

2018 BIR Spring Convention: High fences plague stainless scrap market

Government policies and limited buying competition are stifling global trade in stainless steel scrap.



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Brian Taylor

Panelists at the Stainless & Special Alloys Committee meeting at the 2018 **Bureau of International Recycling (BIR)** World Recycling Convention & Exhibition, which took place in late May in Barcelona, largely agreed that global trading in stainless steel scrap is suffering from a one-two punch.

Speakers and industry analysts at the meeting pointed to government policies (often trade related) and consolidation among stainless producers as over-arching reasons why stainless scrap sellers are not enjoying a true global market.

Rick Dobkin of United States-based **Shapiro Metals** said in Asia—the world's leading metals producing region—“overall demand for stainless steel scrap has diminished in the second quarter” of 2018. Melt shops in China continue to rely on nickel pig iron while manufacturers there also are bringing in stainless hot-rolled coils from Indonesia.

In the U.S., the imposition of a 25 percent tariff on imported stainless products has caused the price of primary nickel, stainless products and stainless scrap “to rise in tandem,” said Dobkin. “Mills are busy and processors maintained relatively high prices to keep scrap flowing into their yards,” he added.

Analyst Olivier Masson of United Kingdom-based [Roskill Information Services Ltd.](#) said stainless steel output has demonstrated growth throughout this decade and the previous one, at a combined average growth rate of 5.4 percent. Annual output has risen by a multiple of “about 2.5 times since the year 2000,” said Masson.

Regarding trade patterns, Masson said “Chinese cold-rolled exports have ceased to grow” because of anti-dumping duties in both the U.S. and the European Union. Those producers are “targeting other nations,” he said, including Canada and Mexico.

Indonesia, meanwhile, “could have powerful effects going forward” on the global stainless market now that it is converting some of its own nickel pig iron into semi-finished and finished products.

In a panel discussion that concluded the meeting, Masson indicated Chinese companies such as [Tsingshan Holding Group](#) may be using Indonesian production as a “workaround” to potential nickel iron pig iron export bans by the Indonesian government.

Some of Tsingshan’s production in Indonesia is part of a joint venture with U.S.-based [metals producer ATI](#), and ATI is seeking a tariff exemption for slabs produced at its mill there, as another type of “workaround” in the escalating global trade conflicts.

Panelist Jason Schenker of [U.S.-based Prestige Economics](#) predicted that in “the next 12 to 24 months, tariffs are going to be a big problem” in the metals industry and the global economy overall.

Regarding whether stainless scrap can begin replacing nickel pig iron as feedstock at Asian stainless steel melt shops, Schenker said, “There probably is a number that begins to make sense,” but he did not venture what that per-ton dollar figure might be.

Whether electric vehicle (EV) production will drive nickel prices higher was another topic of discussion among the panelists. Schenker said, “The battery question has been around a while,” and that expectations have been driving price increases already this decade.

Masson said he thinks nickel demand will rise with increased EV sales, “but I generally think we need to be looking at the expectations” in that market, and whether “established sectors might be more important” in determining nickel demand, including the oil and gas sector.

Moderator Barry Hunter of U.S.-based Hunter Alloys LLC expressed concern about consolidation within the stainless steel production sector, pointing to the existence of “two major mill” companies in both the U.S. and Europe.

For stainless scrap to move beyond its home region, there are currently “very limited elsewhere” for it to go, said the veteran trader Hunter. “I think mills today are getting scrap for a discount because of a ‘captive audience’ for domestic scrap,” he stated.

The [2018 BIR World Recycling Convention & Exhibition](#) was at the Sofia Hotel in Barcelona May 27-30.