

BIR: China's influence spreads to world scrap market

Global / Scrap

The global scrap market is mostly pessimistic and uncertain. Participants of the conference held by the Bureau of International Recycling (BIR) in Paris on October 26-28 discussed a considerable worsening of conditions in the industry attributed to steel overproduction and a rise in steel product exports from China.

The situation in the raw material segment directly depends on developments in the segment for finished products facing notable overcapacity now. Moreover, EAF producers are becoming less competitive than Chinese BOF steel makers who are able to set lower prices due to the use of rapidly cheapening iron ore. Both exporters and domestic producers in many countries have to compete with Chinese suppliers.

At the same time, a number of optimistic opinions were heard at the conference. In particular, although supply from China will stay high, it will not go up further. A slight reduction in capacities is even forecast in China due to environmental problems. "We have to take the Chinese government's promise to reduce capacities seriously," Hans Jurgen Kerkhoff from German Steel Federation said in his presentation.

Another encouraging point is stricter protective trade measures worldwide. It was said about introduction of import and anti-dumping duties on Chinese products in Egypt, Mexico and Turkey, as well as ongoing cases in Thailand, Malaysia and Indonesia. This will allow the market for finished steel and raw materials to improve in the future, but it is too early to talk about it. "Until regulations such as these become effective, ferrous scrap will need to continue to be priced competitively versus iron ore and coking coal," William Schmiedel from the USA's Sims Metal Management noted in his speech.

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BIR: scrap consumption surges in China, declines slightly in US, Russia and Turkey

Global / Scrap

In H1 2014 consumption of steel scrap increased in many countries, most of all in China. The decrease was registered only in the US, Turkey and Russia.

Consumption of scrap rose most significantly in China. "A notable fact is that scrap consumption in China rose to a larger extent than output of crude steel," said Rolf Willeke of Belgium's Bureau of International Recycling in the presentation at the world conference on scrap held in Paris on October 26-28. China keeps raising steel products output, not only out of iron ore, but also of steel scrap.

US demand for steel products is increasing, and so is the output of crude steel, but consumption of scrap has dropped. This is because electric arc furnace sector's struggle to compete with its integrated counterpart. "In January-June of this year crude steel production in the US increased by 0.9%, to 43.1 million t, while consumption of scrap decreased by 0.4%, to 26.1 million t," Rolf Willeke said. Most of participants of the event were not surprised by this state of affairs, because wherever possible US mills prefer using scrap substitutes, they said to Metal Expert.

The forecasts regarding US steel market are optimistic. "Steel demand in the U.S. is expected to rise by almost 7% to 102 million t in 2014," said William Schmiedel of Sims Metal Management. A significant adjustment compared to 2013 is contributed by strong growth in the automotive and energy sectors. "U.S. steel demand is expected to increase by another 2% in 2015," the speaker has added.

In Russia consumption of scrap has also decreased despite a rise in crude steel output. Only in Turkey the drop in consumption was accompanied by negative dynamics in steel production.

Global steel scrap consumption, mln t

	6 months 2013	6 months 2014	chng. 14/13
EU-28	46.2	47.7	3.4%
China	43.4	47.5	9.4%
US	26.1	26.0	-0.4%
Japan	18.07	18.98	5.0%
South Korea	16.51	16.86	2.1%
Turkey	14.51	14.46	-0.3%
Russia	8.3	8.27	-0.4%

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Freight market overview // 44th week, 2014

Global / Freight

Trading activity has remained low in the **Black Sea** freight market in late October. Steel scrap shipments from Ukraine have decreased to a minimum. In most cases, charterers manage to knock down tariffs on some routes. Certain freight rates have sagged by \$0.5/t on average this week. Shipping 5,000 t of steel products from Oktyabrsk to the Marmara Sea ports is quoted at \$18/t, a 10,000 t lot of the cargo is still exported from Novorossiysk to Tunis at \$22-23/t.

Cargo traffic from the Ukrainian ports of the **Azov Sea** remains limited. Charges for transportation of some cargoes from Mariupol and Berdyansk have lost \$0.5/t. Demand for sea-river vessels remains rather strong in the shallow part of the Azov Sea, so transportation costs have added \$0.5-1.5/t in the spot market over the week. Shipping 3,000 t of steel scrap from Rostov to the Marmara Sea ports is now quoted at \$38/t (\$0.5/t up).

Freight traffic has stabilized in the **Mediterranean Sea**. Steel is carried mainly from Spain and Italy to Algeria as well as from Turkey to Egypt. There are also few offers of the cargo for transportation from Marseille to Turkey. Volumes of steel scrap shipped from Israel and the Adriatic Sea ports to Turkey are largely small. 3,000 t of steel products are shipped from Barcelona to Algeria at \$22-23/t, a similar cargo lot is delivered from Venice – at \$26/t. ➡