

**Research on iron ore resources control strategy of China Iron and Steel
Group**

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Abstract: With the rapid development of China's economy since the reform and opening up, the rapid development of China's steel industry has also led to the shortage of iron ore resources. Based on the macro economic situation faced by China's iron and Steel Group, this paper analyzes the internal and external environment of the steel industry in China by using the SWOT analysis method, and analyzes the four aspects of the iron and steel industry from advantages, disadvantages, opportunities and threats, and analyzes the iron ore resources in the iron and steel industry, and starts from the actual situation. The strategy of iron ore resources of the company is located: relying on two kinds of resources at home and abroad, ensuring the stability and quality basis of the international iron ore resources, taking domestic iron ore resources as resource supplement and cost control, promoting the optimization of ore matching, improving the level of fine material, and realizing the sustainable development of the enterprise.

Keywords: Iron and Steel Group; Iron ore resources; strategy; SWOT analysis

1. INTRODUCTION

With the rapid growth of China's steel production, the price of raw and steel raw materials is soaring, the bulk raw material resources are tight and supply is short of demand [1]. China has become the country with the largest consumption of iron ore in the world. The iron ore produced by iron and steel enterprises in China accounts for less than 30% of the country's iron ore output. Considering the self-sufficiency rate of iron ore in China is around 50% [2], it can be estimated that the iron ore self-sufficiency rate of China's iron and steel enterprises is basically maintained at 15% level [3].

2. ANALYSIS OF THE EXTERNAL ENVIRONMENT OF IRON AND STEEL GROUP

2.1 Macro Environment Analysis

(1) Political and legal environment

Some political elements and legal provisions restricting and restricting the development of enterprises are called political and legal environments. The political environment includes a country's political system, the policy and the promulgation of administrative orders, etc. the legal environment includes the relevant laws and regulations promulgated and the supervision of the law enforcement agencies. Political and legal factors play a crucial role in the development of an enterprise. Only if a firm has a stable political and legal environment, it is likely to achieve considerable development [4].

(2) Economic environment

There are three main trends in the world economic development today: (1) the further deepening of the economic globalization has promoted the degree of economic integration in the world, the risks faced by the enterprises, the competition is more severe; (2) the regional economic integration becomes normal, the cooperation between regions is deepened, the integration of resources is obviously improved, and the competition is competitive. The progress of the economic globalization is further promoted, and (3) the rapid development of the hi-tech industry, especially the information technology, has promoted the rapid development of the world economy and the human society.

2.2 Industry Environment Analysis

Under strong demand, China's steel output has risen linearly, rising from 1.285 billion tons in 2007 to 4.1878 billion tons in 2012, increased production by 2.9028 tons in six years, and 35.4888 billion tons of steel in China from 1949 to 2012, and 16.1028 billion tons since 2007 and six years, accounting for the total since the beginning of the country. 45.37% of the output. At the same time, the proportion of China's steel output in global production also rose from 15.2% in 2007 to 33.79% in 2012. It can be said that the rapid increase of steel output provides a powerful guarantee for the rapid economic construction of our country [5].

