

Stainless Steel & Special Alloys

Short-term ordering fosters uncertainty

When making the comparison with 2009, the current year could be considered a runaway success for stainless steel mills and their scrap suppliers if assessed purely from the statistical perspective. However, it was emphasised in Brussels that the robustness of demand for finished stainless steel products remains a source of concern.

Having fallen short of 24 million tonnes in 2009, global stainless steel production could jump more than 20% this year. However, experts are continuing to warn of uncertain times ahead as the mills' customers show a tendency to order only on a short-term basis. Despite a production slow-down in a third quarter which failed to live up to expectations, world stainless output remains on a collision course with the 30 million tonnes barrier this year - and the final total 'could even be a little bit more than that', the BIR Stainless Steel & Special Alloys Committee's Round-Table in Brussels was informed by its Chairman, Michael Wright of ELG Haniel in the UK. The current year has also produced a similarly steep 20% jump in the global availability of stainless steel scrap, with the total expected to reach some 8.5 million tonnes.

Although an increase in stainless steel production is anticipated for the fourth quarter of 2010, a sense of 'uncertainty' pervades the market because 'everything is on a short-term basis', according to Mr Wright. And he added: 'We are seeing adequate availability of stainless steel scrap against current orders. However, in view of this short-term-order scenario for finished products, the position could change very quickly.'

The Chairman also reported scrap import growth in most markets - with the notable exception of China where it is 'in direct competition with the growing production of nickel pig iron'. Of the 12 million tonnes of stainless steel produced annually in China, austenitic grades account for only around 5 million tonnes, he pointed out.

High capacity utilisation

India is among the markets to have witnessed a particularly steep upturn in its stainless scrap imports, with the year-on-year increase put at around 32% in the report submitted by Anand Gupta of Ambica Steels. The country's stainless steel mills operated at 'virtually full capacity' in the second and third quarters of 2010 and production is thought to have exceeded 1.35 million tonnes during this period.

The wider Asian perspective provided by Mark Sellier of OneSteel Recycling confirmed that the continent's mills achieved 'almost 100%' production levels in the third quarter in the face of only 'moderate' stainless steel demand in the region. The highlight of 2010 in the USA has been the

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LME Chief Executive Martin Abbott.



Stainless Steel Committee President Michael Wright.

'very aggressive' wholesale dealer market, according to Barry Hunter of Hunter Alloys LLC. 'Prices quoted and paid within the US wholesale stainless scrap market have at times outpaced mill buying levels for the same months of delivery,' he said. The continuing reduced availability of scrap caused by lower manufacturing activity 'has obviously been a trigger', he added.

Given the potential of limited mill sale options available to the wholesale market, holding inventory is a constant consideration, according to Mr Hunter. 'This has the potential to set up first quarter 2011 as a mirror image of the first quarter of 2010,' he explained. 'At that time, a decent mill demand quickly reduced wholesalers' inventories, causing a rush in the very competitive wholesale market to replace those inventories at ever-escalating values.'

Apprehension among traders

Among several reports from Europe, Franck Wackerle of Cronimet observed that traders in Germany have been looking 'with apprehension' to the LME because soaring nickel quotations 'do not compare to actual market behaviour'. And he predicted: 'Probably decreasing purchase prices will cause lower availability of scrap during the rest of the year.'

Scrap volumes have been healthy in the Scandinavian market over the last three months, noted Claes Merborn of Kolbäcks Återvinning AB in Sweden. 'There are no big stocks in the yards and there has been a good demand from the mills,' he observed. And from the UK per-



spective, scrap supply 'remains good' and largest consumer Outokumpu is anticipating a production increase in 2010 'to over 275 000 tonnes, according to Mr Wright.

'Efficient barrier'

Although unable to offer an explanation, Sandro Giuliani of Giuliani Metalli-Cronimet Group in Italy reported that scrap prices on his domestic dealer market have been higher on average than in the rest of Europe. In Russia, meanwhile, a growing proportion of the stainless steel scrap that would have previously headed into the export market is now destined for domestic consumers - not least because of the 15% export duty which has erected 'an efficient barrier' to overseas sales, according to Ildar Neverov of Steelway Limited Company. 'Exports are still being done ... but the domestic market is becoming more and more attractive,' he added. The superalloys report submitted by Phil Rosenberg of Keywell in the USA confirmed that secondary titanium demand has weakened 'and should remain soft for the fourth quarter and to start 2011'. With stronger prices for primary tungsten, 'demand shows no signs of let-

up for the foreseeable future for scrap products primarily based on tungsten', it was stated.

Update on LME contracts

The guest speaker as the Stainless Steel & Special Alloys Round-Table in Brussels was familiar to BIR Convention delegates. The LME's Chief Executive Martin Abbott explained that the Exchange's new cobalt contract is performing well whereas its molybdenum counterpart 'has been quiet' by comparison. Meanwhile, the now-global steel billet contract recently achieved successive record months and has demonstrated a 'high correlation' with scrap steel against which hedges will be accepted. Mr Abbott went on to argue that the LME is not a cause of volatility. 'We have no interest in going into a market unless there is already volatility,' he insisted. 'It's a reason why we launch everything we launch.' Most of the volatility in today's market results from the surcharge which encourages passive management and creates a 'not-my-fault' culture, he maintained. The guest speaker identified scrap traders as among the most sophisticated users of hedging tools.



Sandro Giuliani of Giuliani Metalli in Italy (left) and Frank Wackerle of Cronimet Ferrolegierungen in Germany.



Claes Merborn of Kolbäcks Attervinning in Sweden (left) and Danny Fischer of US-based Shapiro Metals.

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