Anglo American settles Q2 HCC with Nippon Steel

Mining company Anglo American has settled second-quarter premium Hard Coking Coal (HCC) negotiations with Japanese mill Nippon Steel & Sumitomo Metal Corp, $3 higher quarter on quarter at $84/mt FOB Australia, the first benchmark increase in 10 quarters, market sources said.

This price applies to Anglo American's flagship premium low-vol and mid-vol brands German Creek and Moranbah North. Both coal categories were priced at $81/mt FOB Australia in Q1.

Elsewhere, the Empowered Joint Committee, which convened recently and sets quarterly prices for the Indian state-owned steelmakers State Authority of India and Rashtriya Ispat Nigam Limited, will follow the second quarter HCC settlement price, sources said.

If recognized by other international steelmakers, the settlement will be the first uptick since Q4, 2013, when the benchmark rose $7 from the previous quarter to $152/mt.

“An increase from the last quarter is agreeable to everyone because suppliers were finding it difficult to maintain production on previous levels," a procurement manager from a Japanese steel mill said. "Met coal might be closer to a bottom this year."

However, several sources said the settlement represented a quarter-on-quarter fall in real terms due to a significant appreciation of the Australian dollar since early December.

Based on past and current exchange rates, the Q2 price was fixed at A$110.69/mt, lower than the A$111.61/mt set in the previous quarter. "It is actually a price decrease," one source said.

Other industry sources stated that supply uncertainty due to low coal pricing and currency appreciation was offset by languishing steel market fundamentals.

"Steel mills have a very strong view that the steel market is doomed. Even if they see change in the met coal market, they need to resist that," one industry insider said.

However, buyers might be building a potential catastrophe since a few producers cannot survive at even such prices which would result in greater output cuts and more volatile price movements.

Iron ore oversupply remains despite price rally : FMG Chairman

Fortescue Metals Group chairman Andrew Forrest, even after a recent rally in the price of iron ore, warned that an iron ore oversupply still needs to work through the system. Forrest, who was speaking about the sidelines of the Boao Forum for Asia, added that the errors of iron ore majors in flooding the market with supply would plague China, Australia and the iron ore price for a good period of time."

Forrest has called for an Australian inquiry into the iron ore industry, after low cost, high volume production swamped the market, sending prices to a record low of USD 37 a ton in December.

He said “The slump in iron ore prices has had a cataclysmic effect on the Australian economy and led to a wanton loss of jobs. An inquiry could've stopped oversupply a year ago."

Forrest did not specify a price target or a time frame for the digestion of oversupply but his comments come after a rally in iron ore that pushed spot prices as much as 48 percent higher so far this year to $63.30 a ton.

To increase Fortescue's market share in China amid the ongoing commodities downturn, the company announced a deal with Vale that

could see the Brazilian giant take a minority stake in the Australian miner. He said “It’s certainly an out-of-the-box idea that we should actually co-operate with our arch competitor to create a product that would be the most beneficial, the most competitive, the most needed iron ore material which has ever entered China. Vale can't do it on its own, no chance. Fortescue couldn't do it on its own, no chance."

But together, the pair would be able to produce the same quality of iron ore as would be produced by rival Rio Tinto, which is viewed as the benchmark in China.