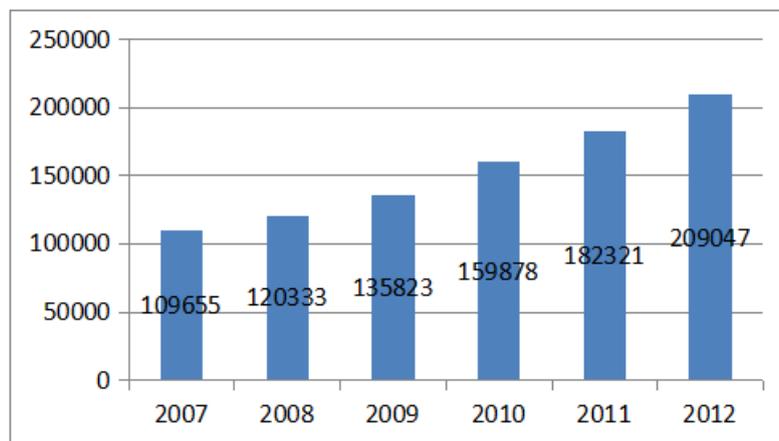


Fig. 1 2007-2012 years of China GDP

2.3 Analysis on Current Situation of International and Domestic Iron Ore Resources

(1) Iron ore resources in China

According to the relevant data, the total of our country's total reserves of iron ore at present are 572.78 million tons, of which the recoverable iron ore reserves are about 200 million tons, accounting for 34.6% of the total reserves. If the current mining speed is not enough to support 60 years. China's iron ore resources are relatively scattered, all over the country are distributed, more concentrated areas, Eastern Hebei, saddle local, Hubei Daye, Shanxi Archaean and Sichuan Xichang and other areas. There are many kinds of iron ore in China. The main types are magnetite, vanadium titanium magnetite, specular iron ore, limonite, siderite and hematite. Magnetite is the most important raw material for iron and steel enterprises in China. It is easy to choose and has high utilization rate. Magnetite is also the largest ore in China's proven reserves, accounting for about fifty percent of the total reserves. It is mainly distributed in Hebei, Liaoning, Shanxi, Anhui and Inner Mongolia, and the yield and output rate are the first in all provinces [6].

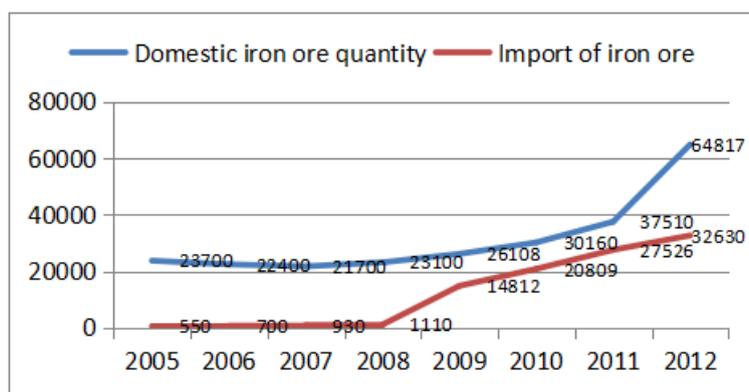


Fig. 2 The output and import of iron ore in China from 2005 to 2012

(2) Analysis of the current status of the international major iron ore exports

The estimated reserves of iron ore in Brazil are about 650 billion tons. Unlike China, the iron ore resources are concentrated in the country, mainly in the southern Minas Djilas and the northern region of the cajas. The southern area is mainly specular iron and magnetite, while the northern part mainly consists of porous hematite resources. Brazil iron ore has high grade, little impurity and good combustion performance, and Brazil port facilities are perfect, so Brazil has become the first choice of iron ore imports from every iron and steel country [7].

There are many kinds of iron ore in Australia, but most of them are of low quality and low market acceptance. Malaba mine is a new form of iron ore resources, mainly composed of hematite and limonite, with a crystalline water of about 6%. Although the malamamba iron ore has a large reserve (about 25%), its production is only 10% of Australia's total production, because the mining company has never made it as a single breed. Sale.

3. INTERNAL ENVIRONMENT ANALYSIS OF IRON AND STEEL GROUP IN CHINA

3.1 Current Situation of Iron Ore Resources Control in China's Iron and Steel Group

The market of Chinese iron ore production enterprises is not long and the degree is not high. Many of them are directly controlled by the downstream large iron and steel production enterprises. China's iron ore production enterprises can not produce their own products for a long time, and the market competitiveness is not high. Many iron ore producers even use the system of planned economy era, which severely limits the development of enterprises themselves. In recent years, due to the change of policy, some folk capital can join the ranks of iron ore production, but because of its low professional degree, it also restricts the development of the iron ore industry. As a whole, the production equipment of iron ore enterprises in China is backward, and the situation that depends on the lower price to improve the competitiveness has fallen into a vicious circle. The cost of the unit ore production is too high, and it is unable to compete with the foreign ore production enterprises. Many enterprises are in a state of negative growth [8].

