24 October 2007 - INTERVIEW-Metal recyclers face substitution, high freight

By Anna Stablum

WARSAW, Oct 24 (Reuters) - U.S. scrap dealers are under pressure as domestic consumers of copper scrap turn to cheaper alternatives and a lack of containers makes it costly to ship scrap abroad, an executive of a U.S. metals firm said.

"We always have challenges in the non-ferrous business," said Robert Stein, who is vice president of U.S.-based metal recycler Alter Trading Corporation and President of the Bureau of International Recycling (BIR) Non-Ferrous Metal Division.

The biggest obstacles to industry growth, including rising shipping costs and substitution, were discussed at BIR's conference this week.

With copper prices near all-time highs, trading at around $7,710 per tonne on Wednesday versus the record of $8,800 set in May last year, consumers are opting for cheaper alternatives.

Stein told Reuters in an interview opn Tuesday that Mueller Industries Inc., one of the world's largest tube fabricators, had closed a major scrap facilities.

"They are going to go into the plastic tubing business," Stein said.

The copper tubing industry faces strong competition from China and with copper prices more than doubling since the end of 2004 plastic is a cheaper option.

"If you can't beat 'em join 'em," Stein said, pointing to substitution occurring across the non-ferrous industry as prices have reached all-time highs during the last two years.

LACK OF CONTAINERS

A shortage of containers used to transport scrap mainly to Asia, where metals are being separated by hand due to lower labour costs, posed rising costs for the industry.

Around 25 percent of the $65 billion of scrap processed in the United States in 2006 was for export, according to President Robin Wiener of the Institute of Scrap Recycling Industries.

A few years ago the United States and Europe bought goods from Asia but with little demand for U.S. and European products some 70 percent of all containers returned empty, Stein said.

"It gave us the opportunity to ship our low grade items...and to have cheap freight rates," Stein said.

The booming Chinese economy changed that and some ships now go back to Asia completely full, he added.

Also, after the flooding of New Orleans in 2005, an important U.S. port, demand for containers has risen.

"We are seeing an example of grains being shipped by containers instead of in bulk," Stein said.

Congestion in southern Chinese ports had tightened supply after the Chinese government had introduced more stringent controls of imported materials since May this year.

"A scrap container from the middle of the United States costs around $1,400 per container -- now it has gone up by $200-300 a container," Stein said, pointing to a sudden rise over the last few months.

(Editing by Michael Roddy; anna.stablum@reuters.com; Reuters Messaging:
anna.stablum.reuters.com@reuters.net; +44 (0)20 7542 7928)

24 October 2007 - INTERVIEW-Materials shortage, prices squeeze steel industry

By Anna Stablum

WARSAW, Oct 24 (Reuters) - Strong economic growth will support the world's steel industry over the next year but a shortage of raw materials and high prices are putting pressure on margins, the head of the German Steel Federation believes.

Dieter Ameling told Reuters in an interview that demand from the automotive, processing and machinery industries would support steel with huge volumes being absorbed by China.

"The situation on the raw materials market remains difficult -- raw materials are short and expensive," Ameling said on the sidelines of a recycling conference.

"China will increase their iron ore demand," he said, adding that additional supplies would be provided by the world's top iron ore producer, Brazil.

The German steel industry is the largest in Europe with an output of nearly 50 million tonnes per year.

The European Union is the second largest importer of iron ore, the raw material used to produce steel, after China. The Asian giant imports more than 60 percent of its consumption as Chinese iron ore has a low iron content.

Australia is the largest exporter to China and the world.

Industry estimates suggest world crude steel production will grow by 3.8 percent per year from 2005 to 2010, accelerating to 6 percent per year after 2010, mainly driven by Chinese growth.

In 2006, China consumed 357 million tonnes of steel, and for 2007 it was forecast at 398 million, increasing to 444 million by 2008.

"The forecast for 2010 is at 600 million tonnes per year of crude steel (for China)," Ameling said during the Bureau of International Recycling (BIR) conference in Warsaw.

HIGH PRICE

Iron ore prices have almost tripled since 2001, he said.

