BIR roundtable Köhler says Tata will maximise scrap use in European operations

Ferrous scrap prices will stay high in near term – Tata ceo

MUNICH
BY DANIEL GLEESON

Ferrous scrap prices are likely to stay high in the near term as available steel for recycling remains scarce, Tata Steel Europe ceo and md Karl Ulrich Köhler said on October 25.

"We believe that scrap prices will stay high besides the small fluctuations in regions that might occur," Köhler told the ferrous board at the Bureau of International Recycling roundtable event in Munich, Germany.

Köhler based his forecast on tight near-term supply, with no new supply likely to enter the market in the short term.

"We won't see scrap from the boom steel years for another eight to ten years," he said, explaining that past research verifies this trend.

Answering a question from the ferrous board panel, Köhler added that Tata in Europe would maximise the amount of scrap allowed in its operations.

But the shortage of material means that it cannot expand scrap-based steelmaking until supply of the steel raw material increases.

'We believe scrap prices will stay high. We won't see scrap from the boom steel years for another eight to ten years'

Köhler: forecast

Van Dalen UK set to expand operations to 1m tpy

MUNICH

Van Dalen Recycling UK is looking to expand its metals handling capacity to 1 million tpy over the next three years with a mixture of investments that could include acquisitions, md Tom Bird told MB on the sidelines of the BIR roundtable event on October 24.

This expansion would double the company's capacity from its current 500,000 tpy and include both ferrous and non-ferrous metals, although steel raw materials would make up the majority of the increase, Bird said.

Any investments will be aimed at "complementing our existing locations and strengthening our asset base", Bird told MB.

"If the opportunity arrives [for an acquisition] that fits, we will look at it," he added.

"The aim would be for the business to double to 1 million tpy. When you have that volume and market share, you have a greater [market] influence," Bird said.

Part of the plan includes a new fragmentiser at Van Dalen UK's Sheffield yard in the Midlands of England, due to start operating in November, and for which the company has steadily built a stockpile, Bird said.

Bird: strengthening asset base

"We're already buying a significant amount of feed," Bird added.

Van Dalen plans to use the feed – which it normally sells in the Sheffield area on an inter-merchant basis – for its own operations, he added.

The shredder's location will also give the company added flexibility, as it offers ready access to the highways network and makes it easy to transport material to its other yards.

The addition of non-ferrous operations will complement Van Dalen's existing ferrous activities, Bird said. The company has already started recruiting staff for these operations as well as making significant investments in Sheffield and in southeast England.

"Up until the beginning of the year, we were not active in non-ferrous," Bird said. "If you can secure the correct markets [for non-ferrous scrap], it allows you to source the material better."

The company plans to sell non-ferrous scrap to end-users, and not on the inter-merchant market. This could include domestic or export sales, depending on how the markets are at the time, Bird said.

Bird was positive about the UK market's prospects as a new end-user is set to enter by the year's end. "We have SSI [Sahaviriya Steel Industries] coming into the market, which will want 50,000 tpm," he said.

Thailand's SSI is set to start operations in December at Redcar in the northeast of England, addding to demand from the other three ferrous scrap buyers in the UK market – Tata, Celsa and Thamesteel.

Conference briefs

- Chinese scrap use could amount to 100 million tonnes in 2011, BIR ferrous division statistics adviser Rolf Willeke told a news conference on October 24. More and more of this scrap will come from domestic sources, he said, explaining that China increased its scrap generation in the first half of 2011 by 9.6% year-on-year to around 40.9 million tonnes. "In 2011, China could have scrap use [of] 100 million tonnes, but on the import side it could go down," he said. A strategy to make greater use of domestic scrap resources is part of the country's five-year plan, Willeke added.

- Ferrous scrap prices could fall by around $20 per long ton in the US domestic market in November, Sims Metal Management executive Blake Kelley told delegates on October 25. In his review of the US and Pacific Rim markets, Kelley said prices could weaken by around $20 per long ton in November, after falls in some regions of the USA in October. Domestic and export markets have influenced these falls, Kelley said. Scrap collection in the USA has also begun to decrease, he reported.

- Iron ore shortages in India's Karnataka state have forced steel mills to cut production recently, according to Zain Nathani of Indian trading company Nathani Group. The lack of available iron ore has meant many mills have cut back on steel production, Nathani told delegates on October 25. As a result, mills have two choices, Nathani explained: either use more scrap or cut steel production. "Many steel mills have chosen to cut production," he said.

- The current margin for European steelmakers using ferrous scrap is still "comfortable" despite billet and rebar price falls outpacing raw material price falls, according to Tom Bird, president of European Ferrous Recovery (EFR) and md of Van Dalen Recycling UK. "Business [for scrap] is still being done and there is still a $200 [per tonne] margin for steelmakers, which is very comfortable," Bird said.