A meeting of bulls and bears

The possibility of a significant scrap price increase for November was mooted in the US report to last month's BIR Ferrous Meeting in Milan. However, the majority of speakers were somewhat more cautious in their interpretation of current market conditions.

From left: Anton Van Genuchten of Thyssen Scrap Recycling in Germany; Ikbal Nathani of the Nathani Group of Companies in India; and Ruggero Alocci of Italian company Alocci Rappresentanza Ind.

Optimistic and pessimistic viewpoints were to be heard at the BIR Ferrous Division & Shredder Committee Joint Round-Table in Milan, which was chaired by Tony Bird of the UK-based Bird Group of Companies in the absence of fellow countryman and Ferrous Division President Colin Iles.

A US$ 10 per tonne price increase for mid-October scrap exports from Europe to Turkey provided a source of optimism, although this was tempered to some extent by negative news emanating from the Far East. One of the more upbeat views was expressed by John Neu from Hugo Neu Global Trade in the USA who suggested the possibility of an upward market adjustment of around US$ 30 per tonne - or even more - for November.

Denis Ilatovskiy of Moscow-based Mair Joint Stock Company reported that Russian scrap collections had increased by 8% in the first nine months of 2005 and were expected to approach 30 million tonnes for the year as a whole. Domestic shipments had risen 11% to 12.4 million tonnes in the first three quarters of 2005 while exports had increased by 3% to 10.3 million tonnes. Some 3.5 million tonnes of these overseas shipments had gone mainly to Turkey via ports on the Black and Azov seas; a further 2.9 million tonnes had gone through Baltic ports, 1.6 million tonnes through Far East ports, and 1.2 million tonnes to Belarus and Moldova.

Russia's huge pool of as yet unreclaimed scrap is estimated to amount to 1.3 billion tonnes.

Falling Ukrainian exports

Ukrainian scrap exports of 1.2 million tonnes this year are well below the 5.5 million tonnes recorded in the year 2000. According to Mr Ilatovskiy, domestic mills had struggled to absorb this tonnage and the country's total scrap production had fallen by some 4 million tonnes over the five-year period.

Mill re-stocking in preparation for the winter months had markedly improved scrap prices, with levels reaching US$ 190 per tonne delivered domestic mills.

From the start of next year, VAT payments on scrap would be abolished in Russia with the aim of eliminating fraud, the meeting also learned.

In reporting on the European market, Anton Van Genuchten of Thyssen Scrap Recycling in Germany pointed to a shift in scrap exports. For the first time in many years, he stated, Turkey had been replaced as the top importer of EU scrap. India had become the leading buyer, with Turkey in second place and all the other importing countries lagging far behind *(see graph)*.

Russia is still by far the main exporter to the EU. The 2.137 million tonnes dispatched in the first half

By Alfred Nijkerk

EU 25 Scrap Trade Balance (million tonnes)			
Exports Third Countries ex EU		**Imports Third Countries into EU**	
2005 Jan-Jun		**2005 Jan-Jun**	
Total	4.419 (–15.5%)	Total	4.078 (+13.2%)
Biggest Buyers		Biggest Suppliers	
India	1.357 (+257.1%)	Russia	2.137 (+12.5%)
Turkey	1.062 (–35.8%)	Switzerland	0.271 (+5.0%)
USA	0.376 (–60.4%)	USA	0.206 (+96.4%)
China	0.200 (–14.2%)	Norway	0.157 (+8.0%)
Switzerland	0.193 (–26.1%)	Ukraine	0.063 (–30.2%)
Indonesia	0.121 (–52.0%)		
South Corea	0.159 (+3.9%)		

Russia is still by far the main exporter to the EU and currently accounts for more than half of the EU's total ferrous scrap receipts.

of this year represented an increase of 12.5% over the corresponding period in 2004 and accounted for more than half of the EU's total ferrous scrap receipts. In second and third place came, respectively, Switzerland and the USA, with the latter nearly doubling its shipments to the EU.

Also in the first half of 2005, EU crude steel production declined by 1.7% compared to the same period of 2004 with the outputs of Luxembourg and Poland suffering particularly sharp declines of, in turn, 35% and 20.4%. 'Price is dominating quantity,' said Mr Van Genuchten in summary of the EU market.

Overall, the EU exported 812 000 tonnes less scrap in the first half of 2005 whereas imports climbed by 477 000 tonnes. Exports to the leading traditional buyers were clearly falling, he said.

Justifiable price increase

Mr Neu reported that US scrap prices had generally been firming since initial buying in early October. An upward adjustment in November of US$ 30 per tonne or more appeared justified as it would restore scrap collection rates, yet not cause short selling, especially as the industry was entering the winter season and numerous transportation problems were threatening to impede contract shipments. Mr Neu foresaw an 'apparent' shortage of scrap and a further strengthening of the domestic market over the coming months. In the corridors of the BIR Convention, however, Mr Neu's optimism was not widely shared.

Ikbal Nathani of the Nathani Group of Companies pointed to changes in India's import regulations. The total ban on imported heavy scrap had been lifted and was now being applied solely to shipments from Iran. The ban had been implemented following fatal accidents at two Indian steel mills which were attributed to explosives contained within imported scrap consignments. Indian import duties on scrap would be set at zero in the near future and Middle East scrap would remain subject to severe controls, the meeting heard.

Mr Nathani cast doubt on Mr Van Genuchten's suggestion that India had been importing more scrap from the enlarged EU than Turkey, especially as imports of ferrous scrap were now mainly by container which were easier to monitor for explosives than bulk carriers. Besides, Indian steel mills were increasingly relying on DRI rather than on scrap whose ratio could shortly change to 70/30%.