"This is a very sharp increase in price and this is due to the shortage of iron ore transporting and loading capacity."

Globally, iron ore deposits were plentiful but the technical capacity to produce iron ore was a bottleneck, while the high freight cost was yet another challenge, he said.

Shipping iron ore from Brazil to Rotterdam up to the year 2002 would cost $5 per tonne, but with the shortage of bulk carriers on the world market that figure had risen to $15-20 per tonne, Ameling said.

Around 40 percent of the world's total crude steel production, at 1.24 billion tonnes in 2006, derive from scrap.

"It is a challenge for the entire steel industry worldwide. Scrap is short and price is high," Ameling said.

The share of recycled metal as feed stock to produce steel would shrink in the future, Ameling said, pointing to China using less scrap due to a lack of availability.

"There is a tendency of new scrap decreasing," Ameling said, referring to producers becoming more resource efficient using less material for the same product functionality.

World production of steel is forecast to increase to 1.325 billion tonnes in 2007 and in 2008 to 1.414 billion, up from 1.24 billion in 2006, according to the International Iron and Steel Institute.

In 2006, steel production exceeded use by 120 million tonnes and by 2008 this surplus is expected to widen to 134 million.

(Editing by Chris Johnson; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 (0)20 7542 7928)

24 October 2007 - Stainless steel market set to recover in 2008

By Anna Stablum

WARSAW, Oct 24 (Reuters) - The global stainless steel market is expected to pick up in the first quarter of 2008 after heavy production cutbacks, which encouraged more scrap sales to Asia, a recycling conference heard this week.

"We are quite sure that we are at the bottom of the market," Michael Wright, chairman of metal recyclers ELG Haniel Metals Ltd, told the Bureau of International Recycling (BIR) conference in Warsaw.

Stainless steel is used in the engineering, transport and consumer sectors. Its key ingredients are stainless steel scrap and nickel, used to make stainless steel hard and more durable.

A drop in nickel prices <MNI3> from a record high of $51,800 per tonne in May to around $31,650 on Wednesday would prompt mills to buy raw materials after heavy de-stocking, Wright said.

Wright, who also heads BIR's stainless steel division, expected little or no increase in stainless steel production in the fourth quarter in Europe and the United States.

With U.S. consumers out of the market for nearly five months, 2007 was on its way to be a record-breaking year, according to metal recycler Barry Hunter at U.S.-based Hunter Alloys.

Exports in 2007 were seen amounting to 700,000 tonnes with Taiwan, China and India being the main export markets, he said in a paper at the conference.

In 2007, exports of scrap from Germany were forecast at 940,000 tonnes, up from 711,000 tonnes in 2006, while production of stainless steel fell by 20 percent to 1.4 million tonnes.

In Sweden and Finland, stainless steel producer Outokumpu <OUT1V.HE> was producing at only 50 percent of last year's rate in the third quarter, the conference heard.

"ASIA GRAB"

Finnish giant Outokumpu and smaller Italian mills had stopped purchasing stainless steel scrap.

"As regards pricing, in particular in October, Italy has probably won the world championship of low prices," said Sandro Giuliani of Italy's Giuliani Metalli-Cronimet Group.

Asia had also seen cutbacks in production of stainless steel but with stocks of finished products at lower levels than in Europe, Asian buyers could soon return, Wright said.

"This is what we have already seen towards the end of the third quarter, particularly from China," he added.

Asia would lead the recovery in stainless steel scrap demand and Wright urged European producers to put in their orders.

"There should be sufficient scrap available to meet demand but in 2005/2006 Asian consumers grabbed it all," Wright said.

The high nickel price, up from around $13,000 in January 2006, triggered substitution out of austenitic grades, which contain high amounts of chrome and nickel.

Production of austenitic grades fell to 60 percent of world stainless output in 2007 from 68 percent in 2006.

The beginning of production of nickel pig iron in China, estimated at around 60,000 to 100,000 tonnes per annum, had also dampened demand for stainless steel, Wright said.

Worldwide production of stainless steel is forecast at 28.6 million tonnes, in line with 2006 levels, and well below a previous forecast at 30-31 million, Wright said.

