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IDENTIFYING THE PRIORITY APPROACH OF SALES ACTIVITIES FOR IRON-ORE ENTERPRISES

The market of iron-ore raw materials characterized as a market oligopoly competition dominated by three multinational Corporation (Vale, Rio Tinto and BHP Billiton). Their share in world trade is about 61%, that allows to dictate pricing in the market. The company LKAB (Sweden), SNIM (Mauritania), CVG (Venezuela), Kumba (South Africa), Quebec Cartier (Canada) Metalinvest (Russia), Metinvest (Ukraine) and Ferrexpo (OJSC "Poltava ore "(PGOK), Ukraine) has also a significant share in world trade. In recent years these companies have increased exports and diversified geographical structure.

Poltava Mining (PGOK) – is export-oriented enterprise that sells almost all products in the foreign market (East and Central Europe, Asia), that competes with Northern Mining, Russian mills of Metalinvest and Karelia pellets and suppliers from Sweden, Brazil, Australia, South Africa, India and Canada. The main advantages of PGOK in comparison with competitors it should be attributed favorable geographical location of the plant and infrastructure for shipments of pellets, large reserves of ore and high-tech facilities for its processing; favorable strategic partnerships with key customers, the industry average level of production costs and delivery of pellets.

The export of Poltava GOK in 2011 increased by 5.4% to 9.506 million tons, of which 49% - is flotation pellets with Fe content 65%. It should be noted that the production of flotation pellets this year increased by 4.8% to 4.256 million tons, however the production of pellets with Fe content 62% - fell by 3.3% to 4.807 million tons This indicates a high consumer demand for more high-quality raw materials that is prepared and PGOK focusing to meet the needs of their clients.

However, the decline of global economic conditions and market of steel and iron ore pellets made the majority of European consumers to reduce their production capacity and, accordingly, purchasing of raw materials. Therefore, the volume of pellets deliveries of PGOK market in Eastern and Central Europe in 2011 fell by 20% in comparison with 2010 to 5.263 million tons, and its share has fallen from 73% to 55% of the total exports of the plant (Table 1).

It should be noted that last year Poltava GOK in general worked at full capacity, despite the adverse market conditions and the external pressure from the internal economic constraints (the growth of annual production inflation since 2011 on 15.6%, the tariff for electricity and gas etc.). However, PGOK compensated growth of average cost of output by increasing the production volume and efficiency,

Table 1

The export of pellets in Poltava GOK, thousand tons

Consumers	2010	2011	Increase (decrease), %
Traditional markets			
Austria	3 000	2 613	-13%
Czech Republic	836	763	-9%
Serbia	1 258	917	-27
Slovakia	1 120	642	-43%
Hungary	143	176	23%
New markets			
Turkey	475	504	6%
Germany	223	152	-32%
Growing markets			
China	1 653	3 099	87%
India	91	260	186%
Japan	223	380	70%
Total:	9 022	9 506	5,4%

resulting in cost increases in the second half of 2011 only 8.9%. A slight decrease in the total production of pellets on PGOK in 2011 related only with limitation of iron-ore concentrate from third persons on the local market.

However the company Ferrexpo AG, which controls the Poltava GOK was managed to substantially increase the export of pellets to India, China, Japan and Turkey in total by 74% (Table 1) to 4.243 million tons, the share of which in 2011 reached 45% (in 2010 year - 27%). In addition, PGOK in 2011 sold about 25% of pellets to consumers on the spot market, with which in 2012 Plant plans to make new long-term agreement.

Based on a retrospective analysis of sales activity of Poltava GOK it was set the priority directions of high quality pellets export. Primarily, this is the growth of delivery volumes of pellets to new and growing markets that will serve as a continuing strategy for effective enterprise development (including achievement of pellets production to 12 million tons in 2013 and the transition to absolute production of pellets with Fe content 65% to end of 2014).