

Iron Ore Rises Near Two-Year High as Vale Disruption Spreads  
2019-02-06 14:55:42.476 GMT

By Jake Lloyd-Smith and Lynn Thomasson

(Bloomberg) -- Iron ore rallied toward \$90 a ton after Vale SA declared force majeure on some contracts, raising worries of a global shortfall of the key steel-making ingredient.

Vale, the world's biggest producer of iron ore, invoked the clause a day after a judge forced it to suspend some operations at its Brucutu mine -- a move that it said would result in an annual production loss of 30 million metric tons.

"All the risks are to the disruption being greater than first thought," said Daniel Hynes, senior commodities strategist at Australia & New Zealand Banking Group Ltd. ANZ is now forecasting a 10 million ton deficit in 2019, compared with an estimated surplus of 15 million tons before the Vale disaster. Iron ore futures climbed as much as 1.5 percent to \$87.45 a ton in Singapore, reaching the highest since March 2017. Prices have skyrocketed since late January after a Vale dam burst, spewing mud and killing more than 130 people.

\*T

What Bloomberg Intelligence Says "Plugging the volume gap has gotten harder for Vale after the company declared force majeure at its Brucutu mine (30 million metric tons) in the Southeastern System. We're cautious about assuming that the mine will be out for an extended period because there appears to be no technical basis or risk assessment to justify the suspension." -- Andrew Cosgrove, Global Metals and Mining Analyst [Click here to view the research.](#)

\*T

As Vale's troubles spread, analysts have said iron ore could keep heading higher and drive up costs for steelmakers. Commonwealth Bank of Australia predicted prices could rise above \$100, adding that the move would be temporary if Vale successfully challenged the court order.

"Iron ore prices are likely to continue trending higher, as production is clearly being impacted above and beyond just the roughly 8 million tons per year from the Feijao mine, where the tragedy first occurred," Jeremy Sussman, an analyst with Clarksons Platou Securities, said in an email.

Shares of other iron ore producers have rallied in response to higher iron ore prices. For example, Rio Tinto Group is on a 10-day streak of gains, with the shares up 15 percent this year.

Ferrexpo Plc has notched a 26 percent advance since the Vale dam breach.

--With assistance from R.T. Watson and David Stringer.

To contact the reporters on this story:

Lynn Thomasson in London at [lthomasson@bloomberg.net](mailto:lthomasson@bloomberg.net);

Jake Lloyd-Smith in Singapore at [jloydsmith@bloomberg.net](mailto:jloydsmith@bloomberg.net)

To contact the editors responsible for this story:

Phoebe Sedgman at [psedgman2@bloomberg.net](mailto:psedgman2@bloomberg.net)

Lynn Thomasson, Alex Devine