Substitution grades gained and austenitic grades were seen down at 17 million versus a previous forecast of 19.3 million.

Wright said a lower nickel price in 2008 would lift production of austenitic grades back to 19.5 million tonnes with the BIR forecasting a total global production figure of all grades at 32.5 million for 2008.

(Editing by Chris Johnson; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 (0)20 7542 7928)

23 October 2007 - European crude steel scrap prices seen stable Q4

By Anna Stablum

WARSAW, Oct 23 (Reuters) - Crude steel scrap prices in Europe are seen stable in the fourth quarter with scrap consumption reaching nearly 120 million tonnes this year, a recycling manager said on Tuesday.

Christian Rubach of German waste management firm Interseroh Hansa Recycling told a conference in Warsaw that demand had risen from around 107 million tonnes in 2006.

"Steel users have filled their stocks during the last months but general business conditions in the European steel industry are still positive," said Rubach, who is also the President of the Bureau of International Recycling (BIR) Ferrous Division.

"We estimate steel production for EU 27 this year at approximately 210 million tonnes, which is a slight increase compared to 2006," Rubach told the BIR conference.

Rubach estimated that EU-27 steel scrap consumption rose some 5 percent in the first half of 2007 to 60 million tonnes.

The country with most appetite in Europe for steel was Poland, Rubach said, pointing to a construction boom.

Steel production in Poland had increased by 13.3 percent in the first six months of 2007 to 5.5 million tonnes versus the same period last year, according to the Ferrous Division's Vice President Anton van Genuchten of TSR in Germany.

Exports of steel scrap from Europe rose by 6.8 percent to 5.5 million tonnes and imports fell by 22.8 percent to 2.9 million tonnes in the first half 2007.

Turkey is the main buyer of European steel scrap.

"Demand for scrap will be growing which means supply of scrap will remain tight," Interseroh's Rubach said.

((Editing by Peter Blackburn; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 (0)20 7542 7928))

23 October 2007 - U.S. steel scrap market seen firm despite slowdown

By Anna Stablum

WARSAW, Oct 23 (Reuters) - The crude steel scrap industry in the United States has seen little of an economic slowdown so far and demand from Asia should offset any fall in demand, metals recycler Sims Group said on Tuesday.

"With the strength of demand in China and India, the global demand for resources could withstand a slowdown in the U.S.," Sims Chief Executive Jeremy Sutcliffe told Reuters on the sidelines of a Bureau of International Recycling (BIR) conference.

He said U.S. steel demand was likely to stay strong, despite recent talk of a possible U.S. economic slowdown, because the turbulence so far had focused on the residential housing market.

"Steel is used more in commercial infrastructure," Sutcliffe said.

The United States had also experienced a slowdown in imported steel, protecting the U.S. domestic scrap market.

"Steel imports year-to-date annualised are at around 29 million tonnes, which is down 22 percent from 2006, and exports are up at around 11 million tonnes annualised. That is up around 10 percent from 2006," Sutcliffe said during his presentation.

U.S. steel inventories were at a 22-month low, boding well for the industry going into the winter season, Sutcliffe said.

"U.S. inventories are at an all-time low, prices are OK, margins are OK ... the business is going to go through some peaks and troughs but generally so far so good," he said.

Demand for steel scrap was firm with prices at around $300 for shredded, up from $260/270 in May this year, and $315/320 for prime scrap, up against $280/290 in May.

((Editing by Chris Johnson; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 20 7542 7928))

23 October 2007 - India withdraws new rules for metal scrap imports

By Anna Stablum

WARSAW, Oct 23 (Reuters) - India has withdrawn new rules for scrap imports after realising the impracticality of the new rules, Ikbal Nathani of Indian trading firm Nathani Group told a conference on Tuesday.

The regulations, which came into force in April this year, said imports of unshredded scrap were only permitted from suppliers who had been registered by the government of India via the Director General of Foreign Trade (DGFT).

But the rules were scrapped on September 27, Nathani said.

"The DGFT and the customs took a bold and courageous decision to scrap the regulation altogether. This means you can freely export scrap to India," he told the Bureau of International Recycling conference in Warsaw.

