# [Fortescue posts record tonnes amid tariff threat]

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## Body

***Fortescue*** has kept its annual iron ore shipment target steady following a record-breaking performance in the first half, fuelled by strong output from its Pilbara operations and progress at the problematic Iron Bridge project.

The Andrew Forrest-chaired group reported shipments of 49.4 million tonnes of iron ore in the December quarter, bringing total exports for the first six months of the financial year to a record 97.1 million tonnes.

The Perth-based miner gained traction at its Iron Bridge operation which was plagued with trouble in ramp-up and produced 1.5 million tonnes of the steelmaking ingredient.

***Fortescue*** kept its full-year shipment forecast at 190 million to 200 million tonnes. Its rival iron ore miners - Rio Tinto and BHP - also reaffirmed their full-year targets in quarterly filings earlier this month.

Still, shares in Australia's resources giants have fallen since US President Donald Trump threatened to impose 10 per cent tariffs on China, potentially wrecking steel demand from the world's largest iron ore customer.

***Fortescue*** shares fell 2.2 per cent to $18.62 yesterday, for a decline of 4 per cent since January 21 when Trump made the threat.

The benchmark price of iron ore is tipped by analysts to trade at or below $US100 a tonne for most of this year as new supply adds to stockpiles at Chinese ports, coupled with the threat of tariffs.

The benchmark spot price for ore containing 62 per cent iron fetched an average $US103 a tonne over the December quarter and was at that level yesterday.

***Fortescue*** produces lower-grade ore than the benchmark, meaning it fetches lower prices. Over the December quarter, prices received fell shy of broker UBS' expectations; the miner realised an average price of $US87 a dry metric tonne.

Higher-grade ore from Iron Bridge fetched a premium to the benchmark of about 113 per cent.

"While we have seen improvements in demand and pricing for concentrates and pellet feed for Iron Bridge in this quarter, the market overall remains quite volatile," said Graham Howard, ***Fortescue***'s Iron Bridge operations director.

Moreover, Morgan Stanley analysts warned earlier this week that proposed new environmental rules in China requiring steel mills to switch to a higher-grade ore could pose a threat to ***Fortescue***. Iron Bridge was developed to enhance ***Fortescue***'s product mix by blending its higher-grade ore with its majority lower-grade output.

However, even with Iron Bridge output in the mix, ***Fortescue*** will still be a majority low-grade producer, Morgan Stanley analysts concluded in their research. By the 2027 fiscal year, they estimate the group grade with the benefit of Iron Bridge will be about 59.1 per cent.

***Fortescue***'s cost of production dropped 10 per cent to $18.24 a tonne. But net debt falling to $US2 billion ($3.2 billion) was still a higher balance than expected, with market consensus at $US1.4 billion.

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