BIR CONF: Ferrous scrap braces for weaker market for rest of 2013

Shanghai, May 29 (Steel First) - Ferrous scrap participants globally are bracing themselves for a weaker market for the remainder of 2013 against slow demand in the steel sector.

This was the theme dominating proceedings in the Ferrous Division session of a recycling convention held this week in Shanghai organised by the Bureau of International Recycling (BIR).

"The mood for many of us in the steel recycling industry is not so optimistic anymore, especially for those who do their business in Europe," Christian Rubach, president of the BIR ferrous division, told delegates at the start of the meeting session.

The region is the biggest recycling sector in the world but has suffered considerably from the financial crisis, the austerity programs and low consumption, he said.

Tom Bird, president of European Ferrous Recovery & Recycling Federation, said scrap continues to be offered in abundance to Turkey – the world's largest scrap importer – from Europe, the Baltics and the USA, prompting weaker prices.

"As always in a market such as this what appears to be a distress sale today turns out to be a good deal tomorrow. Prices have continued to weaken during the month and we could see further reductions for June across the board. We are seeing prices continue to soften into both Turkey and Spain driving the EU market down," he said.

He said 2013 was proving to be a difficult year for the ferrous scrap recyclers.

"After a fairly positive start to the year, the market has gradually tightened through April and May. A great deal will depend on steel demand moving forward, but the reality is the remainder of 2013 poses to be a challenge," Bird said.

Japan, on the other hand, appeared to be the only bright spot in a market where prices seemed to be heading lower worldwide.

Scrap yard dealers are getting quite a lot of enquiries, with the current weakness of the yen favouring exporters, according to Hisatoshi Kojo of Metz Corp.

Kojo is also a board member on BIR's ferrous division.

"With the weaker yen, Japanese scrap appears to be good bargain on a US-dollar basis and there are enquiries received from Taiwan and Vietnam. Indeed the conclusion of a contract was reported at $360-365 per tonne cfr [33,150-33,500 yen per tonne on a fob basis] for May/June shipment," he said.

Consequently, there were movements from Korean mills – the largest buyer of Japanese scrap – to raise their bidding prices to 32,500-33,000 yen ($325-328) per tonne fob, he said.

Blake Kelley of Sims Metal Management noted that while the weaker yen encourages exports, it also makes imports of iron ore and coking coal relatively more expensive, so increased domestic scrap consumption in Japan may result.

Indeed, Kojo noted that Japanese blast furnace-based mills have restarted purchases of domestic prime grade scrap since April.