The regulations were introduced to safeguard workers dealing with metal recycling in India, underlining that the country would not accept second-rate material.

Indian imports of metal scrap are worth over $1 billion per year.

In September last year, Indian authorities seized a container of live ammunition from the United States, which had guns and grenades mixed in with the scrap.

However, the process put in place to remedy the problem of dangerous material was not only difficult to implement by the government, it also confused exporters, Nathani said.

"Many of the companies found it very difficult to provide all the financial data (required by the regulation) and they didn't want to share it," he said.

The government extended the deadline for approval three times as they had found it difficult to interpret the information given by the exporters.

"The cure was worse than the disease," Nathani said.

(Editing by Chris Johnson; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 20 7542 7928)

23 October 2007 - EU shipment law irks metal recyclers - BIR

By Anna Stablum

WARSAW, Oct 23 (Reuters) - New EU shipment regulations threaten the confidentiality of metal recyclers and create an uneven playing field, speakers at a recycling conference said.

The aim of the regulation of waste shipments, which came into force on July 12, is to simplify European legislation and reduce the risk of uncontrolled movement of material.

"But it is an impractical and unworkable document and it will hinder the principle of free trade to which we all adhere and strive," Robert Voss of UK-based metal recycling firm Voss International Ltd said.

He was speaking late on Monday at the Bureau of International Recycling (BIR) conference in Warsaw.

Under the regulation waste shipments or the transportation of recyclable metals must be subject to a contract between the person responsible for shipping the waste and the consignee.

Recyclers says this requirement risks breaching confidentiality.

"There is a risk that this kind of information comes into the hands of the public," Bjorn Grufman, President of BIR's arm Eurometrec, told Reuters at the sidelines of the conference.

Eurometrec represents non-ferrous scrap dealers in Europe.

The legislation would force the seller to expose his supplier to his customer, hurting business, Grufman said.

"It is also very bureaucratic as sometimes you would have over 100 suppliers delivering the scrap -- do you then have to name all of them?" Grufman asked.

DIFFERENT PROCEDURES

Since the legislation was introduced in July, many countries have taken differing views on how to enforce the new rules.

In Britain, there would be a 200 pound ($407.2) fine for failure to comply, legal consultant Hilary Stone of Imperial College in London said.

"In Sweden we have come to an agreement with the authorities on how to apply the rules, but we can't ship our scrap to the Netherlands as they require the form to be filled in differently," Eurometrec's Grufman said.

The best way to come to terms with the problem would be to no longer call metal scrap "waste" and instead call it recycled raw material, just like in the United States, he added.

"It should be compared with the material that stems from a mine -- that is what it is used for -- to make metal," he said.

The problem in determining when waste ceases to be waste was currently under discussion and investigation by the European Union, Grufman said.

(Editing by Michael Roddy; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 (0)20 7542 7928)

23 October 2007 - China's port problems divert copper scrap to Europe

By Anna Stablum

WARSAW, Oct 23 (Reuters) - Congestion in Chinese ports is prompting European copper scrap exporters to revert to consumers at home, metal recyclers said at a conference here.

"It creates a problem for the cash flow because the material is stuck in the port," Raphael Rodaer of the sales department at Sinomet Recycling, said late on Monday on the sidelines of a Bureau of International Recycling (BIR) conference.

Sinomet Recycling buys non-ferrous scrap in Europe, Africa and South America and sells 95 percent of its 5,000-tonne per month volume to China.

The metal recycler operates a scrapyard in Antwerp, Belgium, and has another in China where metals are separated and sorted.

Since May, exporting into China has been hampered by import tariffs, a clampdown on the mislabelling of scrap and the difference between a lower copper price on the Shanghai Futures Exchange versus a higher on the London Metal Exchange.

"Now we import copper to Europe because for that kind of material we get a better price in Europe," Kim Lemye of the purchase department at Sinomet Recycling told Reuters.

Lemye said it was difficult to find buyers as most European copper smelters preferred to buy metal on long-term contracts.

"If they buy spot, the price is not very competitive," Lemye said, adding that Sinomet had some 400 tonnes of copper scrap that they tried to sell to European smelters.

