

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:2845
ANSWERED ON:14.03.2011
AGREEMENT BY MMTC FOR EXPORT OF IRON ORE
Choudhary Shri Harish;Sinh Dr. Sanjay

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether MMTC has undertaken a Long Term Agreement (LTA) with Japan, South Korea and China regarding export of iron ore;
- (b) if so, the details thereof alongwith the objective therefor;
- (c) the rate at which MMTC has agreed to export iron ore under the said agreement alongwith the present rate of iron ore in the country;
- (d) whether this agreement will impact supply of iron ore to the companies in our country;
- (e) if so, the details thereof; and
- (f) the remedial steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) and (b): Yes, Madam. With the approval of the Government, MMTC has entered into Long Term Agreements (LTAs) with Japanese, South Korean and Chinese Steel Mills for export of iron ore during 2006-11. The objective of the Government is inter-alia, to maintain historical / good diplomatic relationships with these countries which will enable technology transfers and investments, financial aid and soft loans for the development of various infrastructure projects in India.

(c): Under the LTA's for Japan and South Korea, prices are negotiated between mine-owners and steel mills on the basis of an annual benchmark pricing system which has recently given way to quarterly contracts which are index based on the basis of average spot market prices. A statement showing the prices applicable for Japan and South Korea against the LTAs is annexed. As regards sale price to China, both sides have agreed that prices will be finalized on spot price basis i.e. on transaction to transaction basis keeping in view demand and supply patterns. The present price of iron ore of 65% Fe in the country is as follows:

Bailadila Lumps Rs.4320/- per ton (ex-mines).

Bailadila Fines Rs.3419/- per ton (ex-mines).

(d) and (e): No, Madam. The LTAs have no adverse impact on the supply of iron ore to domestic steel mills in the country. Iron ore is exported only after meeting the requirements of the domestic steel industry. In fact, even after domestic consumption and export of iron ore from India, there has always been unutilized surpluses. Further, most big steel companies have their own captive mines. The LTAs provide a commitment for supply of iron ore in the range of minimum and maximum quantities negotiable on a year to year basis taking into account the quantitative ceilings. However, the LTAs have always operated at the minimum of the range.

(f): Does not arise.