

Kumba willing to sell ore at 'developmental' prices

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THERE was enough iron ore in SA to provide the domestic steel industry as well as any newcomer, and Kumba Iron Ore was willing to provide ore at "developmental" prices, CEO Chris Griffith said on Friday.

The government has identified iron ore and steel as key sectors for its beneficiation strategy designed to add jobs and wealth to the economy. The state has said it wants another steel producer in SA, to introduce more competitive steel prices.

At the opening of Kumba's new 9-million-ton, R8,5bn mine in the

Northern Cape, near Postmasburg, Mineral Resources Minister Susan Shabangu said the government did not expect miners to become involved in beneficiation, but wanted them to contribute.

"In turn, we expect local beneficiaries to support industrial development by ensuring they make their steel available at a developmental price so that we may realise beneficiation of our iron ore into capital goods," she said on Friday.

"There is a future for ore exports, but iron ore and its processing into steel (and) then steel products and manufactured goods is the heart of industrialisation," she said.

To reach this "strategic national imperative", the government could intervene to secure access to raw materials at competitive prices for local beneficiaries, "especially where they are new entrants or historically disadvantaged", she said.

The government is talking about declaring coal a strategic mineral to inhibit exports of the type of coal Eskom burns in its power plants to ensure supply and prices acceptable for the state utility.

While the concept of declaring iron ore a strategic mineral had been raised, this had not been discussed in any detail with Kumba, the country's largest iron-ore producer, and there

was no need to restrict export volumes, Mr Griffith said. Kumba and Assmang both produced iron ore for domestic steel plants, which also use scrap steel in their mills.

Kumba is supplying ore to ArcelorMittal SA at a heavily discounted price to the global price as the two companies await the outcome of an arbitration process about the price at which Kumba supplies ore to SA's largest steel maker.

There was excess capacity to supply domestic steel, Mr Griffith said. If a new steel company did start up and if it had capacity to produce 2-million tons of steel, it would need about 3-million tons of ore, something which

Kumba, Assmang and a number of new iron-ore entrants could easily supply, he said.

Kumba has spoken to the government about supplying iron ore to the domestic steel industry at developmental prices, but it wanted clarity on the pricing arrangement with ArcelorMittal before making any commitments, he said. The price would be cheaper than the international price, he said.

Iron ore makes up a fraction of the cost to produce steel, with electricity and ingredients such as coking coal making up a far greater portion of the cost.

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