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From BIR Miami - Weaker prices aren't helping U.S. exporters find enough ferrous scrap

By Mike Marley

Despite the likelihood of a $15 per ton decline in domestic ferrous scrap prices this month, U.S. scrap exporters still face a buying hurdle and cannot increase their intake of scrap, a leading U.S. scrap executive said.

William Schmiedel, president of Sims Group Global Trade Corp., the scrap trading arm of Sims Metal Management, Ltd., also said the volume of U.S. ferrous exports continues to spiral downward from the 20 million tonnes per year pace of recent years.

Speaking at the Bureau of International Recycling (BIR) spring conference in Miami, FL this week, Schmiedel said U.S. ferrous scrap exports are running at a 13.7 million tonne annual pace thus far in 2014. This is off from the 18.5 million tonnes exported last year and the more than 21 million tonnes sent overseas in 2012. Turkey is still leading the offshore market, taking in about 21 percent of U.S. ferrous exports, he said. Taiwan accounts for 18 percent and South Korea about 16 percent.

U.S. steelmakers are enjoying higher profit margins than many of their overseas rivals, he said, and thus it is no surprise that U.S. steel imports rose by 15 percent in April from the prior month. The annual rate of U.S. steel imports is now at 40 million tonnes which, he noted, is very high.

China's scrap intake has dropped to an annual rate of 3 million tonnes. Japan's scrap exporters are the main suppliers to China, providing close to 90 percent of that tonnage. Scrap shipments from Japan to South Korea have declined, he said, but steelmakers in Vietnam have picked up the slack. Also, mills in Taiwan and other countries in the region have increased their buys of Japanese ferrous scrap.

Taiwan's imports of scrap in containers remains high and prices are still strong, he said, but new concerns are being raised about shipments of Chinese steel billets to Taiwan and the impact of that steel on Taiwanese scrap consumption and imports. "This could be the start of something and if it happens, it is a definite market changer," he said.

Schmiedel noted that the world steel output is expected to rise by 49 million tonnes in 2014. Steelmakers need an additional 29 million tonnes of iron ore and about 20 million tonnes of ferrous scrap to do that. Still, he added, the industry worldwide faces continuing problems with profit margin erosion because of industry overcapacity. “This will not change until it is utilized or rationalized,” he said.

The outlook is brighter for European scrap suppliers and exporters and prices have improved, said Tom Bird, managing director of Van Dalen UK Ltd. Turkish mills reduced their demand and cut prices since the end of last year, but political uncertainty in Ukraine has troubled steel users in the region and they have turned to Turkish mills to fill their steel needs. As a result, Bird said, the Turkish steel production has returned to normal production levels. Demand for scrap and other raw materials have risen and prices have improved. Prices for 80/20 heavy melt climbed from about $350 per tonne at the end of last year to $380 per tonne at present. This demand has filtered into the European market and the scrap processors have seen a reversal of the decline in demand in their domestic markets, he said.

European exporters believe Turkish demand will decline slightly during the Muslim holy month of Ramadan which starts at the end of June, but they expect demand to rebound and are cautiously optimistic about the third quarter, Bird said.

Black Sea exports are lower this year because much of the scrap destined for the offshore market is being consumed by the domestic steel mills in that region. Shipments to Turkey from Russia and Romania have declined, as well as those from the Adriatic nations like Croatia and Albania. This has benefited the distant deep– seas scrap shippers in western Europe.

Spain has reduced its steel production and scrap imports. Instead, its steelmakers are using mainly domestic scrap, but Bird said look for an uptick in Spanish steel output and foreign scrap buying in the next quarter when several new infrastructure construction projects get underway.

Competition for scrap throughout the European Union remains very intense, he said, and many scrap yards are operating at less than 50 percent of their capacity. Profit margins are under pressure and rationalization is underway in many areas. Though some large scrap processors are closing yards in certain regions, Bird noted that smaller dealers are stepping in to the fill the gap.

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From BIR Miami - Stainless scrap could be in tight supply in the U.S., ELG chief executive says

By Mike Marley

Stainless scrap could be in oversupply in Europe in the coming years, while the United States will consume much of its own output in the nation's heartland and take in more of the excess tonnage from the European market.

This was the first outlook provided by two rival stainless scrap traders to industry members at the Bureau of International Recycling's Stainless and Special Alloys Committee meeting in Miami, FL, this week.

Simon Merrills, president and chief executive officer of ELG Metals Inc., McKeesport, PA, said the new one million tonne stainless mill built by Finnish specialty steelmaker Outokumpu Oy on the U.S. Gulf Coast will drain a greater share of the stainless scrap from the upper Midwest, much of it to be shipped by barge down the Mississippi River in coming years.

Merrills said no one should be surprised that another major stainless mill has arisen in the U.S. The healthy economic growth in the U.S. economy has created greater demand for stainless steel and contributed more scrap to the nation's scrap reservoir.

The combined demand of two of the world's most modern stainless melt shops—Outokumpu's new mill and the North American Steel mill in Kentucky—and the older mils in western Pennsylvania will boost the U.S. stainless scrap import demand by 12,000 tonnes per month, he predicted.

The major influence will be the discounts to primary nickel that the stainless steel producers offer to their scrap suppliers, he said, and noted that stainless scrap will be in short supply when it is discounted to the primary nickel prices. Discounts have varied wildly and scrap has averaged a 10% savings to prime over the last 17 years, he said.

