

RESUMPTION OF ASIAN DEMAND WILL BOOST FERROUS SCRAP MARKET

BY CHRISTOPHER CUNDY

■ **BRUSSELS** — Renewed demand for ferrous scrap from Asian countries including China is set to boost domestic prices in Europe, America and the Pacific Rim following the softening in prices over the summer.

"We are living with markets that are very exciting at the moment," said Björn Voigt of Germany's Thyssen Sonnenberg Recycling as he chaired the ferrous roundtable meeting at the Bureau of International Recycling's autumn meeting in Brussels this week. Reviewing the US market, John Neu of Hugo Neu reported a peak in steel demand over the summer and described 2002's steel production as "a great improvement over last year".

The price rises that resulted in the US domestic scrap market this year outstripped the rise in export prices but export cuts from Russia and Ukraine, and tightness in the global market, will reduce the difference over the coming months. "The world supply and demand [of scrap] seems close to being in balance at the present time... if the Chinese resume their deep sea scrap purchases we could easily see the see-saw of supply and demand tilt toward the demand side, causing further price increases," Neu said.

Neu reported that within the last ten days the Chinese had returned to the market, ordering seven-to-ten containers.

Meanwhile, US domestic prices will be steady at best. While steel production is expected to remain firm, HBI and pig iron imports were high in the third and fourth quarters. "Already, significant purchases have been made for first-quarter shipment to the US," said Neu.

Jeremy Sutcliffe of Simsmetal, speaking on behalf of Colin Iles of European Metal Recycling, told delegates that the UK market was hit severely by the closure of Cardiff-based mini-mill ASW. However, strong export markets and a notable decline in arisings will help safeguard scrap prices against downward pressure on long products pricing.

In Sutcliffe's own report on Australia and the Pacific Rim, he reported a rebound in ferrous scrap prices in the last month to \$135 per tonne for HMS and \$140 per tonne for shredded, driven by Asian demand. "These are the highest prices our industry has achieved in many years. While these prices have been partially influenced by [higher] freight rates, demand in the Asian region is well underpinned by strong fundamentals," he added.

Voigt reported a tight scrap market in Germany that has forced a rise in imports

from eastern European countries. The country, he said, was looking forward to "a year of high tonnages and firm prices".

Meanwhile, Russian scrap arisings in the first nine months of 2002 declined by almost 7% year-on-year to 13m tonnes — the lowest level for the last three years, said Denis Ilatovsky of Mair Joint Stock Co. In the same period, exports fell 12.9% to 4.6m tonnes.

Ilatovsky blamed the lower export volume on high export duties, border restrictions, closures of Russia's eastern



bar, but Taya reckoned that the cuts have been effective in returning most of Japan's mini-mills to breakeven point. But very low demand for scrap from domestic mills had been balanced by rising exports, with China mopping up any excess in the Japanese market. "Last year 6.2m tonnes was exported to China, South Korea,

Strong demand forces Japanese ferrous prices up

■ **TOKYO** — Soaring production at its western Japan works and restocking ahead of the coming long-weekend holiday period have led Tokyo Steel Manufacturing to lift scrap prices at all its works by between ¥500 and ¥700 per tonne effective for October 29 deliveries. "Tokyo Steel is the market leader so, reluctantly, other mini-mills must follow its price," one Osaka-based scrap trader noted.

The larger increase was slapped on all grades arriving at Tokyo Steel's Okayama works where production of mainly hot coils is bristling. The ¥700 per tonne rise took the price for road-freighted H2 to ¥15,500 per tonne, making for a ¥2,300 per tonne rise in just four weeks, the highest level there in over four years. Seaborne H2 at Okayama is now priced at ¥15,200 per tonne.

At the same time Tokyo Steel added ¥500 per tonne on arrivals of all grades at its other three works. The increase took H2 at Kyushu and Utsunomiya to ¥14,100 per tonne and at Takamatsu to ¥13,400 per tonne.

In public, Tokyo Steel blames scrap from the Kanto region being diverted to export markets for generating a tightness and forcing it to raise its offer prices. But market watchers also note the frenetic pace of the mini-mill's operations as it scrambles to meet its own finished product export commitments and to restock ahead of the coming holiday weekend when power prices will drop. "Okayama and Kyushu are in full production," the Osaka trader maintained. Tokyo Steel's raw steel output at Okayama for example averaged 120,727 tpm between January and March this year but by July-September had surged to 195,726 tpm. August output alone reached 200,330 tonnes and in September 217,542. October-November production is likely to be similarly large. H-beam exports from its Kyushu works has also seen Tokyo Steel output there increase from around 50,000 tpm in September to around 90,000 tonnes this month.

But Tokyo Steel is not the only steelmaker in western Japan with a healthy appetite for scrap right now. Nippon Steel's Oita works in eastern Kyushu has been busy meeting demands for slabs for Nakayama Steel Works and the Hirohata Works and for billets for Nippon Steel Group mini-mill Osaka Steel. To quickly up production Nippon Steel has been lifting the scrap ratio in the Oita melt and this too is causing a tightness in the scrap market. On the most recent industry figures.

ports and increases in railway tariffs. "Next year we do not forecast increases in steel scrap arising in Russia. Due to certain lack of material and state regulation measures, a further decrease in steel scrap export is highly probable," he added.

Sadao Taya of Japan's Shinsea Co — who last year warned that his country's economy was sinking into a bottomless pit — had some cheerier news to report. Domestic steel production has been cut to support prices of final products, notably reinforcing

Taiwan, Thailand and Indonesia," he said. "This situation will continue into next year."

Meng Jianbin of the Metallurgical Council of China told delegates that in the first eight months of 2002, China imported 5.5m tonnes of ferrous scrap at an average price of \$149 per tonne. There continues to be a big shortfall in domestic scrap which must be filled by imports. Jianbin estimated that by 2005, Chinese mills will consume 49m tpy of scrap but will require 22m tpy of imports.