



## Stainless Steel &amp; Special Alloys Committee

# Scrap supplies remain tight



The Castle of Prince Rainier III of Monaco.

*Stainless steel scrap availability declined dramatically last year in the Western World, not least because of a major reduction in exports from the former Eastern bloc. Delegates to the BIR Stainless Steel & Special Alloys Committee meeting in Monte-Carlo were warned that any increase in scrap availability throughout 2002 could lead to a fall-off in prices for both stainless steel scrap and LME nickel.*

**A**t a well-attended meeting of BIR's Stainless Steel & Special Alloys Committee, Chairman Michael Wright of ELG Haniel Metals, U.K., gave an excellent and comprehensive report on the market. It was his last speech as Chairman since he is to be succeeded by Sandro Giuliani of Giuliani Metalli, Italy.

According to Mr Wright, stainless steel scrap availability declined in 2001 mainly because of the anticipated major curtailment in exports from former Soviet Union countries, with export reductions to Europe as high as 55-60%. In the principal EU stainless steel consuming countries, scrap availability was reduced by some 24%.

Mr Wright explained that the dramatic fall in production during the fourth quarter of 2000 had a significant impact on scrap availability, particularly in the first half of 2001. Lower nickel prices had also had a considerable influence on scrap availability, he added.

In 2001, worldwide stainless steel scrap consumption declined even faster than the output of stainless steel. Based on currently available data, usage of external austenitic (18/8) stainless steel scrap amounted to no more than 4.7 million tonnes, or 6.8% less than in 2000 when a record volume of austenitic scrap was used.

**Positive market sentiment**

According to Mr Wright, stainless steel production fell 4.1% last year to 18 million tonnes worldwide, with the bulk of the decline experienced during the fourth quarter of 2001. These cutbacks stabilised the stainless market and prevented a major price collapse.

Most stainless steel mills have indicated a positive market outlook for 2002, with U.S. producers forecasting an increase in production of around 8% and their European counterparts a rise of 5%. This positive sentiment is based on improved order activity in the first quarter of 2002 - probably more a result of inventory correction after de-stocking in 2001 rather than of a more positive economic environment.

Global crude stainless steel production appears to have expanded in the first half of 2002 and is expected to accelerate during the second half of the year. 'In 2002 we anticipate an increase in production to 19 million tonnes, which equates to an increase of 6.1%,' noted Mr Wright. He ascribed this



Michael Wright of ELG Haniel Metals, U.K. and Chairman of BIR's Stainless Steel & Special Alloys Committee (left) and BIR President Barry Hunter.

By Alfred Nijkerk



rise mainly to new capacity at North American Stainless in the U.S., as well as at ALZ and AvestaPolarit.

He added: 'This increase in production will still not be met by an appropriate increase in stainless steel scrap availability, which will mean that mills will have to further reduce the percentage of stainless steel scrap per charge and replace this with nickel, chrome and iron scrap.' Scrap ratios have decreased globally from 47.3% in 2000 to a forecast 43.7% in 2002.

Observing that the nickel price has risen from US\$ 5500 at the start of the year to around US\$ 6800 at the time of the BIR Convention, Mr Wright emphasised that low availability of stainless steel scrap would mean an increase in demand for nickel.

#### The U.K., Scandinavia and Italy

Reporting on the U.K. market situation, Mr Wright pointed out that AvestaPolarit saw its production fall by 6.4% to a still-impressive 484 000 tonnes last year. Production for 2002, however, is forecast to increase by some 9% to around 530 000 tonnes.

Stable domestic collections of some 35 000 tonnes were not enough to satisfy Sweden's appetite for stainless scrap, reported Paul Nørregaard of Danish company H.J. Hansen. As a result, the country imported approximately 190 000 tonnes in 2001 - far in excess of the 90 000 tonnes collected in Scandinavia as a whole.

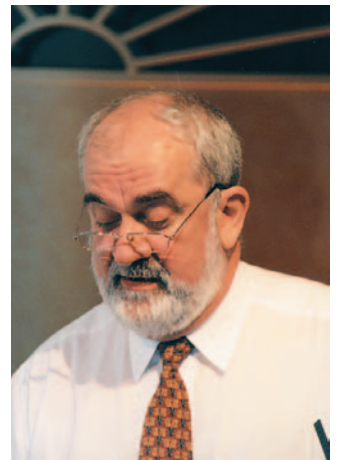
According to the report from Sandro Giuliani, the Italian market appears to be somewhat anomalous given monthly imports of around 10 000 tonnes of stainless steel scrap from Germany at the same time as monthly exports of around 6000-7000 tonnes to France.

#### Germany and the U.S.

Gerhard Teborg of Eisenlegierungen, Germany, reported that domestic stainless steel production had dropped from 1.59 million tonnes in 2000 to 1.563 million tonnes the following year, although an increase to 1.66 million tonnes is envisaged for 2002. Last year, German scrap exports amounted to approximately 430 000 tonnes while imports totalled 190 000 tonnes. The scrap ratio in Germany was 39.3% - equivalent to 615 000 tonnes, of which 365 000 tonnes was purchased scrap. The lack of Russian scrap had a severe impact, delegates were informed.

In presenting the U.S. report, Barry Hunter noted that North American Stainless is preparing to ramp up production and has advised a melt capacity of 800 000 tonnes - equivalent to almost 75% of total current U.S. production. The country's output of austenitic stainless has averaged 1.2 million tonnes over the last three years, Mr Hunter observed. Exports of U.S. stainless scrap exceeded 80 000 tonnes in the first quarter of this year, with some 37% of the total going to South Korea and a further 33% to Taiwan.

The report from Stuart Freilich of Universal Metal Corp, U.S., provided a pessimistic review of the titanium and vacuum alloy markets. He observed that the revert titanium market had 'ceased to exist' with no mill buyers for prepared feedstock or processed titanium chips. Mills are operating at around 40 or 50% of capacity and new orders are minima, he indicated. Vacuum nickel and nickel cobalt markets have fared no better, he added, with only ferro-titanium seeing an increase in demand during the first quarter. Mr Freilich envisaged no change in demand for titanium, nickel and nickel cobalt scrap until mid 2003. □



Guest speaker Christer Wallsten, Director of Raw Materials at AvestaPolarit in Sweden.



Paul Nørregaard of Danish company H.J. Hansen



Gerhard Teborg of Eisenlegierungen, Germany (left) and Paolo Brach of Ferinox Eisenlegierungen, France



From left: Walter Riedweg of Leila AG, Switzerland, Sandro Giuliani of Giuliani Metalli S.A.S., Italy, and David Hulse, Director General of the British Metals Recycling Association (BMRA).