Ferrous

Cloudy and confused ferrous market

The Art Deco Basilica of Koekelberg in Brussels.

A host of issues arose at the joint Ferrous Division and Shredders Committee gathering in Brussels. Key topics included the possibility of a scrap export ban in the Ukraine and the growing importance of China on the global steel and scrap markets.

By Alfred Nijkerk

More than 150 delegates at BIR's Ferrous Round-Table in Brussels were supplied with a wealth of information on a somewhat cloudy and confused market.In the absence of BIR Ferrous Division President Robert Philip of the U.S., the chair was taken by Senior Vice-President Björn Voigt of Thyssen Sonnenberg Recycling, Germany. Indeed, Mr Voigt took the decisive step of inviting Meng Jianbin of the Metallurgical Council of China to join the Ferrous Division board after the latter had provided from the floor of the meeting a summary of the scrap situation in China *(See box: 'Scrap in China')*.

Also from the floor, the Vice-President of the Ukrainian Metal Scrap Association Vladimir Gurzhos informed the meeting of continuing pressure from the country's steel mills to halt ferrous scrap exports at short notice. The speaker expressed the fear among Ukrainian exporters that the country's president would sign a decree to ban exports in November rather than, as earlier indicated, from January 1 next year. He urged BIR to respond immediately by writing a letter of concern to the Ukrainian government.

Of course, such a ban would push up the price of scrap since Turkey in particular would be forced to find alternative sources in the EU and the U.S.

Russia

Dennis Ilatovsky, Vice-President of the Ferrous Division, reported on the situation in Russia where preliminary estimates suggested that, during the first nine months of 2002, steel scrap collection in Russia amounted to 13 million tonnes - a decrease of 6.8% over the same period of 2001 and the lowest level for three years. Around 8.3 million tonnes were delivered to the domestic market, or 3.7% less than in 2001, while exports fell 12.9% to approximately 4.6 million tonnes - their lowest level for five years. The decline was caused by: high export duties of 15%, or € 15 per tonne; restrictions on exports via land borders by truck or rail; and closure of Far Eastern ports. Exports had also been hit by domestic railroad tariffs which had almost doubled this year. Mr Ilatovsky predicted a further decrease in Russian scrap exports next year.

Meanwhile, the speaker confirmed that domestic scrap demand had markedly increased during 2002, resulting in a shortfall of scrap.

The U.S. and Germany

John Neu of Hugo Neu Schnitzer, U.S., reported that domestic scrap prices had risen around US$ 35 to US$ 40 per tonne this year, but had begun to

drift lower since September. Meanwhile, U.S. ferrous export prices had increased only by around US$ 25 per tonne. Ocean freight increases of around 20% over the last few months had also negatively influenced fob prices. The main scrap alternatives HBI and pig iron had been imported in large volumes during the third quarter and this trend was likely to continue during the remainder of the year, Mr Neu concluded.

Björn Voigt reported that the German market had enjoyed active domestic and export demand in October, which had led to a price improvement of up to € 6 per tonne during the course of the month. The French market had seen prices rise by around € 4 per tonne. Spain and Turkey were still demonstrating a healthy appetite for scrap, resulting in a € 6 improvement in the fob Rotterdam price.

Pacific Rim

According to Jeremy Sutcliffe of SimsMetal Australia, ferrous scrap prices in the Pacific Rim region had rebounded strongly over the previous month and were now exceeding the levels prevailing during the BIR Convention in Monte-Carlo earlier this year. Prices for HMS and shredded delivered to the Far East were as high as US$ 135 and US$ 140 respectively - the highest prices achieved in many years. Although prices had been partially influenced by freight rates, demand in the Asian region had been underpinned by strong fundamentals.

Strongly increasing demand was reported for finished steel products in Asia and, in particular, China. In fact, China is currently rivalled only by the U.S. as the world's largest steel importing nation. In contrast to the U.S., which imposed tariff protection measures this year, China had earlier cut tariffs because of its entry into the WTO. China subsequently imposed quotas as a safeguard but total imports had risen by approximately 48% to 17 million tonnes. Some estimate that imports will be in the region of 23 million tonnes for 2002 as a whole.

Domestic steel production in China has also been on the increase and, with no visible upturn in stocks, consumption is believed to be increasing. This view is also supported by an International Iron & Steel Institute (IISI) report, which states that Chinese steel consumption has risen by 25 million tonnes in the past year *(See box: 'Scrap in China')*.

Steel-hungry Asia

It was interesting to note, Mr Sutcliffe continued, that almost the entire increase in world steel consumption reported by IISI was from the Asian region. Consumption in Korea and India had reportedly increased by around 4 million tonnes and 3 million tonnes respectively. Indian steel consumption was expected to increase by a further 10% in the year ahead and, with a number of major infrastructure projects in the pipeline, the medium term outlook appeared positive.

In South East Asia, strong demand from the construction sector had boosted production of long products. Increased regional trade and higher imports of billets and finished long products were also noted

Jeremy Suttcliffe, CEO of SimsMetal (left), and Ikbal Nathani of the Nathani Group of Companies, India.

Vladimir Gurzhos, Vice-President of the Ukrainian Metal Scrap Association.

