Ban on iron ore export or need of the day for value addition in iron ore.

This has reference to various articles suggesting the ban on "Iron Ore Exports". There is a strong demand to impose ban on the export of Iron Ore from the section of The Indian Industrial Association. In our opinion there is more in this than what meets the eyes.

The Govt. of India is in favor of regulating the export of iron ore and in favor of the export of the value added product. We are pleased to share with you some interesting points justifying the Government's Stand.

Type	*Quantity Exported (in million Tonnes)*	
	2003-04	2004-05
Iron Ore Pellets	2.47	5.09
% of pellets of total exports	5%	7%
Iron Ore Lumps (Variety 1)	10.87	19.30
Iron Ore Lumps (Variety 2)	0.96	1.95
Iron Ore Fines(Variety 1)	31.40	44.50
Iron Ore Fines (Variety 2)	2.64	4.32
Total Iron Ore export	48.33	75.16

Source : EXIM Data, Ministry Of Commerce

India's export has doubled since 2000. It has increased by almost 43% in 2004. A large proportion of this increase has been in the form of "Iron ore fines" which has gone to the Chinese spot market.

If we analyze the export business of Iron ore, we will observe that more than 60% of " Iron Ore " exported is in the form of "Iron Ore Fines" only. A Total of 75 million tones of " Iron Ore " were exported last year. Out of this, 49 million Tonnes were in the form of "Iron Ore Fines".

Whereas "Iron ore Lumps" are easily used in the furnaces for steel making, the "iron ore fines" can't be fed directly without processing them.

Today, India has no other option but to export "Iron Ore Fines" as the Pelletising technology, for making steel from such fines, is not yet adopted by Indian industry.

It is astonishing to note that bulk of "Iron Ore Fines" is exported to China from India . Majority of the steel plants in China have the required technology to use these "Iron Ore Fines" for making steel through Pelletisation process.

In India , the cost of the "Iron Ore Lumps" is aprox. Rs.3000/- to Rs.3500/- a tonne while the cost of "Iron Ore Fines" is stagnant at Rs.500 to Rs.700/- per tonne only. This means China is buying " Iron Ore fines" at throw away price from us and by using the Pelletisation process, converts it into steel and sells it back to us or in International market at very competitive price. This is exactly what British did to Indian cotton industry in per-independence time. History gets repeated. Time has come to be alert and learn a lesson from history. We need to learn to earn from Value addition.

There is no appreciable demand of "Iron Ore Fines" in India due to non-adoption of appropriate technology for converting "iron ore fines" into "steel". The people demanding ban on export of the "iron ore" should address the problem of "Iron Ore Fine" which is in the form of dust. The ban will result in pilling up of "dust" which creates a problem of pollution as it can't be disposed off. Besides, it will deprive the mine owners from export proceeds of such fines.

Major steel makers in the country have their own captive " Iron Ore " mines. So, there is no problem of iron ore supply to them. Due to the good International price for Indian Iron ore lump, they even export their surplus iron ore lumps to make extra money. We opine that this export by the owners of captive mine owners will never create a demand supply gap of " Iron Ore " in the local market.

There is hue and cry from section of Indian Steel Industry for banning the " Iron Ore " export. This move appears to be more of an attempt to get the hypothetical reduction in the domestic "Iron Ore Lump" prices by cutting off its supply to the international market, which may not happen.

We feel that Government is right in deciding against the imposition of ban on " Iron Ore " export. But they should decide specific time frame to gradually reduce the export of cheaper "Iron Ore Fines" and encourage value addition technology like "Pelletisation" to convert the cheap "Iron Ore Fines" into "steel". This will be in response to the possible threat of China dumping cheaper Steel in Indian market. At the same time it will benefit India to earn from value addition.

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