Care for curbs on iron ore fines export, warns of low reserves

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MUMBAI: Advocating curbs on exports of iron ore fines, the rating agency Care today said the domestic reserves are likely to last only 28 years if export continues.

(Advocating curbs on exports...)

"Assuming the ongoing expansion in steel capacity, we believe that on an expanded base, the country is only left with iron ore reserves which can last for about 38 years. If the country continues to export iron ore, then the reserves are expected to last for not more than 28 years," it said in a report.

"The expanding agglomeration capacity of the sintering and pelletisation plants in the domestic market also supports our view on the curb of exports of iron ore fines," it added.

As per its estimates, domestic iron ore demand is likely to grow around 7 per cent per annum to reach 169 million tonnes (MT) per annum by FY'18.

"Going ahead, we expect significant pellets and sintering capacity addition by the domestic steel-makers," it said.

"Sintering and pelletisation capacity is likely to increase from about 60 and 54 MT per annum as recorded in FY'13 to about 80 and 92 MT per annum respectively during the next three-four years," the release said, adding that the expanding agglomeration capacity in this segment supports its view for export curb on iron ore fines.

After imposition of 30 per cent export duty on iron ore; pellets, which are produced from iron ore fines, have seen pick-up in exports. This has raised apprehension about rising exports of iron ore from the country, while domestic steel firms are facing shortage of this key raw material.

On the supply side of iron ore, the rating agency said ore industry is likely to see oversupply in 2015 as many new mines are likely to be operational by this period.

Similarly, it also noted that global iron ore prices may see downward trend due to such oversupply.

"We expect significant decline in prices during 2015 as the new mines will operate at full capacity for the whole of the year. We see global annual average iron ore prices to hover around $110-120 per tonne in 2014

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and are likely to fall further hovering around $85-95 per tonne in 2015," the release said.

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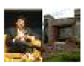

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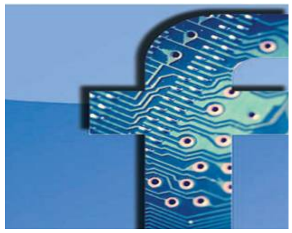

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Raj (Delhi)
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If iron ore will in any case be depleted in 38 years, there is no point curbing exports so that it does not get depleted in 28 years. In any case steel mills need to procure the ore at market price whether from imports or domestic procurement. Imposing export duty only lowers the price at which private domestic steel mills buy. It does not deplete the resources of the country as full value of the ore is realised in US$ which is a more useful resource than iron ore and can be profitably used for any business/developmental purpose including import of ore when needed. Steel mills are falsely citing country's interest in preventing export of iron ore whereas the only interest they have is their self-interest. If they had the country's interest in mind, steel prices should have been lower in India than globally traded steel prices due to low iron ore prices in India as a result of high export duty and high rail freight for export of iron ore but Indian steel prices are exorbitantly higher.

Raj (Delhi)
03 Mar, 2014 05:58 PM

Obviously a planted article by the steel lobby. CARE has no standing to write on this issue and neither is the full article about what CARE said although it is made out to be so. Pellet export is miniscule, while steel export is what is really depleting our resources instead of using it for domestic development. Raising of export duty has only lowered the price at which private steel mills buy the ore as compared to the price available in the global market for export/import. Thus only private steel mills benefit from export duty by getting subsidised ore but not consumers of steel which should be the real intention and steel is exported at the international price or sold domestically even higher at international price + import duty. Export duty on steel should necessarily be commensurate to export duty on iron ore if the intention is to keep ore for the country to get cheap steel as iron ore can always be imported at global prices and there is a huge oversupply of iron ore globally. Since global prices are falling in the long term, exporting iron ore now is beneficial at it would fetch better value for the country and the same can be readily imported later at cheaper prices using the same funds realised. Thus, the country does not gain by curbing ore exports but only private steel producers.