Björn Voigt of Thyssen Sonnenberg Recycling in Germany (left) chaired BIR's Ferrous Round-Table. To his right, Richard Debauve of CFF in France, Chairman of the BIR Shredder Committee.

Scrap in China

Meng Jianbin, Project Manager of the Metallurgical Council of China Council for the Promotion of International Trade, provided the Ferrous Round-Table with a variety interesting figures.

Of China's 152 million tonnes of steel output in 2001, only 15-20% was produced from steel scrap, according to Mr Jianbin. For non-ferrous metals, secondary sources provided for 25% of the total output. Given limited local stocks, China had to import nearly 10 million tonnes of ferrous scrap and 2.5 million tonnes of non-ferrous scrap last year.

The country had kept a tight rein on metal scrap imports and had established an almost complete legal system to combat the negative impact of recyclable metals.

According to Mr Jianbin, China required an annual total of 46 million tonnes of steel scrap, of which 26 million tonnes was destined for EAF and 15 million for BOF production, with the balance going to foundries. By 2005, overall scrap needs would have increased to 49 million tonnes while domestic scrap arisings would have reached 27 million tonnes, he indicated.

Meng Jianbin, Project Manager of the Metallurgical Council of China Council for the Promotion of International Trade.

Shredder Round-Table

The BIR Shredder Round-Table was dominated by a guest presentation from Dr Daniel Goldmann, an expert on process development for car recycling and, more specifically, on post-shredder technologies at Volkswagen AG in Wolfsburg, Germany. He told delegates: 'The available amounts of automobile shredder residue (ASR) are too small to run thermal recovery plants such as feedstock recycling or energy recovery. Therefore, post-shredder treatment should be split into a mechanical separation process for all shredder residues, producing specifications that can be utilised in existing plants, replacing primary raw materials.'

Guest speaker Dr Daniel Goldmann of Volkswagen AG in Wolfsburg, Germany.

Hence, Dr Goldman stated, the mechanical separation process had to be adapted in each country/region to customers' own structures and requirements. Volkswagen had developed its 'SiCon' process for separation of (A)SR, whereby the shredder granulate was introduced into blast furnaces as a reducing agent in place of coal or oil. Shredder fibres, meanwhile, could be used in sewage sludge conditioning as a dewatering agent.

due to the temporary shutdown of a mill in Malaysia for technical reasons. Scrap prices in the region had been supported by strong demand for hot rolled and cold rolled products, with most producers in the region running at near full capacity. Although trade in HR coils appeared to be slowing, prices had remained firm due to a reduced supply of coils from CIS countries.

Despite a 3 million tonne reduction in Japanese steel consumption during the course of the year, the country's total steel production had increased on the back of higher exports to Asia. Domestic scrap demand in Japan had been firm throughout the year and prices had been steadily increasing. Export volumes to China and Korea had fallen during the year in spite of the weaker Yen.

China's scrap imports during the first eight months of 2002 were approximately 5.3 million tonnes, representing a decline of over 10% on last year. For 2001 as a whole, the country's imports reached 9.78 million tonnes. Purchasing patterns in China had proved inconsistent in 2002 due to policy uncertainty, import quotas and price volatility. An increase in demand for deep-sea imports had recently been noted in China. Although there was resistance to current prices, a number of new shipments were expected to be concluded in the near future.

Pig iron prices in Asia were also recovering after falling to US$ 130 per tonne. Supply of scrap from the CIS countries, as well as from sources in the southern hemisphere, continued to be tight.

Australian exports had also dropped due to strong domestic demand from the housing and infrastructure sectors. Demand from Asia in general, Mr Sutcliffe concluded, could be expected to remain steady in the near term and prices appeared to have stabilised temporarily at these new levels.

India

Ikbal Nathani, a past President of the Indian Scrap Association, reported that the high price of scrap combined with soaring sea freights had led to a decline in Indian imports over the last six months. A 5% import tax also had to be added into the equation.

According to Mr Nathani, Indian scrap imports totalled 1.07 million tonnes in 1999-2000, 1.51 million tonnes in 2000-2001, and 1.98 million tonnes in 2001-2002. However, between April and September 2002, imports had slid to 800 000 tonnes - a 20% decline compared to the same period last year. Shredded scrap accounted for nearly 75% of these imports. A large volume of melting scrap had been imported from Middle East and African countries - mainly in containers, according to the speaker.

Indian steel production reached 21.26 million tonnes in the first three quarters of 2002 - 4.5% more than in the same period of 2001, according to IISI figures. Mr Nathani explained that 37% of India's steel production in 2001 was via the electric arc furnace route. Per capita steel consumption was only 26 kg per year as aganist, for example, 100 kg in China and 160 kg in Thailand. □

Denis Ilatovsky of the Russian MAIR Group and Vice-President of the BIR Ferrous Division.

Jens Hempel-Hansen (right) of H.J. Hansen Recycling Industry, Denmark, listens to the U.S. report read by John Neu of Hugo Neu Schnitzer Global Trade Ltd.

From left to right: Rolf Willeke of the German steel recycling association BDSV; Sadao Taya of Shinsei Co., Japan; and Ruggero Alocci of Allocci Rappresentanze, Italy.