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# "Extremely difficult time" for stainless steel recyclers

(WW) – Weak demand, low arisings and volatile nickel prices mean "extremely difficult times" for players on the stainless steel scrap market. While 2012 started off with a "pretty good" first half, this was cut off in the third quarter, and the recovery expected for the fourth quarter never happened, reported Michael Wright of ELG Haniel at the autumn convention of the Bureau of International Recycling (BIR) in Barcelona at the end of October.

Mr Wright, chairman of the BIR's stainless steel division, added that demand dropped in particular in Asia in the second half of the year when the main Chinese mills started to use nickel pig iron instead of scrap. As a result, other Asian countries were able to cover their stainless steel scrap need in the Pacific region. However, availability of stainless steel scrap also dropped.

Given the development of the recent months, Mr Wright said it was "doubtful" that world stainless steel output in 2012 will touch the figure of 33m tonnes forecast earlier in the year. After 31.1m tonnes in 2010 and 32.1m tonnes in 2011, 33m tonnes would represent 4 per cent growth and a record output for the third year in succession. Growth in the first half of the year took place mainly in China and India, while output in Europe and USA was virtually stagnant.

Mr Wright believes that in the long term, availability of stainless steel scrap will increase at an annual average rate of 4-5 per cent. He forecast that due to rising consumption of stainless steel products, Asia's share in worldwide scrap availability will increase from 35 per cent in 2008 to 44 per cent in 2013. In the same period, Asia's share in worldwide stainless steel output would also increase from 59 to 68 per cent.

In his presentation, Mr Wright also addressed the potential impact of Inoxum's new mill in Calvert, Alabama on the US market for stainless steel scrap. In 2011, around 1.477m tonnes of stainless steel scrap were available on the US market including some 168,000 tonnes of imports. Consumption of steel scrap in the US totalled 1.1m tonnes while exports stood at 377,000 tonnes. The principal buyer of US stainless steel scrap was Taiwan (113,000 tonnes) followed by the EU (nearly 83,000 tonnes) and China/Hong Kong (62,000 tonnes).

According to Mr Wright, the Inoxum mill with a melting capacity of 900,000 tonnes a year would need nearly 400,000 tonnes of scrap annually assuming 90 per cent capacity utilisation, a 70 per cent austenitic steel output rate and a 70 per cent external scrap rate. This raises the question whether the new mill will be able to cover this scrap need and whether it will switch the USA from a net exporter to a net importer, which could result in a "complete change of dynamics of the movement of stainless steel scrap within the USA". Mr Wright believes, though, that this will not happen before the next three or four years when the mill meets its production targets.

In a contribution to the BIR's World Mirror Stainless Steel & Special Alloys, Barry Hunter of US company Hunter Alloys LLC said that the new mill could also trigger "a realignment of our current mill structure". Excess capacity for stainless steel, which is now being addressed in the EU, appears to be shifting to the USA in Mr Hunter's opinion.

According to Mr Hunter, the US stainless steel scrap market of late showed the impact of cautious buying. As there was no real competition from export markets, US mills were able to buy scrap at "very favourable discount values", resulting in scrap utilisation rates close to 100 per cent including revert scrap, Mr Hunter added.

Mark Sellier from OneSteel and Bharat Mandloi from Abcom reported that scrap merchants' inventories in China were very high. Inventory levels of some merchants in Taiwan have also reportedly grown. That said, new scrap arisings in Asia as a whole have receded due low industrial orders and are about 30 to 40 per cent below the optimum.