But in the past six months, Merrills explained, the U.S. stainless scrap market has gone from surplus to deficit. How much of that deficit will be filled by European imports and elsewhere depends on scrap buyers' discounts to primary elements. Lower discounts not only attract scrap but bring primary metal into play and therefore expands the blending capability of scrap suppliers.

In the short term, Merrills believes stainless steel buying will continue to pick up and continue through the summer. With a higher level of activity, he expects market players try to get ahead of price rises. “We can expect some further volatility,” he said. “In short, the roller coaster ride for the stainless steel scrap market in the USA will continue for some time.”

Paul Gielen, director of sales for Cronimet Europe, Karlsruhe, Germany, said he expects 18-8 scrap to be in abundance in that region in the coming years. The strongest growth in stainless steel output is in China, he said, yet the Chinese specialty steelmakers have the lowest rate of scrap consumption versus other regions. That, in turn, has lowered the worldwide ratio of stainless scrap consumption, he said.

As a developing economy, China currently lacks a reservoir of obsolete stainless scrap and thus its stainless mills rely more heavily on nickel pig iron as a raw material instead of imported stainless scrap, Gielen said, and noted that he does not see that changing significantly the near term.

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From BIR Miami - Scrap exporters see how easy it is to break into a shipping container

By Mike Marley

If they have not already been victimized by thieves at home or in foreign lands, scrap exporters were told and shown by videotape that it does not take much effort to break into a sealed shipping container.

Ray Fernandez, vice president for Sealock Security Systems, Inc., Miami, FL, spoke to scrap industry members at the Bureau of International Recycling's (BIR) spring conference in Miami, FL this week. In addition to providing detailed descriptions of how containers can be vandalized, he urged scrap shippers to develop a better understanding of the global supply chain in container shipping from origin to final destination. That will enable them to make informed decisions about how they would best be able to protect their cargoes.

Several videos were displayed to the conference attendees showing how conventional sealing devices and containers are breached. In recent years, Fernandez said, the scrap industry has endured a 300 percent increase in thefts and crime. Shippers should focus on making sure their containers arrive at their destinations intact. This is especially true in a softer market where it is important to retain business with current customers, he said.

He focused heavily on the container seals and said most seal manufacturers develop products that are based on the physical aspects of containers whereas his company focuses on practical applications that address the vulnerabilities of existing containers. He has worked with customs agencies around the world and especially the U.S. Custom Services and Border Protection to develop a seven-point inspection process, he said.

He and others in the freight protection business tell shippers they should do all they can upfront to expedite shipments as a means to ensure security. "We have an adage in the transportation industry that cargo at rest is cargo at risk," he said.

The current security systems for containers are based on a high–security bolt seal that can be manipulated or altered in such ways as to make it seem that they are still intact though they have been breached, Fernandez said. He also said that some thieves have several ways they can access a container in less than minute.

They also have devised clever ways to defeat sealing devices and make it appear as though the shipments are undisturbed. Some thieves regard that as a successful theft, he said. This can pose special problems for shippers who have lost part of their cargo to thievery. If the sealing device appears to be secure, the insurance company may argue that the container is still intact and refuse to reimburse the shipper for the stolen goods.

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From BIR Miami - BIR's nonferrous leader skewers nations imposing scrap export bans

By Mike Marley

By imposing export restrictions on their scrap metals, nations are creating phony internal raw materials markets for their nation's metal fabricators and failing to understand the value of scrap metal, said a leading U.S. copper trader and president of the Bureau of International Recycling's (BIR) Nonferrous Division.

Though the nonferrous scrap industry may not be on the brink of a collapse, it nevertheless faces a host of new hurdles in trying to cope with the rising number of nations that are imposing prohibitions on the exports of scrap metals, said Robert Stein, vice president of nonferrous trading for St. Louis, MO-based Alter Trading Co.

Such restrictions have reduced the prices of feedstock for their own fabricators, he said, and charged that these countries are doing nothing more than providing price subsidies for some of their industries, and singling out nations like South Africa and Russia. The South African government imposed restrictions on scrap exports earlier this year. Many of Russia's embargoes and export taxes have been in place for a decade of longer.

"Does South Africa have a ban on gold, diamonds or other raw materials? Where would the world be without a good bottle of Stolichnaya (vodka) if Russia banned its exports?" he asked.

National governments have no right to control the scrap generated within their borders, he said. Instead, he added, they should keep their hands off the scrap industry's business and let the market determine where and how scrap should be used.

The industry faces an uphill battle in presenting its case to the governments throughout the world, he said, and noted that the scrap processors probably will never have the same influence as major mining companies and metal consumers, many of whom have close relationships and lobbying power at the highest levels of government.

Outside threats like export restrictions are not the only problems the scrap industry faces these days, Stein said. There are a number of internal hurdles as well. He hears a frequent complaint from industry members throughout the world—many are working twice as hard but making half as much money for their efforts. Manufacturing output in many regions of the world have been slow to recover, and competition for available scrap is fierce.

"Although scrap is expensive to our consumers, it is expensive for the (scrap) processors too," he said, and noted that prices being paid now don't allow many dealers to replace what they are selling at acceptable margins.