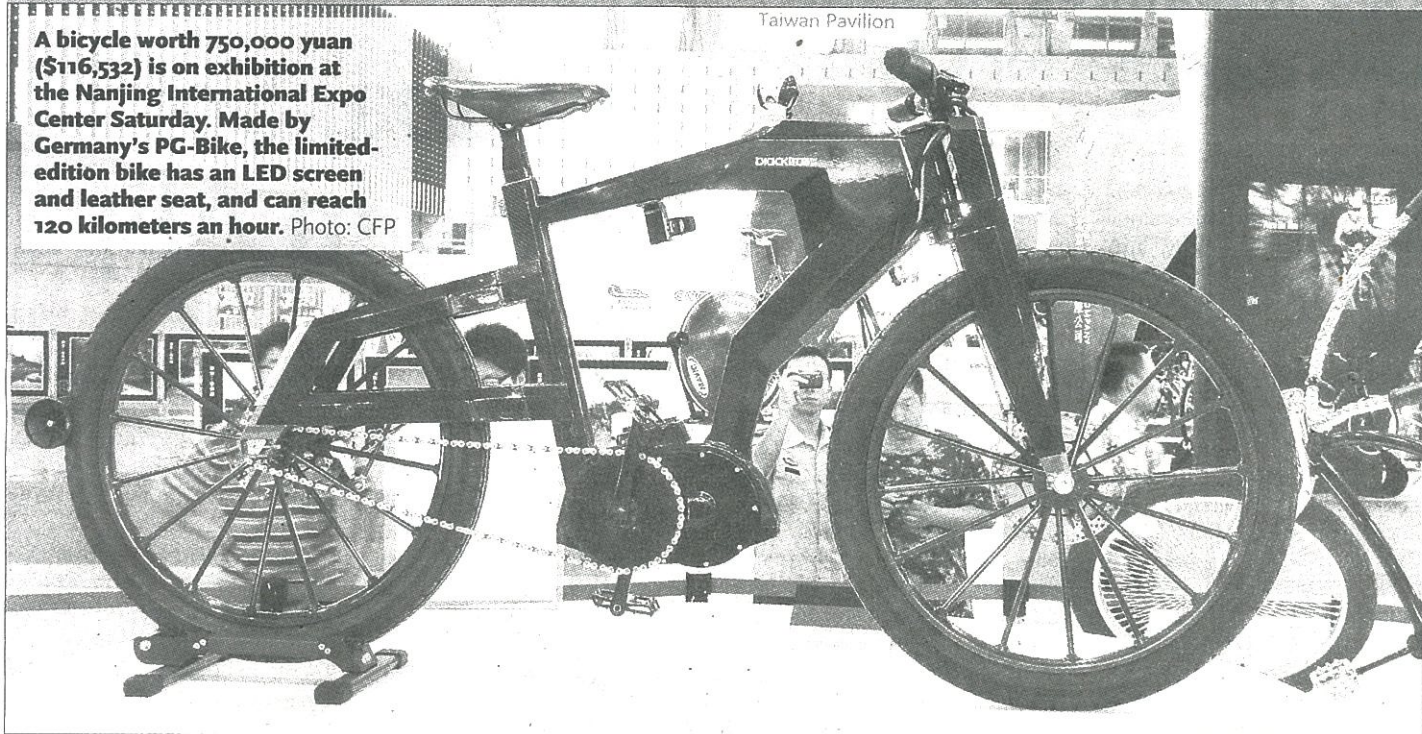


### A luxurious ride

A bicycle worth 750,000 yuan (\$116,532) is on exhibition at the Nanjing International Expo Center Saturday. Made by Germany's PG-Bike, the limited-edition bike has an LED screen and leather seat, and can reach 120 kilometers an hour. Photo: CFP



## ► Chinese steel makers to have more influence over pricing CISA to release iron ore index

By Chen Yang

China's iron ore index will better represent the interest of local buyers than foreign indices, analysts said yesterday, as China is set to release its own index within this year.

"Foreign indices mainly represent iron ore suppliers' interests and Chinese steel makers feel reluctant to accept them, while China Iron & Steel Association (CISA)'s index will better reflect domestic buyers' interests," Sun Ming, analyst at Beijing Lange Steel Information Research Center, told the Global Times yesterday.

Sun said CISA's index would help Chinese steel companies enhance their bargaining power in purchasing imported iron ores. "But it will take quite some time for the suppliers to accept it," she noted.

The CISA will release its iron ore index this year, a move that analysts say will lend Chinese steel makers more bargaining strength in negotiations with global iron ore producers.

Zhu Jimin, chairman of CISA, said at a meeting on Friday that the index will be published on a weekly basis, without giving

a specific timeframe for its official launch.

He said the index will consist of two sub-indices reflecting domestic and imported iron ore prices. The former will be based on iron ore prices in 14 provinces and regions, and the latter on prices provided by major domestic importers as well as transaction prices at China's eight ports.

Analysts say the index will help Chinese steel makers increase their influence over the pricing of imported iron ore.

Indices published by foreign agencies Platts, Metal Bulletin and the Steel Index are widely used by global iron ore giants. The producers abandoned a decades-old annual pricing mechanism in March 2010, and instead adopted quarterly or monthly contract pricing based on indices published by the three agencies.

However, Chen Kexin, commodity analyst at the Distribution Productivity Promotion Center of China Commerce, doubted the potential influence of the new index.

"It's a progress for CISA to release its own index, but it's a bit late to do it," Chen said. "Global iron ore producers will not easily accept the index if it lacks innovation

and transparency."

Chen suggested that a large-scale iron ore trade market should be established in China first, and the index based on transaction prices in this open market will be more convincing to global miners.

The surging iron ore prices have increasingly squeezed Chinese steel companies' profit margins. Customs data shows that average imported iron ore prices rose by 42.4 percent to \$160.89 per ton in the first half of this year, which squeezed CISA member companies' average profit rate to 3.14 percent, down 0.4 percent from a year earlier, according to Zhu.

At the same meeting, Zhu said CISA has started implementing an agency system among its member companies since July. CISA has 256 group members and 67 individual members.

Under the agency system, the import of iron ore is specified in a contract signed by an agent and an iron ore enterprise.

"The introduction of the agency system can clearly outline the quantity and usage of imported iron ore," Sun Ming told Shanghai-based Dongfang Daily Friday.