Subdued Chinese demand

Mr Neu also read a market report sent in by Jeremy Sutcliffe of Sims Australia devoted to developments in Asia and the Pacific Rim. This noted that, during recent months, demand from the Chinese market had been particularly subdued and prices had remained depressed. A 15% year-on-year increase in scrap exports from Japan during the first six months of 2005 could have contributed to

General Delegate Rolf Willeke of the German steel recycling association BDSV (left and Denis Ilatovskiy of Moscow-based Mair Joint Stock Company.

Guest speaker Antonio Gozzi, Managing Director of Italian steel group Duferco.

the reduced demand for deep-sea cargoes, it was suggested. For the moment, Japan was the leading supplier of scrap to China, Korea and Taiwan: during the first half of 2005, around 28% of these countries' combined imports had been sourced from Japan compared to some 21% from the USA.

According to Mr Sutcliffe's report, another factor affecting exporter markets had been the reduction in finished steel product prices in China at the beginning of October. This had contributed to the current weak sentiment in Asia, he added.

John Neu from Hugo Neu Global Trade in the USA (left) and EFR President Christian Rubach of Interseroh in Germany.

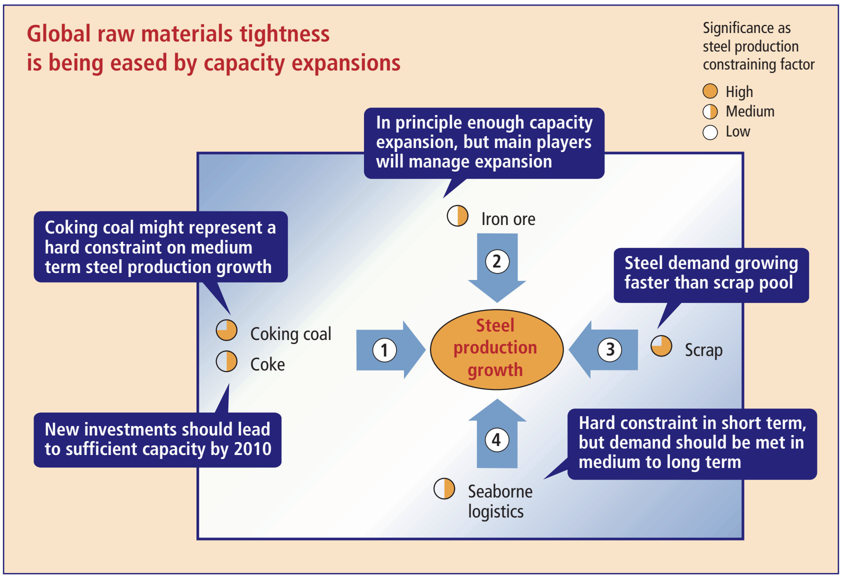
EFR President Christian Rubach of Interseroh in Germany reported that the European ferrous scrap organisation was constantly striving to improve co-operation with other associations such as the EU steel producer association Eurofer and the EU Commission. At present, he explained, a joint working group with Eurofer was reviewing scrap specifications and the two bodies were looking to adopt a common approach to the waste/non-waste distinction.

Mills hit by raw material costs

According to the guest presentation from Antonio Gozzi, Managing Director of Italian steel group Duferco, the first quarter of this year had been a good one for steel prices whereas the second three-month period had produced a steep fall in prices due mainly to de-stocking. Subsequent re-stocking had led to a price rebound in the third quarter.

An increase of almost 75% in ore costs and a 100% jump in coal prices had proved a massive setback for mills. They had also been hit by the increase in scrap prices - a particular problem for Italy given its 62.5% electric arc furnace production ratio, which is the third highest in Europe after Luxembourg and Spain.

Mr Gozzi foresaw that worldwide over-capacity in the steel market would offer a severe threat to mills in the near future *(see graph)*.



Source: McKinsey & Co.

A dozen new shredders

The Chairman of BIR's Shredder Committee, Jens Hempel-Hansen of H.J.Hansen Recycling Industry in Denmark, expressed doubts about the workability of the current 2015 targets set by the EU for the reuse/recycling of end-of-life vehicles (ELVs). It is expected that, around the turn of the year, there will be a recommendation from the EU Commission to the European Parliament and Council of Ministers to revise the 2015 target, the meeting heard.

Robin Wiener, President of the US Institute of Scrap Recycling Industries, reported on talks with the US Environmental Protection Agency aimed at developing a partnership approach to research covering the recovery of materials from ELVs.

Shredder Committee board member Jim Schwartz of Texas Shredder Inc. in the USA reported that, throughout the world, there were now over 700 shredders of 1000HP or more, while total production capacity was between 75 and 90 million tonnes per annum. Since this year's BIR Spring Convention in May, six shredders had come on stream in the USA - three of 4000HP, one of 6000HP, one of 2500HP and another of 8000HP. Over the same period, four new shredders of 1400, 2000, 4000 and 5000HP had started up in Europe while two large units had come on stream in Australia.

Given the size of some of these giant machines, it was foreseen that material up to two inches thick could be processed. Hence, the 80/20 and 60/40 mixtures of No 1 and No 2 scrap might diminish significantly as these qualities would become easily shreddable, Mr Schwartz concluded.

John Harris of Mittal Steel (left) and Shredder Committee board member Jim Schwartz of Metso Texas Shredder Inc.