Congestion at ports in southern China was due to fluctuating import tariffs, conference participants said.

"The Chinese importers are negotiating with the Chinese customs," David C Chiao, BIRs ambassador to China, told Reuters at the conference in Warsaw.

Chiao, also working for Uni-All Group Ltd. a U.S.-based metals recycler, said the Chinese government updates its import tariffs for metal scrap every month based on the price at the London Metal Exchange.

Simomet's Rodaer said: "Your container arrives at the port, they change the import tariff, that is the problem with China."

The situation was unlikely to change as China was the biggest market for scrap recyclers.

"The can do whatever they want...I don't know how we can solve this," he said.

Import duties vary for each Chinese port but in some they were at around 400 euro ($568.2) per tonne, while the profit for Sinomet was around 30 euro per tonne, Sinomet's Lemye said.

"For the moment no one exports copper to China," he added.

VOLATILITY

The problem was particularly acute in copper due to high price volatility.

Also, the Chinese government since the start of May HAS ramped up inspection of vessels carrying scrap as some importers have mislabelled the contents of the scrap.

"The Tax Bureau and the Treasury Department are making a very thorough investigation of each and every importer," Chiao said.

To avoid the high copper price <MCU3> at around $7,500-8,000 per tonne some importers said their shipment contained for example stainless steel scrap, which has a price of around $300 per tonne and therefore a lower import tariff.

With China importing less copper scrap due to the recent clampdown the Energy Department in China was seen to be struggling as producing metal from primary sources need much more energy than from secondary sources, Chiao said.

"Different government agencies have different points of view," he said.

(Editing by Michael Roddy; RM: anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 (0)20 7542 7928)

22 October 2007 - Demand for stainless steel scrap to pick up - ELG

WARSAW, Oct 22 (Reuters) - Demand for stainless steel scrap should pick up in the first quarter after nearly six months of falls, Michael Wright, chairman of metal recyclers ELG Haniel Metals Ltd, said on Monday.

"I am very optimistic on the first quarter. We've had a very difficult six months," Wright said on the sidelines of a Bureau of International Recycling (BIR) conference in Warsaw.

Haniel Metals handles around 1.7 million tonnes a year of stainless steel scrap at its 38 operations worldwide.

"It is near the bottom of the market and mills have to order. We think it will come back very strongly during the first quarter next year," Wright, who is also chairman of BIR's stainless steel division, told Reuters.

Global growth of stainless steel production would be driven by Asia and led by China, Wright said, pointing to global production growth of 7-8 percent per year.

China's annual output growth was estimated at around 25 percent but most production would be consumed domestically.

"The Chinese mills are large but predominantly they are to serve the Chinese market," Wright said.

In Europe, large steel mills have been destocking over the last four to five months as record high nickel prices, a key ingredient in stainless steel, have triggered substitution and forced cut backs in production.

Three-months nickel futures <MNI3> hit a high of $51,800 per tonne on the London Metal Exchange in May, but since then prices have nearly halved to around $31,350 on Monday.

"There was a global fall in demand for stainless, but Europe suffered more than the rest of the world because of the alloy surcharge," Wright said.

European producers charged a higher price for their steel as the system of passing on input costs to users -- known as the alloy surcharge -- takes into account nickel futures prices, while Asian producers only use a spot charge.

With demand picking up, the second quarter could see a shortage of scrap supply, Wright said.

"At the moment there is a lot of scrap in the merchants' yards as the big mills have not been taking material over the last four to five months," he said.

"But if we see an increase in production in the first and second quarter this (will) soon to be swallowed up," he added.

In order for the European producers to find necessary amounts of raw material, they should start buying stainless steel scrap on a 3 to 12 months contract, he said.

"In 2006, by the time the Europeans came back into the market it had all gone to China ... if they have long-term contracts that would guarantee them of the supply of raw materials."

(Reporting by Anna Stablum, editing by Chris Johnson; anna.stablum@reuters.com; Reuters Messaging: anna.stablum.reuters.com@reuters.net; +44 20 7542 7928)