3.2 The Development of China's Iron and Steel Group

Since the founding of the People's Republic of China, China's steel industry has been developing rapidly, and it has been developing rapidly since opening up. In 2007, the proportion of crude steel production in China accounted for 15.14% of the world's total output, and this proportion has reached 46.39% in 2012 years, nearly half of the world's total output, which shows that China is the main producer of rough steel in the world.

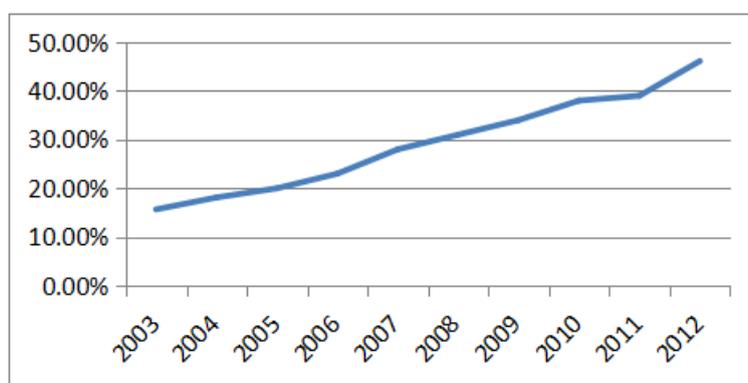


Fig. 3 The proportion of crude steel output to world steel output in China

At the same time, the development of China's iron and steel enterprises also faces great challenges. The traditional extensive development has met the bottleneck, and the new type of steel must be vigorously developed. At the same time, iron ore resources have been monopolized by three major groups such as must and btto, Rio Tinto and the Brazil freshwater Valley Group in Australia, which have monopolized seventy percent of the global iron ore exports.

Therefore, in order to ensure the healthy and stable development of the iron and steel enterprises in China, it is necessary to make a thorough research on the status of iron ore resources control in China's iron and Steel Group and put forward a feasible development strategic plan.

4. STRATEGIC ANALYSIS

4.1 Swot Analysis

Generally speaking, the strategic direction of the enterprise can be found through the analysis of the internal and external environment of the enterprise, and the advantages, disadvantages, opportunities and threats of the enterprise can be combined into four possible strategic parties.

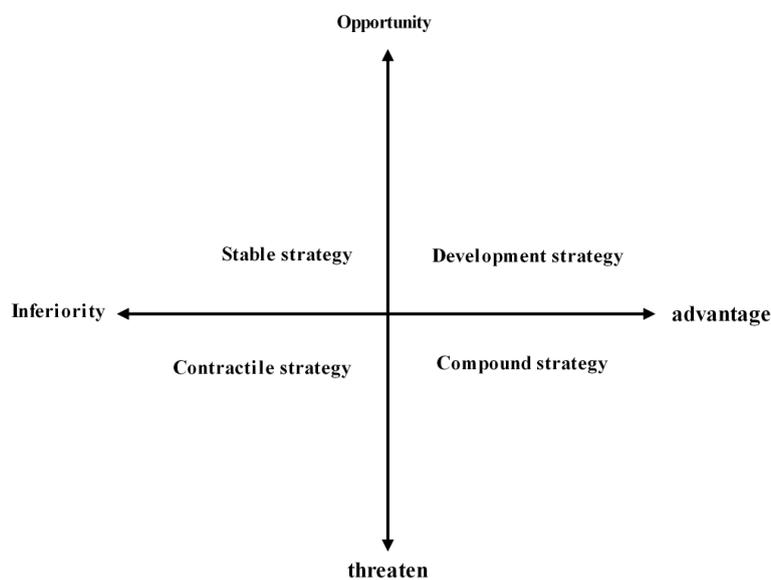


Fig. 4 SWOT analysis and strategic choice

4.2 Advantage

(1) Huge domestic market demand

Since the reform and opening up, China has accelerated the process of modernization, and the demand for steel has increased dramatically. At present, China is still in the middle of socialist modernization, the demand for steel is increasing, and China's iron and steel enterprises have a high degree of recognition in the world, so there are huge markets both at home and abroad.

