

Scrap 'bubbles' and industry troubles

A high-quality presentation from a world-renowned industry expert provided the centerpiece for the Stainless Steel & Special Alloys Round-Table gathering in Warsaw. And much of what Germany's Heinz Pariser had to say would have left delegates feeling uneasy about the prospects for the stainless steel scrap business.

Chinese stainless steel producers' much-publicised preference for nickel pig iron (NPI) was storing up potentially major problems for the global scrap industry, according to sectoral expert Heinz Pariser. Steep NPI consumption growth in China within the past decade had 'sharply reduced the requirement for stainless steel scrap', the founder and head of Germany's Heinz H. Pariser Alloy Metals & Steel Market Research told delegates to the BIR Stainless Steel & Special Alloys Round-Table meeting in Warsaw. 'But external and internal scrap continue growing, creating the risk of a stainless scrap bubble which we can expect in the next five to 10 years.' Assuming low recycling ratios, China's stainless scrap reserve was expected to soar from 19.6 million tonnes last year

to 62.2 million tonnes by 2020, before sky-rocketing to 164 million tonnes by the year 2030 - figures which Pariser described as 'definitely a challenge for the stainless scrap industry'. And globally, he believed, the scrap pool would expand from almost 149 million tonnes in 2012 to more than 211 million tonnes by the end of the decade and approaching 264 million tonnes by 2025.

'A major disaster'

Around the turn of the new Millennium, China's stainless steel scrap reserve amounted to little more than 1 million tonnes. Shortly afterwards, however, the country's stainless industry embarked on its on-going love affair with NPI: starting from zero, NPI's share of the Chinese stainless steel industry's external raw material purchases had leapt to 57% in 2013 while the external scrap share had plummeted from 52% to 11% over the same period. Backed by these figures, Pariser termed the emergence of NPI in China as nothing less than 'a major disaster for the scrap industry'.

Even though there is no NPI usage in key stainless steel producing regions of the world such as Europe,

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its share of global raw materials input has already reached 25.8% - not too far short of the 35.2% recorded by external scrap. Before NPI catapulted itself on to the scene less than a decade ago, external scrap was commanding a 43.6% share of input materials.

'Big decision' needed

Making the outlook even less palatable, Pariser claimed that China was 'overdoing it' in terms of stainless steel expansion programmes and was thus exacerbating major global overcapacity. Having predicted that China's annual production capacity would exceed 30 million tonnes by 2015, he said: 'There is a big overcapacity in stainless steel and a big decision needs to be made.' Already, he added, the stainless steel market was 'not very profitable'. According to the guest speaker, global stainless melting production was on course to climb 5.9% this year to around 37.9 million tonnes, with further 6.5% growth anticipated for next year to 40.37 million tonnes. However, Pariser believed this figure could reach 40.5 million tonnes - 'depending on China'. Melting production in China was expected to surge 13.8% this year and 10.1% in 2014 to 20.5 million tonnes, which would be equivalent to more than half of the world total.

For the same two years, EU production was deemed likely to fall by, respectively, 5.2% and 2.3% to 6.907 million tonnes, while increases of 3.5% for 2013 and 12.3% for 2014 were envisaged for the USA to give a projected output total for next year of 2.3 million tonnes. Output in India was forecast to reach 2.7 million tonnes next year following gains of 3.9% in 2013 and 5.3% in 2014.

Possible environmental tax

In summarising latest developments within the global stainless steel industry, Mark Sellier of OneSteel Recycling said the balance between scrap supply and demand was 'moving towards tightness' in the USA where most small dealers were currently 'low on stock'. In Europe, stainless steel production had fallen 'but not dramatically', while the possible introduction of an environmental tax was being openly discussed in Russia, meaning that the reduction in the country's scrap export duties could have 'no net effect'. Sellier took charge of the Stainless Steel & Special Alloys Round-Table in Warsaw pending the appointment of a permanent committee chairman which, he said, could take place prior to next June's BIR World Convention in Miami but certainly before the late-2014 BIR gathering in Paris. □



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