



Ports run out of space to take iron ore shipments

With enough iron ore to construct Paris's Eiffel Tower nearly 13,000 times over, China's ports are bursting with stockpiles of the raw material and some of them are demolishing old buildings to create more storage space, trading sources said.

China's domestic iron ore production jumped 15.3 percent in January-February as a price rally last year extended into 2017, causing imported ore to pile up at the ports of the world's top buyer. Stockpiles are at their highest in more than a decade and are affecting prices.



Inventory of imported iron ore at 46 Chinese ports reached 132.45 mln tons on March 24, SteelHome consultancy said, the highest since it began tracking the data in 2004.

A third of the stocks belongs to traders and the rest is owned by China's steel mills, SteelHome said.

That volume would make about 95 mln tons of steel, enough to build 12,960 replicas of the 324-metre (1,063-foot) high Eiffel Tower in Paris.

Global iron ore prices are now at just above USD80 a ton from a 30-month peak of USD94.86 reached in February, largely due to the growing port inventory.

Prices surged 81 percent last year, bringing relief to miners after a three-year rout. The rally stretched into 2017, inspiring marginal producers to resume business and lifting supply as China's steel demand waned.

Further falls in the price of iron ore risk shuttering Chinese capacity again. That could boost China's reliance on top-grade exporters Vale, Rio Tinto and BHP Billiton.

Some ports, trying to manage their storage space, have in recent weeks rejected vessels carrying lower grade iron ore that is less preferred than higher quality material and could take months to clear, said a source at a foreign trading firm that has millions of tons of the steelmaking ingredient at Chinese ports.

"We have sent our people around the major ports in China and some are trying to find extra space. They're demolishing some abandoned buildings to create more space," said the source, who declined to be named because he is not permitted to discuss the matter publicly.

If iron ore stocks continue rising "we're going to reach maximum physical capacity at all ports in China by early June, said the source. "We saw some ports rejecting low-grade shipments which are very difficult to liquidate." Including another 40 mln tons of iron ore at China's steel mills "that's too much of stock," said Li Xinchuang, vice chairman at China Iron and Steel Association.

Probe ordered into Hebei Province found fudging steel capacity



The hub of China's steel production, the northern province of Hebei, had announced that it would cut output to ease pollution and help curb oversupply.

Hebei Governor Zhang had told local lawmakers that it planned to reduce steel output by 8 million tonnes in 2016. More than one year later, it appears that Governor Zhang lied about Hebei's intentions, and according to a provincial notice by the Chinese province, it has emerged that China's compliance with its own mandatory production cuts has been problematic.

According to Reuters, the same Hebei province has launched a probe into steel overproduction in the city of Tangshan amid concerns that firms have continued to raise output despite mandatory capacity

cuts. Hebei province government has been ordered by China's central government on March 25 to investigate firms in Tangshan that have restricted but not cut production, restricted production but not actually cut emissions and cut capacity but actually increased output

The document was issued by a special provincial policy team responsible for restructuring the steel industry. It said Hebei has already established an inspection team and Tangshan must begin its own investigations immediately.

Cited by Reuters, an industry source based in Tangshan confirmed the veracity of the document, but said it was unclear whether the new round of inspections would have any immediate impact on production or prices.

Tangshan produces around 90 million tonnes of steel a year, more than the whole of the United States.

Environmental group Greenpeace said in February that China's active steel capacity actually rose by 35 million tonnes in 2016 after the high-profile closure program focused mainly on shutting plants that had already been idled.