find potentially attractive markets and new opportunities of iron ore supplies, to evaluate and predict directions, volumes and structure of iron ore streams of supply, to reveal investment-attractive raw material assets.

This report is distinguished from analogs by presence of expert appraisal of the markets prospects, analysis of not only natural but also financial indices, price forecast and analysis of logistics component of iron ore cost.

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Office in Russia:  
73, Volokolamskoe Shosse, 123424,  
Moscow, Russia  
tel/fax +7 (495) 775 6055, 780 3093

Office in Ukraine:  
48-b, Naberezhnaya Pobedy str, 49094,  
Dnepropetrovsk, Ukraine,  
tel/fax +38 (056) 370 1203, 370 1207

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## Introduction

Iron ore is a type of raw material which is used generally in ferrous metallurgy for pig iron, direct reduced iron (DRI) and hot briquetted iron (HBI) production and for steelmaking in small volumes.

Iron ore is subdivided into two types: prepared (agglomerated) and unprepared (non-agglomerated). Agglomerated iron ore is the raw material prepared for pig iron production in blast furnaces. Non-agglomerated iron ore is the raw material for agglomerated iron ore production.

In the report, agglomerated iron ore is understood as agglomerate (iron ore produced from non-agglomerated iron ore at agglomeration plants of mining companies) and pellets (iron ore produced at roasting plants of mining companies). Non-agglomerated iron ore is understood as iron ore concentrate and sintering ore.

Metallurgy of Russia and Ukraine is characterized by availability of owned agglomerate capacities for most major steel producers. Therefore they purchase mainly non-agglomerated iron.

Meanwhile steel producers often don't have enough of their own agglomerated iron ore capacities hereupon they need to purchase also agglomerated iron ore in the market.

The share of iron ore cost is about 45-50% of pig iron cost (for a number of steel producers this value reaches 60% and more). Just iron ore price is the main key factor of pig iron cost; therefore cost of steel is substantially sensitive to this parameter.

Rising iron ore prices together with the lack of it's supply had essential influence on the leading steel producers, and they had to make an efforts to meet their requirement in iron ore.

High share of iron ore cost in pig iron cost stipulates availability of owned iron ore assets for steel producers. At present affiliated iron ore assets enable steel producers to provide their need for iron ore and reasonable prices. By significant pig iron and steel production drop as well as drop of the finished steel product prices, as under recession, steel holding may increase the share of iron ore supplies inside holdings for their cost reducing and competitiveness raising.

Today most major steel producers in Russia and some of them in Ukraine have their own iron ore assets; it guarantees them the reliable provision of raw material. On the other hand all Russian and Ukrainian mining companies are affiliated to steel holdings. The holding structure of the market is considered in the report in details.

In general Russian and Ukrainian both agglomerated and non-agglomerated iron ore capacities are excess, it stimulates Russian and Ukrainian mining companies to develop activity in the export markets. In this sense situation in the world iron ore markets has essential impact on production volumes and supply directions of Russian and Ukrainian mining companies.

Mainly it is concerned to Ukrainian mining companies which are situated relatively close by the sea ports and Eastern Europe consumers.

Russian iron ore market depends on the world market situation in a less degree. Because of the wide area of Russia another factor is highlighted, this factor is great importance of transport component in the iron ore cost. The world economic crisis led to significant changes both in Russian and Ukrainian iron ore markets and in the world market in whole. Almost all market parameters have changed:

- iron ore prices dropped;
- iron ore purchases structure changed;
- volumes and directions of iron ore supplies changed;
- structure and geography of iron ore supplies from Russia and Ukraine changed significantly;

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Office in Russia:  
73, Volokolamskoe Shosse, 123424,  
Moscow, Russia  
tel/fax +7 (495) 775 6055, 780 3093

---

Office in Ukraine:  
48-b, Naberezhnaya Pobedy str, 49094,  
Dnepropetrovsk, Ukraine,  
tel/fax +38 (056) 370 1203, 370 1207

- most steel producers and mining companies revised their plans of productive capacity modernization.

Yet the crisis has not led to the essential transformations of the ownership structure on the iron ore markets. But changes of the holding structure may take place under influence of new market parameters in Russia and Ukraine.

Listed above essential circumstances in the iron ore markets as well as future market landscape are considered in the report.

# METAL EXPERT CONSULTING

Metal Expert Consulting is a subdivision of Metal Expert specializing in providing of consulting services:

- Customized market research
- Strategy study
- Conceptual study
- Pre-feasibility study
- Feasibility study
- Project due diligence
- External independent monitoring
- Informational and analytical support of negotiations
- Recommendations on performance improvements, product-mix, sales and procurement optimization

## Our competence

- We are an independent privately owned company which guarantees objectivity
- We have been collecting data and providing services to clients in the CIS and worldwide since 1994
- We have been providing the market consulting services since 1996
- We have our own unique knowledge base, based on our exclusive sources and experience
- Our methodology of consulting enables us to reach project goals in frames of client's budget and time schedule
- We employ more than 200 experienced and skilled analysts and experts in three offices, located in Ukraine, Russia and USA
- Many of our employees have worked in transportation, steel, chemical and mining industries or marketing, providing us with unique insights into the markets and operations

## Our clients

Among the companies using our consulting services there are producers, traders, industry investors, including:



**Mechel**



**ArcelorMittal**



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**Metal One**

**Metal One**



**MetInvest**



**OTP Bank**

Office in Russia:

73, Volokolamskoe Shosse, 123424,  
Moscow, Russia  
tel/fax +7 (495) 775 6055, 780 3093

Office in Ukraine:

48-b, Naberezhnaya Pobedy str, 49094,  
Dnepropetrovsk, Ukraine,  
tel/fax +38 (056) 370 1203, 370 1207