

o Ferrous

Some gloom – but no sense of doom

Steel, iron ore and ferrous scrap prices have all suffered negative side-effects from the latest dose of global economic gloom. However, steel production rates have remained high while scrap has been slower in coming forward, it was emphasised at the latest BIR Ferrous Round-Table in Munich.

It would have been easy for speakers to dwell on the abundance of negatives rather than on any of the positives when addressing the Ferrous Round-Table meeting in Munich. But in the event, delegates were provided with an even-handed assessment of market prospects. For example, the EU market report from European Ferrous Recovery and Recycling Federation (EFR) President Tom Bird of UK-based Van Dalen Recycling tempered a frank analysis of current market conditions with some elements offering greater grounds for optimism. There is 'considerable uncertainty' for the final quarter of 2011 as doom-laden media headlines have been influencing sentiment 'dramatically', he acknowledged. 'With worries of recession lurking in the background across the EU market, there is a reluctance to speculate with sellers looking to keep material moving. Similarly, buyers are staying on the sidelines and not committing to large tonnages.'

But later in his presentation, the same speaker underlined: 'Business is still being done, reflecting demand; and although prices are down, levels are not as low as some were forecasting.' Compared to the crisis of 2008, he added, 'our customers are also more robust, more consolidated and far more likely to continue to perform in a falling marketplace'.

He concluded: 'There is still a prevailing scarcity of material. We are still in a positive position.' This view found an echo in guest speaker Professor Dr Karl-Ulrich Köhler, Managing Director

and CEO of Tata Steel Europe, who predicted that scrap would remain 'structurally scarce' and so price levels would stay strong. However, there would be some regional volatility, he added.

Rebound expected

The speech of Metz Corporation's Hisatoshi Kojo followed a similar pattern. He confirmed that scrap prices had fallen 'dramatically' in most regions of Japan over a very short period of time



Prof Dr Karl-Ulrich Köhler, CEO of Tata Steel Europe.



Stefan Schilbe, Chief Economist at HSBC.



BIR Ferrous Division President Christian Rubach.



and that the flow of material to export yards 'has also started slowing down'. But he went on to predict that the Japanese scrap market would touch the bottom by the end of October/early November and rebound up to Yen 34 000-36 000 per tonne (US\$ 441.55-467.50) towards the January-March quarter 'on the assumption that a Greek financial crisis is avoided'.

Reviewing the US market, Blake Kelley of Sims Metal Management pointed to trade predic-



EFR President Tom Bird (left) and Zain Nathani of India.

Christian Rubach:

'There is an increasing number of voices in the different EU states and on the EU level in Brussels asking for export restrictions..'



Major gains in scrap usage



Rolf Willeke

Statistics for the first half of the current year suggest that China may well have experienced early success in its stated objective of

boosting consumption of domestic scrap, according to the BIR Ferrous Division's Statistics Advisor Rolf Willeke in his 'World Steel Recycling in Figures' update covering this year's January-June period which was presented to the divisional board in Munich. Mr Willeke noted that China's scrap usage jumped 14.7% on a year-on-year basis to 49.8 million tonnes - despite a 9.1% drop-off in its imports to 2.78 million tonnes. 'The higher scrap consumption in China together with a decline in imports could be a first effect of the country's new Five Year Plan which calls for the use of more scrap, and especially from domestic collections,' he suggested. Over the same comparative periods, steel scrap usage was also significantly higher in the EU (+5.7% to 53 million tonnes), the USA (+8.2% to 27.7 million tonnes) and Turkey (+27.1% to 14.5 million tonnes). In all of these cases, scrap consumption growth was 'greater than the respective upturns in crude steel production', he pointed out. In Japan, meanwhile, the 0.3% decline in steel scrap usage to 19.1 million tonnes was slightly lower in proportional terms than the country's 0.9% decline in crude steel production to 54.1 million tonnes in the first half of the year.

