E. Europe ferrous scrap supplies wane

By Chris Cundy

DUBLIN, Ireland — Russian ferrous scrap collection in the summer declined by 13 percent compared with the previous year's figure of about 19 million tonnes because scrap prices have remained low despite a 15-percent annual inflation rate.

Ferrous scrap exports from the Commonwealth of Independent States (CIS) will be down as well, Igor Kuzmin of Mair Joint Stock Co., a member of the General Council of the Scrap Processing Industry, said at the Bureau of International Recycling's autumn conference here.

Kuzmin said he expected ferrous scrap exports to be down about 10 percent this year to approximately 6.1 million tonnes because of rising internal railway tariffs and high customs duty. He added that a lack of ferrous scrap in Russia's domestic market would serve only to further reduce the tonnage available for export.

The closure of overland border crossings by order of the State Customs Committee March 1 stopped exports to the Baltic states, Moldova and Ukraine. And further closures in late August at the borders with Mongolia and China, except for some stations at Primorye Edge, will reduce export volumes to China.

Meanwhile, discussions to cut the ferrous scrap export tariff to 11 euros ($9.90) per tonne from 15 euros ($13.40) per tonne already have faced delays and a resolution will not be reached easily. "It will be a tough struggle. There are many sides involved," Kuzmin said.

Earlier this month, a Russian government committee reviewing a proposal to reduce the export tax met, but failed to alter the 15-euro-per-tonne rate.

Ukraine is facing a similar scrap deficit and exports will fall by around 15 percent, Kuzmin said, although it was an imprecise figure because it depended on decisions made by both the central government and regional governments.

But the apparent absence of much ferrous scrap from the CIS has helped another industrial nation's scrap industry keep itself from going under, one speaker noted at the BIR meeting.

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Increased export sales had sustained Japan's scrap industry, said Sadao Taya, president and chief executive officer of Shinsei Corp., an Osaka-based scrap processor. Japan's domestic demand for ferrous scrap had fallen and prices had gone down as well, he said, adding that Japan's economy continued to face difficult conditions, including overproduction at its steel mills.

"We are now bogged down in a fathomless quagmire. No one knows where and when we will touch bottom," Taya said.

Offshore markets had helped the industry, he said. From January through July, Japan's scrap processors exported 3.1 million tonnes of ferrous scrap compared with 1.7 million tonnes in the same period last year, and total exports for 2001 are likely to reach 5 million tonnes.

"It is tremendous to think that (about) 20 years ago we imported so much, mainly from the United States, and now we are in surplus and forced to export that much," Taya said.

Shredder operations are becoming critical. Tipping fees are as high as 30,000 to 40,000 yen ($240 to $320) per tonne, making their operation "almost not viable" when they only get about $70 per tonne for their scrap.

Shredders have stopped processing auto bodies despite receiving a fee of around $70 to $80 per car. Taya said that $150 would have to be paid for body processing to be resumed. No. 2 dealer bundles have been exported to the U.S. West Coast, to South Korea and to China. "This is the only relief valve available," added Taya.