

BIR CONVENTION: Raising the floor

Although stainless steel scrap prices have languished, conditions may soon be in place to produce a modest rally.

[Brian Taylor](#) May 25, 2015



The reliance of Chinese stainless steel producers on nickel pig iron as feedstock has kept global stainless scrap prices in check, but according to one industry analyst this floor on prices may soon start rising.

Delegates attending the Stainless Steel & Special Alloys Committee meeting at the 2015 [Bureau of International Recycling \(BIR\)](#) World Recycling Convention in Dubai, United Arab Emirates, in May heard a stainless steel market summary and forecast from Markus Moll of Austria-based [Steel & Metals Market Research \(SMR\)](#).

Although scrap processors and traders may be coping with stagnant stainless prices, Moll said, “No other metal matches stainless steel for long-term sustained growth.”

Production in China now represents half of the world’s stainless steel output, said Moll, with those producers using “a business model based on nickel pig iron” rather than stainless steel scrap.

The large quantity of nickel pig iron produced in China has set a floor on stainless steel scrap prices globally, said Moll, but that floor is set to rise. Moll said electricity prices in China are rising (thus raising the cost to smelt nickel pig iron) and the Chinese RMB is gaining value. These factors are slowly “raising that floor” on scrap pricing, said Moll.

Moll said SMR foresees only spot buying from Chinese mills of imported stainless steel scrap in 2015, with volumes held in check unless or until China lowers its 17 percent value-added tax on stainless scrap.

He said Chinese stainless producers are currently melting about 22 percent scrap as charge, but “like all mills, they want to increase their use of scrap.”

Global demand for finished stainless steel remains strong, said Moll, although demand in the petro-chemical sector is slumping, with capital investments down some 30 percent in that industry. However, said Moll, the oil industry comprises only about 4 percent of overall stainless steel demand.

Growth sectors include newly-designed (and mandatory) truck exhaust systems, appliances, cookware and ocean water desalination plants (including seven in California).

China's [Tsingshan Holding Group](#) has emerged as the world's largest stainless steel producer as of 2014. The firm consists of 10 subsidiary companies, including Henan Tsingshan Jinhui Stainless Steel Co. Ltd., Henan Qingpu Alloy Material Co. Ltd., Qingyuan Tsingshan Stainless Steel Co. Ltd., and Songyang Tsingshan Stainless Steel Co. Ltd. The subsidiaries combined to produce nearly 4.2 million metric tons of stainless steel in 2014, according to an SMR analysis.

The 2015 BIR World Recycling Convention was May 17-20 at the InterContinental Festival City in Dubai.