Scrap will adapt to low pricing: BIR president - Tuesday, 27th October 2015

BIR

The ferrous scrap market will adapt to the new low pricing environment, said Bureau of International Recycling (BIR) president Rajit Singh Baxi, during a meeting with the press on Sunday.

Asked about the current low prices, Baxi was unconcerned and said he had seen a similar thing happen in the paper industry – cardboard boxes spent time at $300/metric ton, but also with a value so low people were paid to take them away. Ferrous scrap prices have crashed this year, almost halving in the last twelve months.

"You do see ups and downs, but the market is more clever than contemplated," he said. "People know that they must respect the supply chain. I firmly believe that even though [the scrap market] is down, every other part of the chain will be down as well."

Some slight dip in collection would be likely in this environment, but it should not be detrimental to the market as a whole. While new arisings may suffer, he estimated the current volume of globally traded ferrous scrap at 100 million metric tons, and that this volume of material would remain available in domestic markets if it was not moving.

Baxi also promoted the ideas of a circular economy and the importance of free trade, and a globally recognized international recycling day. "Over 700 million tons of carbon emissions per year are saved by recycling, that's over 10 billion tons in the last 15 years," he said.

-- *Simon Price and Nicholas Tolomeo*

BIR catiously positive on impending LME ferrous contracts - Wednesday, 28th October 2015

BIR

Sentiment at the Bureau of International Recycling conference in Prague surrounding two upcoming London Metal Exchange futures contracts was positive, though there was also some wariness.

Two contracts are due to launch November 24 for Turkish import ferrous scrap and export rebar, both on a cash settled basis.

Ferrous President William Schmiedel said there was a real need for such contracts in the current market, though he was unable to offer an opinion on the amount of liquidity they may attract. Schmiedel has sat on an LME advisory committee involved in the creation of the contracts.

On the sidelines of the conference, a European trader expressed concern over the liquidity of the contracts but said they could be positive for the market depending on who the majority of users are.

Liquidity was a common theme in questions relating to the contracts, a European scrap merchant said. Other delegates drew comparisons to the LME Turkish billet contract, as well as the launch of the secondary aluminium contract. "Billet didn't work, so why would this work?" one delegate asked.

An LME representative explained the new steel contacts were set apart by being on a cash settlement basis, which would avoid any difficulties stemming from storage or logistics.

"It took a decade for people to get used to the aluminium contract," said speaker and consultant Becky Hites of Steel Insights during a Q&A session.

-- *Simon Price*

Chinese steel losses $2.8 billion Jan-August 2015: Schmiedel - Wednesday, 28th October 2015

China

Chinese steel losses totalled $2.8 billion for the first eight months of 2015, according to a prominent Chinese steelmaker, said William Schmiedel, president of the Bureau of International Recycling Ferrous Division, in his address to delegates at the association's conference in Prague Tuesday.

The Chinese producer is anticipating a painful restructuring for the industry but he did not speculate on a timeline.

With losses at this level, Schmiedel estimated this would give a current “cost” per employee in the Chinese steel sector of around $30,000/year. Despite Beijing’s stressed importance of employment being a social good, it would be cheaper to pension out these workers than to continue operating at these loss levels.

Ferrous board member Tom Bird also touched on the importance of a change in approach for Chinese steelmakers as current production levels are not sustainable. Three of China's largest state controlled steel companies have indicated they will incur significant losses in Q3 this year.

Angang Steel (the Anshan Iron and Steel Group) expects to make a Yuan 1.04 billion ($164 million) loss for Q3 2015 -- in the same period last year it saw a profit of Yuan 923 million. Hunan Valin is indicating losses of Yuan 1.15 billion and Beijing Shougang is indicating Yuan 400 million, he said.

Governments appear to be hardening their approach to China even as the Chinese government shows signs of addressing its business model. The Vietnam Steel Association is pushing for stronger controls on imports as Chinese steelmakers continue to avoid export duties on billet by adding boron or chromium to products.

Last year the Chinese government approached the issue of boron added material, but chromium added steel is still an issue. Mr. Schmiedel said he believes they will not ignore the issue in light of the previous action taken.

Pressure has also been seen from the UK in wake of the closure of the SSI Redcar plant and huge job losses at Tata Steel. Speaker Becky Hites of Steel-Insights LLC asked if the European steel industry had plans to launch import duties on China. Bird responded that there has to be consensus across the EU for such measures to be enacted, and while it has been talked about it is not currently up for debate.

"If China is making moves to return to a consumer-based economy, we need that market," said one of the board. There was a strong concern that overt protectionism against Chinese steel would trigger a decline in trade relations with Beijing.

"You can't push too hard. They own all [US] debt," said Hites, adding "they could completely cripple the US economy."

-- *Simon Price*

European ferrous scrap collection down: Bird - Wednesday, 28th October 2015

EU scrap

Depressed pricing in the European ferrous scrap market has led to new arisings becoming difficult to find, with yards saying that incoming volumes are reduced by 30-40%, said Bureau of International Recycling board member Tom Bird at the BIR ferrous panel on Tuesday.

Price falls have been severe, with October alone seeing a fall of EUR 30. This fed into difficult trading conditions, alongside both falling production levels and demand, he said.

Spanish mills are considering stopping production as demand and steel scrap prices continue to be adversely affected by cheaper products from China. Italian producers have also been hit hard by Chinese imports.

Rumours are circulating in the UK that steelmakers are coming under pressure from finance providers. This follows the headline closure of the SSI plant in Redcar, and significant job losses from both Tata steel and Caparro. Demand for scrap has fallen massively as a result, with Tata unlikely to require scrap at its integrated plants in Scunthorpe and Port Talbot for the rest of the year. The electric arc furnace-based plant at Rotherham is also seeing low demand levels.

One side effect of the slowdown seems to be a stabilisation of scrap prices in the UK. One merchant in the country said on the side lines of the conference that November would likely be a rollover for ferrous scrap.

--*Simon Price*