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www.euwid-recycling.com · 23.11.2012

Steel scrap recyclers see signs of potential recovery in prices

(WW) – There are “obvious overcapacities“ in the steel industry word-wide and also in the steel recycling industry, at least in the highly developed economies. In many countries, the steel industry suffers from heavy debt burdens, which raises the question whether this is also the case in parts of the recycling industry. The economic situation is instable, and there are many uncertainties. This rather bleak picture was painted by Christan Rubach, chairman of the steel recycling division of the Bureau of International Recycling (BIR), when he opened the division‘s autumn meeting at the end of October in Barcelona.

But the BIR ferrous scrap division’s board members saw first signs of a potential recovery following the sharp drop in steel scrap prices in October. Turkey was an active buyer and October price reductions on EU domestic markets could see a reversal in November, observed Tony Bird of Van Dalen Metals, presenting an overview of the situation European markets. In his opinion, the last quarter of 2012 could prove to be better than the preceding three quarters and with the onset of winter, prices in the EU markets should not fall below recent levels, he said in closing.

“Trade opionion” in the USA expects November dealer prices to increase, and some improved pricing is already evident, reported Blake Kelley of Sims Metal Management. Collection volumes at US scrapyards had generally decreased by as much as 25 per cent. China recently returned to the deepsea bulk cargo scrap market after a long absence, according to Mr Kelley, but Korean purchases had slowed down. Southeast Asian steel mills have reportedly shown a steady presence on the US export market. Malaysia and Indonesia recently made purchases and Vietnam is expected to place orders soon.

Zain Nathani of India’s Nathani group also believed that international scrap markets have bottomed out. Earlier, Indian buyers reportedly took advantage of the drop in international scrap prices as well as the concurrent appreciation of the Indian currency against the US dollar to purchase “substantial tonnages” of shredded scrap in containers at prices of USD400-405 CFR per tonne.

Mr Nathani added that Indian scrap imports in the fiscal year 2011/12 ended 31 March touched a new record, having increased by almost 50 per cent to 6.03m tonnes from the previous year’s figure of 3.99m tonnes. Principal scrap suppliers to India were the UK with a 16 per cent share, the USA (15 per cent) and UAE (14 per cent). Imports of ships for breaking in India also saw a sharp increase, from 357 ships (2.8m LDT) in 2010/11 to 425 (3.9m LDT) in 2011/2012.

Hisatoshi Kojo of Metz Corporation likewise believed that ferrous scrap prices have bottomed out. He reported that Korean steel mills had begun purchasing scrap in Japan for delivery in December, which was unusual because they usually placed their orders just a month in advance. Earlier, a few Chinese steel mills had also returned to the international scrap market, Mr Kojo added. Despite these signs, he believed that the potential to hike scrap prices in coming months is limited; in view of the sluggish world economy and Chinas overproduction, prices of steel products could be expected to recover only by next spring.

The Russian steel industry was also hit by competition from China and responded by reducing the scrap purchasing price by USD20-30 per tonne between the beginning of September and the end of October, reported Andrey Moiseenko of Ukrmet Ltd. Belying hopes that steel mills would increase scrap prices for building their winter inventories, Russian mills reduced scrap consumption and resorted to alternatives such as pig iron and direct reduced iron (DRI). Steel scrap shipments for the first 9 months of the year were 5 per cent lower in Russia than for the same period last year., Mr Moiscenko said.

In Ukraine, collection volumes in the first three quarters are seen to be 25 lower than in the previous year. Mr Moiseenko attributed the slowdown to the volatility and especially the low level of prices. Scrap inventories of steel plants are very low. At the same time, exports have virtually ground to a halt due to the lack of export quotas. In his opinion, new quotas are expected to be issued only in about two months at the earliest due to the parliamentary election which took place at the end of October.