

# 'Slight signs of hope' for scrap industry

**L**ast October's BIR Ferrous Division meeting in Warsaw had been dominated by deep concern over the threat of EU scrap export restrictions. By that time, indeed, a study part-funded by BIR and conducted by French consulting firm Laplace Conseil had already argued that, rather than consider further regulation, the European Commission should 'strongly favour' scrap processing and electric arc furnace (EAF) steelmaking because of their substantial social, economic and environmental benefits.

In Miami seven months later, Ferrous Division president Christian Rubach of Germany's TSR Recycling had happier news to share with delegates in that the newly-elected president of European steel association Eurofer - namely Robrecht Himpe of ArcelorMittal Europe - had been quoted as saying: 'Eurofer has no intention to regulate exports of European scrap further as it stands behind its fair trade policy. Taking such a move would create a precedent against fair trade.'

Rubach welcomed not only this comment from Himpe but also invitations for BIR to meet with the European Commission to discuss export

control problems and with the World Steel Association (WSA) 'to intensify our co-operation'. Also on a positive note, he pointed to signs of greater stability within the steel industry as well as to WSA forecasts of global apparent steel use growth of 3.1% this year and 3.3% in 2015.

## 'Huge overcapacity'

But BIR's Ferrous Division president was also careful to temper optimism. Describing these developments only as 'slight signs of hope', he underlined the challenges still ahead: recovery had begun but was 'on a very slow path' and the steel scrap industry remained prey to 'severe margin compression' and to a 'huge overcapacity' that would 'remain for a long time', not least because capacity tended to be sold on rather than closed down.

There was a similar refrain contained within the US, Asia and Pacific Rim market report from William Schmiedel of Sims Metal Management. Widespread margin erosion was 'a direct result of overcapacity' and 'this will not change until it is utilised or rationalised'. In relating recent developments across the EU, Turkey, Russia and Ukraine, the European Ferrous Recovery & Recycling Federation (EFR) president Tom Bird of Van Dalen Recycling suggested rationalisation was taking place, with some larger companies reviewing their operations and closing yards in certain regions as a reflection of the downturn in business. On the downside, however, smaller operations had subsequently appeared - such that 'we're back to square one', he lamented.

Bird went on to state that 'we have a little time to wait before we see trading levels and utilisa-



**Ferrous**

tion up to acceptable levels', although the general view was that the third and fourth quarters of this year 'will deliver a stronger market'.

## Growing demand

In a reflection of the strong Latin American theme running through the BIR World Convention in Miami, Ignacio Sanchez of the Tenaris Group provided a scrap-related analysis of three key nations in a region largely characterised by 'growing demand, a lack of scrap and poor infrastructure'.

Brazil's scrap market amounted to almost 10 million tonnes per annum and prices had been 'soaring' in recent months on the back of strong demand, according to Sanchez. In an echo of the discussion at the start of the meeting, the speaker also noted that some of the country's steel mills had been lobbying for limits on scrap exports but that the government had postponed a decision on the matter. He added that overseas shipments of scrap from Mexico were low and on a falling trend whereas Argentina had banned scrap exports.



Christian Rubach: recovery 'on a very slow path.'



Renate Cakule: scrap market 'looks healthy.'



## Turkey warms to shredded scrap

Shredded input bucked the overall downturn in Turkey's ferrous scrap consumption last year, according to figures laid before the BIR Shredder Committee in Miami by guest speaker Abdullah Hosdir. The deputy manager of foreign procurement at local steelmaker İÇDAS said that Turkey's overall consumption of steel scrap had fallen more than 6% from 32.367 million tonnes in 2012 to 30.409 million tonnes last year as a result of more difficult market conditions. Over the same comparative periods, however, the country's usage of shredded scrap had increased by 82 000 tonnes to 3.123 million tonnes, thus boosting its share of Turkey's steel scrap consumption from 9.4% to 10.27%. Turkey's leading overseas suppliers of shredded scrap in 2013 had been the USA with 1.648 million tonnes and the EU with 1.164 million tonnes. Meanwhile, volumes bought from CIS countries had soared from 37 426 tonnes in 2012 to 64 660 tonnes the following year - a 'sharp increase' that Hosdir expected to continue in 2014. The speaker identified a number of production advantages to using shredded scrap, including yield gains and a reduction in air pollution, electricity consumption and electrode breakage. He also made clear that copper content was a major

consideration when determining the amount of shredded scrap incorporated into a heat, adding that the proportion could go as high as 35-40% for good-quality, low-copper material.

The importance of knowing the make-up of shredded scrap - including its copper content - was underlined by fellow guest speaker Dan Pflaum. The president of US-based Gamma-Tech, LLC focused on his company's CrossBelt Recycled Metal Analyser which works on the principle of prompt gamma neutron activation analysis and which is capable of handling production rates in excess of 400 tonnes per hour.

The analyser would assist shredder operators in differentiating their product and 'creating a brand' for which some customers would be willing to pay a premium, he argued. Given that the shredding process was 'highly variable', he described the continuing reliance on visual inspection as 'somewhat of an embarrassment' in the modern era.

Abdullah Hosdir



## 'Swing buyer' India

Turkey, the Middle East, India and China would be 'the biggest growth drivers for scrap demand going forward' in the estimation of guest speaker Renate Cakule, senior steel market analyst at Wood Mackenzie in the UK. For example, it was envisaged that Turkey's annual scrap requirement would climb 22% or 8 million tonnes between now and the year 2025; domestic scrap availability would continue to grow but imports would also increase from just under 20 million tonnes in 2013 to nearer 26 million tonnes (see

the section on the BIR Shredder Committee meeting in Miami for further details of Turkey's scrap consumption and import trends).

According to Cakule, the Middle East's scrap imports were unlikely to exceed 13 million tonnes per annum by 2025 while India would remain a significant 'swing buyer' of scrap 'when and if the price is right'. She also believed on balance that China would not become a large-scale exporter of scrap despite an anticipated surge in its domestic availability of obsolete scrap after the year 2023. Given the country's massive steel production, any increase in the scrap ratio would quickly absorb the surplus, she contended.

Overall, Cakule concluded, the outlook for the scrap market 'looks healthy, albeit not spectacular', with the EAF share of global steel production expected to climb from 28% at present to 32-33% by the year 2025.

which he intrigued delegates with the promise of '17 facts on the steel industry that may surprise you'. Among those 'surprises', the managing director of Metal Strategies Inc. in the USA suggested that China's excess steelmaking capacity was lower than that of the EU-27, NAFTA and Japan on a percentage basis. Another fact, he said, was that steel mills historically 'do best when their raw materials are at their highest pricing'.

According to Plummer, delegates should take encouragement from the knowledge that more than 60% of the market base for steel demand was either still in recession, in only the very early stages of recovery or well below trend average. 'The best has yet to hit this market,' he insisted. □



William Schmiedel: margin erosion 'a direct result of over-capacity'.



Christopher Plummer: Mills 'do best when their raw materials are at their highest pricing'.

## The best still to come

China was also a key component of the guest presentation from Christopher Plummer, in

The BIR Ferrous Division meeting in Miami saw the publication of the 5th edition of 'World Steel Recycling in Figures' which covers the five-year period from 2009 to 2013. Some of its main points are reviewed in the ferrous scrap market report of this issue of Recycling International.