Declan Conway reports from the BIR Spring conference in Monte Carlo

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of the recycling industries

UK ferrous merchants turn to exports

■ MONTE CARLO — Stronger export demand for UK ferrous scrap has been welcomed after months of decline, but the UK's largest processor — EMR — which accounts for more than half of the UK's processed scrap, has expressed doubts over the long-term future for local prices.

UK scrap export volumes have risen on strong demand from Southeast Asia, China and Turkey, as well as better orders from Spain, but EMR md Colin Iles highlighted a worrying trend for UK steel output and is certain that current optimism at home is only temporary, and that the market is now largely at the mercy of exports.

UK steelmaking continues to reflect the downward trend of recent years with 2001 figures showing the lowest rate since 1947, he said. Domestic production has fallen by a third since the mid-1990s - 18.5m tonnes - to just over 12m tonnes last year. Indeed, for the first time ever, more than 50% of steel consumed in the UK in 2001 was imported.

Scrap arisings have remained relatively constant, though, and consequently more UK scrap is heading for export. Scrap arisings last year in the UK were estimated at 8.8m tonnes with steel mills taking 3m tonnes and foundries 1m tonnes.

This left 4.8m tonnes - or 55% of scrap arisings - for export. In comparison, average exports totalled around 3.5m tonnes in the mid-90s, meaning there has been a 40% rise in exported tonnage over the period.

Stainless prices may crash in second half

■ MONTE CARLO — Any rise in stainless scrap availability in the remainder of 2002 will see a dramatic fall in both scrap and primary nickel prices similar to that seen in the same period last year. Such a move though depends on the plans of nickel producers, which are expected to ramp up production in the wake of a shortage of stainless scrap.

The warning was issued to delegates at the BIR conference in Monte Carlo by chairman of the stainless committee, Michael Wright, chairman of ELG in the UK. Wright predicted that the world's nickel producers would increase their production by 50,000 tonnes this year as a consequence, also noting an increase in world production of stainless steel to 19m tonnes or 6.1%.

Most stainless steel mills have a positive view of this year after a good start, he said, forecasting an 8% rise in the USA and 5% in Europe. But such an improvement may have more to do with inventory correction after a de-stocking phase in 2001 rather than better economies.

However, increased steel production will not be met by more scrap, and mills will have to reduce the percentage of scrap per charge used and replace this with nickel, chrome and iron scrap, said Wright. World scrap ratios have dropped from 47.3% in 2000 to an estimated 43.7% this year.

Looking ahead, Wright said that the new billet caster at AvestaPolarit's works in Sheffield should see some production transferred from Sweden resulting in a 9% rise in output to 530,000 tonnes, and a sharp drop in scrap supplies so far was also noted.

Elsewhere, German processing giant ELG highlighted scrap availability, decreases in which have led to a fall in consumption of 18%. ELG head Gerhard Tëborg put this down to "missing imports" from former Soviet states and a lack of arisings from under-perfoming producers. The 6.2% rise in stainless steel production expected in 2002 is based on service centre stock building.

US ferrous market may see 'double-dip' in prices

■ MONTE CARLO — One of the leading steel scrap processors in the USA has said that the current "trough-to-peak-to-trough" economic cycle could lead to a peak in prices by Q3 next year.

In a paper delivered to BIR delegates in Monte Carlo, Schnitzer Steel's Robert Philip said that increased melting rates at US mills, boosted by inhibitive import tariffs, should see a run on local scrap prices until then - implying a downside soon after.

In the meantime, mill utilisation looks set to soar. Overall, Philip estimated that around 60% of US steel output comes from scrap, and melting rates have increased from as low as 63% to 78% a few months ago, up to 89% today.

Consequently, scrap prices have dramatically risen. For example, HMS 1 was $64 per short ton six months ago compared with $93 per ton in May - a gain of 37%.

Furthermore, export prices are exceeding local prices, noted Philip, something that has not been seen since the Asian financial crisis.

While markets remain guarded due to the level and speed of recovery of the US economy being unclear, it is apparent that the share of EAF steelmaking in the country is set to rise, he said.

Russian merchants face tough outlook

■ MONTE CARLO — The Russian scrap market faces a gloomy outlook this year, as internal transport costs continue to rise and exports become blocked or restricted. Consequently, the cost of scrap production is rising, largely due to more expensive freight rates, and the combination of factors will mean that Russia will lose around 1m tonnes of scrap production — between 3 and 5% of its yearly average.