Reinforcing its position

Mr Willeke went on to highlight a 13.5% increase in Turkey's overseas purchases of scrap to 9.98 million tonnes in January-June this year, 'thus enabling the country to reinforce its position as the world's leading importer'. Over the same period, there was a 51.6% slump in India's foreign purchases of scrap to 1.15 million tonnes, whereas strong growth in imports was recorded by Taiwan (+11.5% to 2.71 million tonnes), Vietnam (+38.5% to 1.28 million tonnes) and Thailand (+64.3% to 1.1 million tonnes). As for the world's leading scrap exporters, US shipments soared 25.8% to 12.21 million tonnes in the first half of 2011 whereas the EU total fell 5.8% to 9.08 million tonnes - 'possibly because Euro/US dollar exchange rate movements did not favour Europe's export position', ventured Mr Willeke.

and restrictions imposed by the Supreme Court of India, the speaker went on to say. The nation's ferrous scrap imports fell a fraction below 4 million tonnes in the 2010/11 financial year from around 4.75 million tonnes in 2009/10.

Imaginative controls

In other contributions, Andrey Moiseenko of Ukrmet Ltd predicted that the Ukraine would 'definitely' become an importer of scrap next year - principally from Russia and Kazakhstan - in the wake of an expansion of domestic electric arc furnace production capacity. BIR Ferrous Division President Christian Rubach of Germany-based TSR Recycling suggested this news should be of particular interest to Turkey. Earlier, Mr Rubach had quoted OECD sources from 2009 indicating more than 1700 instances of export control measures in the metals and minerals sectors as a whole, including everything from quotas, duties and taxes to licensing requirements, customs clearance restrictions and outright bans. When it comes to such measures, the imagination exercised by the authorities 'is nearly unlimited', he suggested. To date, Europe has established itself as a relatively 'safe haven' for the principles of free trade and fair rules, but Mr Rubach fears this reputation could come under threat in the not-too-distant future. 'There is an increasing number of voices in the different EU states and on the EU level in Brussels asking for export restrictions or at least export control and monitoring of scrap exports even though there is a clear scrap surplus of 20-30 million tonnes today in the EU-27,' he said. If scrap exports were to be blocked from the EU, there would be an immediate drop in prices and recycling rates, he warned, before adding: 'This would also be the fact for other recycled materials.'

World recession unlikely

The final speaker at the meeting was Stefan Schilbe, Chief Economist at HSBC Trinkaus & Burkhardt AG, who was given the monumental task of declaring whether the world is heading for recession: on balance, he believed that this is not the case although he emphasised that a number of countries are facing serious economic problems.

Having noted that leading economic indicators in China are now stabilising and that the country is expecting GDP growth of up to 9% next year, he concluded: 'I don't envisage strongly falling commodity prices any more.' □

tions of a US\$ 20 per tonne drop in prime scrap grade prices for November business and of obsolete levels similar to those in October. 'Scrap collections, especially of obsolete grades, have already decreased in October and will most likely decrease more in November and December,' he ventured. In China, meanwhile, 'there are many concerns about excess inventories, falling steel prices, collapsing real estate values and the reluctance of banks to lend money', reported Mr Kelley.

High production rates

Although iron ore and steel prices have been 'drifting lower', steel production 'continues at high rates', said Mr Kelley. So unless consumption truly decreases, steelmakers will need to restock with raw materials 'at some point soon', he concluded. 'The longer they delay, the more urgent their need.'

Drawing on January-September statistics from the World Steel Association (WSA), the same speaker projected an increase in global raw steel production of 119 million tonnes this year and the apparent consumption of an additional 41 million tonnes of purchased scrap.

Nevertheless, Indian steel production growth is likely to be restricted to 5-6% in the current year rather than the 10-12% originally anticipated, reported Zain Nathani of the Nathani Group of Companies. Many of the country's steel mills have cut production in response to lower iron ore availability resulting partly from mining bans