

Ferrous

An eight-year roller-coaster ride

With steel scrap prices declining sharply in the weeks leading up to the latest BIR Ferrous Division meeting, experts gathering in Paris struggled to find anything positive to say about current market conditions or immediate prospects. However, scrap industry leaders welcomed the importance attached to free trade by a prominent steel industry spokesman.

Since taking up the top post in 2006, BIR Ferrous Division president Christian Rubach of TSR Recycling in Germany had faced almost every conceivable market scenario - from boom to historic bust, followed by stagnation and false dawns. And he lamented at the latest divisional meeting in Paris that he was stepping down from the presidency at a time of 'stagnant' conditions at best. Margins were sufficiently compressed that there was 'not much fun or profit' to be had in the ferrous scrap business. Rubach was confirmed as an honorary president of the Ferrous Division in recognition of his 'long and outstanding service' and of his success in improving the body's standing. And a topic on which the outgoing president was particularly vocal during his time in office again took centre stage in Paris, namely the threat of protectionism. On this occasion, it was guest speaker Hans Jürgen Kerkhoff - president of the German Steel Federation - who spoke of the 'bad behaviour' of countries seeking to protect their

domestic industries by imposing protectionist measures. 'For the steel and steel scrap markets, we have to rely on free movement,' he stated.

Kerkhoff pointed out that the lower growth trend now being seen for the world steel industry might become 'the new normal', especially as new risks were appearing mainly on the side of emerging rather than developed countries. Specifically with regard to China, he suggested the country's steelmaking overcapacity in 2014 could be between 250 million and 280 million tonnes given a projected apparent steel use of 833 million tonnes.

New wave of protectionism?

The BIR Ferrous Division's new president - William Schmiedel of Sims Metal Management in the USA - took up the same theme in referencing the electric arc furnace sector's struggle to compete with its integrated counterpart. Pointing to moves made recently by Egypt, Mexico and Turkey, he said: 'We may see an entirely new wave of pro-

tectionism that will be legislated by many countries against China.'

Tom Bird of UK-based Mettalis Recycling, the outgoing president of the European Ferrous Recovery and Recycling Association (EFR), explained that low iron ore values and subsequent large-scale exports of Chinese finished steel 'has led to prices for steel scrap being forced down across EU regions', although he expressed the hope that the market was 'not far from the bottom'. Despite the 'great deal of doom and gloom around at the moment', steel production worldwide in 2014 was still running more than 2% ahead of its 2013 level, he pointed out.

Quota distribution delay

Zain Nathani of the Nathani Group of Companies also asked delegates to peer through the 'doom and gloom' in his review of the Indian market. With positive, pro-business measures expected to filter down from the country's new government, an annual domestic steel consumption figure of 59 kg per capita had plenty of scope to increase given the right encouragement, he suggested. For the fiscal year 2014/15, Nathani added, ferrous scrap imports into India were expected to total 4.25-4.5 million tonnes - thus exceeding the 3.8 million tonnes of 2013/14 but falling well short of the

record 6.9 million tonnes of 2012/13. Parliamentary elections in Ukraine were likely to delay the distribution of new export quotas, according to Andrey Moiseenko of Ukrmet. Since May, he noted, the country's overseas shipments had been running at around 100 000 tonnes per month, with Turkey the biggest buyer. The same speaker observed that ferrous scrap prices in Russia had been falling since the start of October, while Hisatoshi Kojo of Metz Corporation added that Japanese scrap prices had slumped 16% since the start of September. 'The scrap market will be continuously affected very much by Chinese steel exports,' the latter concluded.

Also in Paris, guest speaker Björn Voigt - managing partner of Germany-based Active M&A Experts - identified 'failed post-merger integration' as the key factor behind the majority of unsuccessful business mergers. Other potential pitfalls for mergers and acquisitions mentioned by Voigt included: a poor strategic fit between the companies; culture clashes; due diligence mistakes; and not allocating sufficient resources. □

The latest 'World Steel Recycling in Figures' update from BIR Ferrous Division, statistics advisor Rolf Willeke was covered on page 65 of Recycling International's October issue.



William Schmiedel: 'We may see an entirely new wave of protectionism.'



Hans Jürgen Kerkhoff: 'For the steel and steel scrap markets, we have to rely on free movement.'



Björn Voigt: 'failed post-merger integration' is key to many unsuccessful business mergers.