

BIR 2017 Convention: Stability after the turbulence



Stable ferrous scrap pricing and slowly rising steel output has been the story thus far in 2017.

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Speaking at the 2017 Bureau of International Recycling (BIR) World Recycling Convention, held in late May in Hong Kong, BIR Ferrous Division William Schmiedel referred to 2017 as a year when governments around the world are “playing an increasing role” in the steel industry.

Despite, or in some cases because of, the government actions, demand for both steel and ferrous scrap has been stable to rising in 2017, according to Ferrous Division presenters.

Schmiedel, who also works from New York for Sims Metal Management, referred to the Chinese government’s “never-ending stimulus package” as a factor in that nation consuming more of its own steel. China also has been shutting down smaller, induction furnace steelmakers as a way to both rein in capacity and limit emissions. Adding a cautionary note, Schmiedel said ferrous scrap traders “must be mindful” that government activities mean “things change and paradigms will shift.”

Reading a collection of market reports from around the world, Tom Bird of United Kingdom-based Liberty Steel said Chinese financial sector restrictions may create pressure for steelmakers there “to sell inventories due to increased short-term borrowing costs.” As Schmiedel also noted, however, Chinese “One Belt One Road” infrastructure projects could help absorb much of this steel.

Bird said mill buyers in India “have gone quiet for June bookings” after a “flurry” of activity in April. Buyers in Turkey increased their purchases by 2.6% in the first quarter of 2017 compared to 2016, said Bird. Imports from the United States, however, were down by nearly 6%, and from the U.K. they plummeted by nearly 24%. The winner was Western Europe, with the Netherlands, Belgium, Denmark, France and Germany combining to ship more than 1.5 million tonnes of ferrous scrap to Turkey in the first quarter, almost double the U.S. volume.

Summarizing the current market, Bird stated, “The outlook for 2017 remains relatively positive. Demand should stay healthy and there is a good scrap supply-demand balance.” He continued, “In the U.S. there is good demand and underlying strength in the steel sector, and the rest of the year is looking stable.”

Ferrous Division guest speaker Chen Ye of the Shanghai Futures Exchange (SHFE) said a scrap futures trading contract can play an important role in the sector’s future. He said steelmakers seeking better return on investment should consider Nucor’s scrap-based model, which has demonstrated good financial results this decade compared to many other steel producers. “So maybe Chinese steel companies will consider using more steel scrap in order to control costs,” he remarked.

Chen noted the positive development of the SHFE’s steel rebar contract, which he called “the most actively traded ferrous metal futures [contract] in the world.” In 2016, said Chen, the SHFE rebar contract “registered 43.3 million contracts (covering 433 million tonnes of material).” He added, “With quickly rising liquidity, this futures product is readily available as a hedging tool.” As in the nonferrous market, said Chen, ferrous scrap traders should consider hedging as a way to “lock in a profit.”

Fellow guest speaker Nathan Fruchter of New York-based Idoru Trading Corp. provided a retrospective of the changes he has seen after several decades in the ferrous scrap business. Fruchter commented on the role of Telex machines in the 1980s and changes in global scrap flows during the past 40 years.

In the 1980s, Spain, Italy and Japan were among the leading export destinations for ferrous scrap leaving the U.S., joining Turkey, Mexico, India and South Korea. In the mid-1990s, said Fruchter, “Brazil appeared on the international market,” as did Taiwan, Indonesia and Malaysia.

In 2000, newcomers accepting U.S. scrap included China and Ecuador, with Vietnam joining the mix by 2010. From the ferrous scrap price index viewpoint, Fruchter said South Korean buyers played an important part in the 1990s in a role that was later usurped by Turkish mills.

The BIR 2017 World Recycling Convention was held at the Hong Kong Convention Centre 22-24 May.