By Ian Martin

Ferrous

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Making the best of it

In the circumstances, Tom Bird of UK-based Mettalis Recycling did his best to be upbeat in the global scrap market analysis he presented to the BIR ferrous division meeting in Prague.

With ever-cheaper Chinese billet exports having already been squarely blamed by divisional president William Schmiedel of Sims Metal Management for the recent slump in ferrous scrap values, Bird pointed to evidence that governments previously unwilling to put up tariffs against this billet 'are now starting to act'. And he added : 'It is early days but with huge losses in the state-owned Chinese steel sector attracting the attention of Beijing, international pressure and countries now taking a more aggressive stance to Chinese steel products, this can only be of benefit moving forward.'

Simply not sustainable

The need for a change in approach by China was clear, according to Bird. 'Producing steel at the current rate and pricing it accordingly is simply not sustainable long term,' he insisted. 'There needs to be a significant reduction in production as well as cost-cutting measures.' In this same context, Schmiedel had earlier quoted the chairman of a major Chinese steelmaker as saying that the country's steel industry had run up losses of US$ 2.8 billion for the first eight months of 2015.

Sunil Barthwal: duty on scrap at the minimum level.

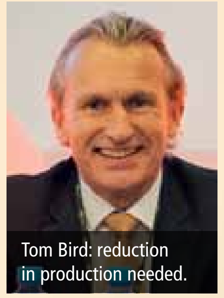
Optimism again to the fore, Bird went on to point out that the far lower scrap prices had tempted some buyers to look anew at this raw material option. 'There are scrap consumers, many who have been away for months, enquiring about availability and price levels,' he told delegates. And with steel scrap arisings generally in decline and down by as much as 30-40% in the EU, he concluded: 'There is very little overhang in the market - which can only help levels as we move to the winter months.'

Schmiedel's message was similar: 'The good news is that the lower prices we are experiencing today should enable our customer base to again start to look at ferrous scrap as a reasonable, viable and economic option.'

Import surge for India

India's imports of steel scrap jumped almost 30% year on year to 3.168 million tonnes in the opening half of 2015, according to the latest 'World Steel Recycling in Figures' update presented in Prague by divisional statistics advisor Rolf Willeke (further details are in the ferrous market report of this issue of Recycling International). And Bird was able to confirm that the Indian market (along with Pakistan) had continued to provide exporters with a welcome fillip by remaining 'very active' over recent weeks.

Sunil Barthwal, joint secretary of India's ministry of steel, had even more encouraging news to impart: plans were for the domestic steel industry to increase its annual scrap consumption from 32 million tonnes in 2014 to around 56 million tonnes within 10 years. Since India was not close to self-sufficiency, annual scrap imports would need to surge from around 5 million tonnes last year to 10 million tonnes as early as 2020.



Tom Bird: reduction in production needed.

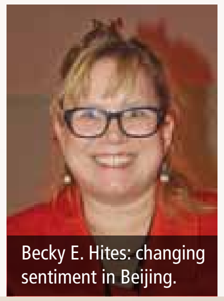
Asked why India imposes a 2.5% duty on scrap imports, Barthwal turned the question around by saying: 'The duty on scrap as a raw material is at the minimum level and we are not going to raise it.' □

Tide turning against China's steel industry

Putting her own slant on the impact of China's steel export surge on current market conditions, the BIR ferrous division's guest speaker noted that the billet-to-scrap spread had been typically US$ 20-40 per tonne since 2009 but had achieved a minus value of around US$ 10 in September. When all the customary relationships got disturbed in this way, the results were generally 'painful', delegates in Prague were told by analyst Becky E. Hites of US-based Steel-Insights LLC.

However, she also believed that sentiment towards the steel industry was changing in Beijing and that the Chinese government was no longer interested in underwriting a polluting industry to help people make money. 'The tide has turned against the accommodating policies for the steel industry,' she added.

But the upheaval taking place in China would present challenges globally, according to Hites. 'The world has changed,' she insisted 'You need to look at how your world has changed and how you need to work in your new world. It's not going to be business as usual.'



Becky E. Hites: changing sentiment in Beijing.

On a brief statistical note, Hites observed that US scrap exports were 40% below their 2011 peak and down 17% year on year in January-August 2015 - despite an increase in shipments to five of its top 10 outlets, namely Turkey, Mexico, India, Vietnam and Peru.

