

Scrap at risk from towering prices

Last year, EU scrap exports leapt 23% to 345 000 tonnes, with principal destinations including China, India and South Korea.

Stainless steel scrap prices have followed nickel's march to historically high levels. But with scrap representing stainless steel producers' main cost, a continuation of these high price levels will encourage consumers to find ways of keeping their scrap requirements to a minimum, BIR's Stainless Steel & Special Alloys Committee meeting was warned.

The scrap industry should look to reassure stainless steel producers that its materials remain the 'value source' for nickel in the long term, the BIR Stainless Steel & Special Alloys Committee meeting in Beijing was told by guest speaker Markus Moll, Managing Director of Austria-based Steel & Metals Market Research.

A number of leading stainless steel producers - notably in Asia - were already looking at new production techniques which would result in a reduction of their scrap requirements. Having suggested that 'all new meltshops are looking to use as little scrap as possible', he warned delegates that a trend in this direction could potentially 'destroy a lot of your market'. Although regional variations would be quite marked, the worldwide share of scrap in stainless steel production was likely to decline from 34.8% in 2004 to nearer 32% by 2010, predicted Mr Moll.

The speaker also noted that 300 series stainless steel had seen its share of the world stainless steel market fall below 65% last year. If nickel prices remained at historically high levels, the 300 series ratio could slump as low as 55% by the year 2015.

However, he regarded this percentage as 'the floor' since many consumers had a clear preference for this material.

Production recovery

In his review of European market conditions, Sandro Giuliani of Italy-based Giuliani Metall/ Cronimet Group questioned whether strong demand for austenitic stainless steel was due to real consumption growth 'or only to stock replenishment'. European stainless steel production fell by 6.6% to 9.133 million tonnes last year - not least because of the closure of the Ardoise works in France - but output was expected to climb 7.4% in 2006 to 9.5 million tonnes, he added.

Turning to scrap imports from outside the EU, Mr Giuliani reported that the total declined by 6% last year to 820 000 tonnes, of which Russia supplied 43.7% and the USA 14.1%. In contrast, EU scrap exports leapt 23% to 345 000 tonnes, with principal destinations including China, India and South Korea.



In Beijing, Sandro Giuliani (left) stepped down as Chairman of the BIR Stainless Steel & Special Alloys Committee stepped down in favour of Michael Wright.

By Ian Martin



According to Ildar Neverov of TeplotovResource in Russia, increasing domestic demand for stainless steel scrap could lead to a reduction in his country's exports which currently stand at around 600 000 tonnes per annum. Government measures designed to eliminate VAT fraud had served to create only uncertainty, and 'significant legislative improvements' were required to solve this problem and 'make the industry more transparent', added the speaker.

Uncharted waters

Barry Hunter of US-based Hunter BenMet Assoc. contended that the stainless steel scrap market had entered 'uncharted waters' in terms of wholesale buying prices. 'General knowledge of all available wholesale buying prices has allowed those willing to sell material into this highly-competitive wholesale market to basically dictate pricing for individual loads,' he said.

Operating rates of the major US mills were 'as close to 100% as production will permit' while order books appeared set to remain strong throughout the third quarter. 'North American Stainless, perhaps our largest flat-rolled stainless producer, has already announced tonnage allocations for customers on new orders,' he noted.

Strong domestic demand and limited scrap availability had impacted on US exports, with shipments dropping 15% between the final quarter of 2005 and the first quarter of 2006. Furthermore, US export volumes in February and March were, respectively, 30% and 35% lower than in January. For the moment, Asian buyers appeared unwilling to 'aggressively compete for material', said Mr Hunter.

Scramble for metal

Mr Hunter also read out the report submitted by Stuart Freilich of US-based Universal Metal Corp. which pointed to continuing strong demand for high-temperature alloys and titanium alloys, not least because major manufacturers were 'scrambling to secure metal in order to increase their production rates of military and commercial aircraft'. The ferro-titanium market had been 'in the doldrums' during the third and fourth quarters of last year but was showing signs of renewed strong demand, he added. This was helping to prompt an increase in ferro-titanium scrap prices.

After four years as Chairman of the BIR Stainless Steel & Special Alloys Committee, Mr Giuliani stepped down in favour of Michael Wright, who works for ELG Haniel Metals Ltd in the UK. □



Barry Hunter of US-based Hunter BenMet Assoc. (left) and Ildar Neverov of Teplotov-Resource in Russia.



Guest speaker Markus Moll, Managing Director of Austria-based Steel & Metals Market Research (SMR), and Director General Lindsay Millington of the British Metals Recycling Association.