According to Dennis Ilyatovsky of the Mair Group, which accounts for about 20% of all recovered steel scrap in Russia, railroad costs rose by almost 100% last year causing some routes to be cut completely. Indeed, transport costs are expected to increase again this summer, he said. Meanwhile, new customs legislation has shut exports off from Far Eastern ports - in addition to railroads already closed to the region last year.

The pessimistic trend is also being exacerbated by restricted export sales to the Russian steel industry, which has forced scrap prices down a few dollars to around $65-70 per tonne delivered works.

One bright spot for Russian exporters may be in the EU, where the apparent shortage of steel scrap has spurred Russian exports, which after a 20% drop in Q1 bounced back up by 10% in April.

US aluminium scrap exports increase in March

■ NEW YORK — US exports of aluminium scrap surged in March, jumping 14.4% from the previous month and up 23% compared with March last year.

China, the top destination, increased its purchases by 18% from February and 32% from March 2001, but the vigour shown by Chinese buyers has faded since then, according to scrap market sources.

With aluminium used beverage cans omitted from the tally and Hong Kong statistics treated as part of China, that nation accounted for 17,779 short tons of the total 42,983 tons leaving the USA in March.

Japan, which had been barely visible for a while, acquired 3,401 tons in March — its first monthly purchase above the 3,000-ton mark since early 2000 — while South Korean purchases remained robust at 5,609 tons, down 4.1% from the previous month but 46% ahead of the same month last year. Both Japan and Korea registered significant increases in year-to-date shipments.

Chinese buyers' apparent loss of enthusiasm in recent weeks was viewed as a seasonal development by one market participant, who perceived it simply as a foretaste of the usual summer slump. He said that sales to China in the fourth quarter were likely to be strong. Another seller, however, believes the slowdown may be more than seasonal, with momentum fading for the rest of the year.

Another complication is tighter Chinese regulation of potentially polluting electronic scrap, a broker said. The motive for government action has nothing to do with aluminium, but the Beijing government's review of licenses and permits is a potential headache for international scrap metal traders in general.

The first-quarter US price surge in aluminium scrap may have nudged Chinese attention toward alternate types of material. One market participant noted an unusual level of Chinese interest in ACSR cable scrap, in which the aluminium strands are configured around a steel core.

More scrap analysis on Thursday ...

CHINESE RESTRICTIONS CAST UNCERTAINTY OVER SCRAP MARKET

BY DECLAN CONWAY

■ MONTE CARLO — The Chinese government's attempts to restrict the flow of non-ferrous scrap into the country makes it increasingly difficult to forecast future market trends, delegates heard at the BIR conference in Monte Carlo.

The government has issued a sharp crackdown against what it deems to be the dangers of bad practice within the Chinese scrap industry, and there are already strict limitations on imported material (MB May 30).

Simon Mao of Shanghai Dachang Copper Industry, a privately run smelter in the Jiading district of Shanghai, said that the government's latest moves have been spurred on by local people, environmental groups and government officials, following media reports of "illegal and polluted" treatment of scrap in Nanhai, Zhejiang and Hebei.

So far the government has restricted non-ferrous scrap imports to two ports — Tianjin and Shanghai — while also establishing "special industrial zones" so scrap processing can be more easily regulated.

There have also been changes to environmental legislation governing the issue of scrap licences to processors. For example, the licence for high-grade copper and brass scrap is easier to apply for than before, but the permit for mixed copper scrap and electronic scrap has become harder to receive, said Mao.

In an already tight market, the Chinese non-ferrous scrap market has now become a "battlefield", he said, as consumers fight to secure enough feed. Mao said the situation makes business more complicated, and added that his own company faces difficulties in managing a reliable supply chain and overseas buying agents.

In the meantime, there is still reason to believe that China will remain a voracious buyer of copper scrap for the rest of this decade. Imports soared from 21,000 tonnes in 1990 to 2.5m tonnes in 1990 and 3.3m tonnes last year — a staggering yearly average growth rate of 160%, said Mao. Consumption of refined copper in China in 2001 was above 2.2m tonnes, while domestic scrap and copper concentrate supplies totalled only 600,000 tonnes.

European ferro-titanium prices remain firm ahead of Q3 business

■ LONDON — Ferro-titanium prices remain stable at around \$3.80-\$4.00 per kg in Europe on a delivered basis as producers wait to receive their third-quarter orders.