(2) The self-sufficiency rate of iron ore is high and stable

China's iron ore resources are abundant. At present, the proven reserves are huge, the self-sufficiency rate has been maintained at around 34%, and the rest are being purchased in foreign markets. Due to stable supply relations, many large international iron ore suppliers are willing to establish long-term supply relationship with China's iron and steel group. With the further development of China's iron and Steel Group, a more stable supply relationship will be established.

4.3 Inferiority

China's iron and steel enterprises also have obvious disadvantages. Compared with developed countries, China's iron and steel enterprises are scattered in distribution and their overall competitiveness is not high. A single enterprise can not resist foreign large joint ventures, resulting in difficulties for some small and medium-sized enterprises. In addition, the extensive development of iron and steel enterprises in China has come to an end. Quantitative development has eliminated the process of the times.

4.4 Opportunity

At present, China is promoting industrial transformation, eliminating backward production capacity, the development of iron and steel enterprise group has encountered bottlenecks. We should seize the opportunity of national development and change production concept to resource saving and environment-friendly enterprises. Iron and steel enterprises themselves should also increase their innovation, promote development through innovation, and enhance their creativity. In addition, China's upstream iron ore production enterprises are also expanding production to provide a strong guarantee for the development of China's iron and steel enterprises.

4.5 Threaten

In the international market, many international steel enterprises have been involved in the development of large iron ore. Brazil CVRD, the world's largest iron ore producer, holds forty-nine percent of the Japanese iron and steel company in its NIBRASCO mine, with a 25.4% stake in Japan's new iron Steel Corp, which holds 25.2% and 10.5% shares in Australia's two iron ore mines. Copy. The phenomenon of oligopoly controlling mineral resources will further expand, so China's iron and steel enterprises must do well in dealing with this threat.

5. STRATEGIC CHOICE

5.1 Strategic Target

(1) Establish a stable supply relationship with three major suppliers

Brazil CVRD, Australia's BIIP and Rio Tinto, the three giants, occupy a 80% share of the global iron ore trading volume, and the future output will continue to increase. So signing a long-term supply contract with it is the most important task, which is related to the future survival of our iron and steel enterprises.

(2) The principle of concentrating shares and cultivating bases should be adopted in domestic mineral procurement.

As far as the national iron ore resources are concerned, the main resources are poor ore, and the rich iron ore is only 2.53% of the retained reserves. The provinces with rich reserves are in turn Liaoning, Hubei, Sichuan, Shanxi, Anhui, Yunnan, Inner Mongolia. In terms of the production of iron ore in the country, North China accounts for about 50% of the total domestic quantity, and the northeast area is occupied. Around 20%, about 15% of East China and central China, 10% of Southern China, and the rest of the region are small.

5.2 Strategic Choice

Through the analysis of the above SWOT and the formulation of the strategic objectives, we finally get the strategic choice of the iron and Steel Group in China as follows: the necessity of improving the core competitiveness and innovation ability of our own, and strengthening the sense of crisis. We should make full use of two kinds of iron ore resources at home and abroad, establish long-term supply relations with the international three largest iron ore suppliers, and actively participate in the development of iron ore and enhance the right to speak in the form of joint stock. In order to stabilize the supply of mineral resources, we should adopt the share of centralized purchasing in China, maintain a moderate scale advantage, cultivate the main base for the supply of domestic mineral purchase in East and central China, and adopt the long-term supply contract with the backbone suppliers, with the combination of capital and the annual contract, and form the domestic supplier of mineral resources to stabilize the supply of iron ore resources. It provides a good guarantee for enterprises to improve their core competitiveness and achieve sustainable development.

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