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Non-Ferrous

A climate of fear and uncertainty

Metals companies around the globe have been 'freezing employment' and 'limiting budgets' in response to a 'very tough' trading environment, lamented BIR non-ferrous metals division president David Chiao of the Uni-All Group in his opening address to the body's latest meeting in Prague.

Since January, LME prices had fallen by 14-15% for copper, 12% for aluminium and 9% for lead, while zinc and nickel had suffered even heftier declines over the same period of, respectively, 23% and 35%, it was reported by divisional board member Nick Rose of UK-based Tandom Metallurgical Group in his review of market developments. 'It was never going to be the year of plenty but the most pessimistic of bears couldn't have foreseen the constant downward spiral of 2015,' he argued. 'Today's non-ferrous industry faces diminishing margins, rising costs and low confidence - and it will not be long until the banks become nervous.'

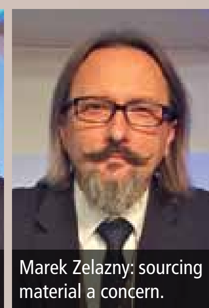
'Sales hard to come by'

According to Rose, 'the fears and uncertainties seem to be worldwide' and any businesses related to the non-ferrous metals industry 'find themselves under pressure'. Indeed, several of the sector's giants - including Glencore, Tata, Rio Tinto and BHP Billiton - have seen a dramatic fall in their share prices.

Among those factors contributing to the current conditions, Rose listed slowing economic growth in China and the devaluing of the Chinese currency, which had 'undermined traders' confidence'. And even though India had fared better than most this year, the non-ferrous industry had been adversely affected by 'teething problems' with the country's new pre-shipment inspection procedures. Market conditions in Europe, meanwhile, were 'pretty bleak', with traders complaining of 'low volumes and sales hard to come by'.

Nick Rose: traders' confidence undermined.

Marek Orlicz: increased zinc imports to Poland.



Marek Zelazny: sourcing material a concern.

Standing ovation for industry stalwarts

Delegates to the latest non-ferrous metals division meeting in Prague got to their feet to pay a rousing tribute to two men who have decided to retire from BIR activities. The division's immediate past president Robert Stein of the USA and former International Trade Council chairman Robert Voss CBE of the UK were given a standing ovation in recognition of their many years of high-profile service to the division and to the wider world recycling organisation.

Stein, who spent more than seven years as divisional president and was credited by his successor David Chiao for helping to build a 'solid foundation' for its activities, acknowledged that business conditions were 'painful and ugly' at present. A significant part of this suffering could be attributed, Stein said, to the excessive capacity expansion of recent years that had been based on the strong demand from China.

Robert Voss (left) and Robert Stein.

He went on to note that China's share of world aluminium production had soared from 11% at the turn of the millennium to more than 50% at present but that much of this growth had been driven by 'artificial' means such as subsidies and central planning. Smelters were built in China 'even when they made very little economic sense'. While some businesses would 'vanish' as a result of current market conditions, Stein stated, those with foresight 'will lead our industry into a period of acceptable growth'. And he emphasised: 'I have every confidence that this is a growth industry.'

A veteran of more than 70 BIR world conventions, Voss identified the communications revolution as the biggest change to affect the non-ferrous industry that he had joined more than 40 years earlier. The industry had taken him to some fascinating places 'but it's the people I'll miss the most', he said.

Guest presentations in Prague focused on Eastern European recycling markets, specifically as they relate to zinc and lead. Marek Orlicz, commercial director of Polish secondary zinc and zinc die casting alloys producer MetalCo, spoke of a trend towards increasing volumes of zinc scrap being brought into Poland so as to service domestic operators' burgeoning order files for secondary zinc and zinc alloys. In addition to Europe and most notably Germany, material was being sourced from the Americas, the Middle East and North Africa, he said.

'Frozen' market

According to Orlicz, sharp fluctuations in LME zinc had served to create a 'frozen' market as those holding stocks awaited more attractive prices.

Fellow guest speaker Marek Zelazny, commercial director of Baterpol S.A., which is a big lead producer in Poland, agreed with his fellow guest speaker that sourcing raw material was his preeminent concern. '25% of my activity is in sales and 75% is in looking for raw material,' he said. 'It is crucial for our business.' □