Traders said the relative stability over the past six weeks reflects the market's trend towards quarterly trading, a reduction in the number of spot trades and a lack of titanium scrap.

"[Ferro-titanium] producers seem mostly covered for the current quarter," said one trader. He added: "There is also a fundamental understanding that titanium producers do not appear to be producing additional [scrap] material." He quoted a price range of \$3.80-\$4.00 per kg for spot material.

A titanium scrap producer agreed: "There is not much scrap material around at the moment mainly due to the lack of activity in the aerospace industry." However, the producer indicated that the price for scrap titanium turnings used in ferro-titanium had fallen back slightly to nearer 90 cents from 95-99 cents per lb previously.

A trader told MB he expected the ferro-titanium market would see an increase in activity in June, as consumers re-enter the market to place their third-quarter orders.

"The ferro-titanium business is largely quarterly now. But it will become interesting in June when orders for the third quarter arrive."

Another trader reported only a small number of trades. "Last week a European producer bought 25 tonnes at \$3.80 per kg, duty-paid, but the price is higher for UK produced material." He added that he had heard of a small consignment of Russian ferro-titanium being delivered in-warehouse Rotterdam for \$3.40 per kg, although this was without duty being paid. The material in question also required further costly processing.

He stressed: "There has not been either an increase or a decrease in ferro-titanium prices. I expect third-quarter orders will continue at today's level of \$3.85-\$4.00 per kg."

Michael Wright (ELG) chaired BIR's Stainless and Special alloys Committee

US stainless exports set to fall

■ MONTE CARLO — US exports of stainless steel scrap may fall dramatically in the wake of new local production coming on stream at North American Stainless (NAS) at Ghent, Kentucky.

Exports may not be affected immediately as NAS has built up a large tonnage of revert scrap but the impact will become obvious as the new meltshop has a capacity of 800,000 tpy, said BIR president, Barry Hunter.

Hunter said the buying potential of scrap at NAS could eventually impact the amount of material available for bulk shipments to Asian and European markets. Importing countries likely to be most affected include South Korea and Taiwan, who took around 70% — some 60,000 tonnes — of exported US stainless scrap sales in the first quarter of this year, according to Hunter.

Indeed, about 90%, or more than 82,000 tonnes, of US scrap exports was sold to Asian markets in the same period.

In giving figures in terms of domestic steel production, Hunter said that 2002 output is so far running slightly ahead in comparison with last year, although it is likely that this will fall in the second half of this year to bring figures in line with 2001. In total, US production of stainless steel averages out at around 1.2m short tons in the last three years, said Hunter.

■ Copper smelter planned for Novgorod

Russia's Precise Alloy Plant, located in the Sverdlovsk region in the Urals, plans to build a \$23m secondary copper smelter in Novgorod, Northern Russia.

Andrei Voronin, general director of the new plant, said that northern Russia was chosen as the location because of its relative proximity to the European market. According to Voronin, the plant will have two smelting furnaces with a combined capacity of 20,000 tpy. Scrap will be supplied from various locations within Russia.

■ UK copper, brass scrap still quiet

A healthy rise in the LME copper price last week has not injected much life into the UK copper and brass scrap markets.

With primary copper prices widely predicted to move higher after initial rises, merchants are waiting for the market to peak.

However, consumers of copper and brass scrap bemoaned the weak markets for their products and saw little need to stock up before the bank and Jubilee holidays. Many consumers and merchants said they will take the opportunity to shut down this week.

Most grades of copper scrap in the UK were up £20 per tonne over the previous week. No 1 bright wire was changing hands at £1,020-1,060 per tonne, while clean heavy copper was up to £950-990.

Brass grades were up around £10 per tonne, with heavy brass trading at £670-710 per tonne and mixed brass at £600-650.

■ UK aluminium scrap exports fell in March

UK exports of aluminium scrap to non-European Union countries fell in March compared to February, which industry observers attribute to better domestic demand and prices.

Sales to buyers outside the EU totalled around 11,500 tonnes of aluminium scrap, valued at nearly £6.5m, compared with 15,000 tonnes in March, according to information supplied by UK Customs & Excise.

As in February, the biggest buying area was East Asia, which took almost half of all exports in March. The most voracious customer was China, where 2,880 tonnes of scrap were sold.

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