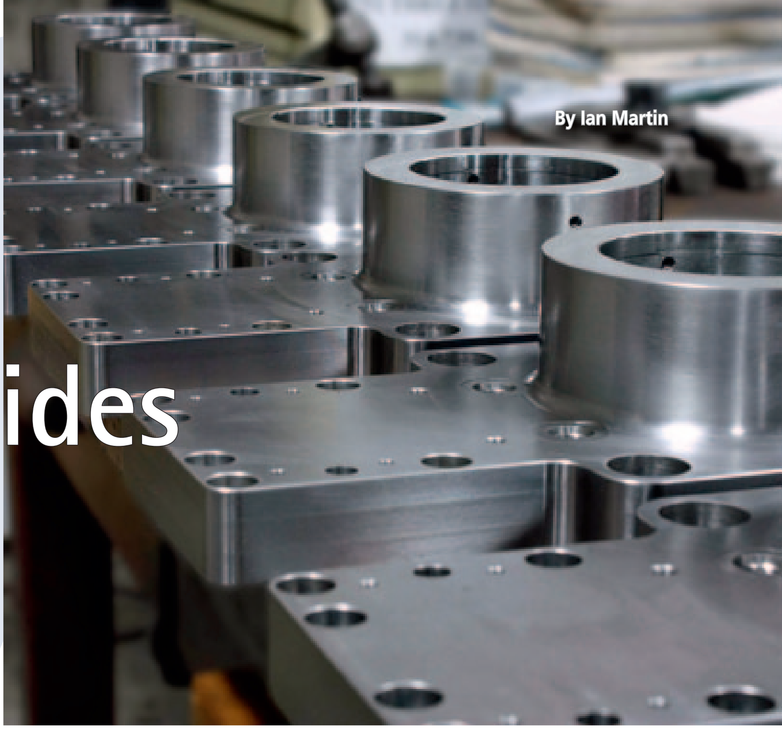

By Ian Martin

Stainless Steel & Special Alloys

Records and roller-coaster rides

The stainless steel market of late-2010 and early-2011 was described in Singapore as a 'roller-coaster'. And despite the fact that many experts are anticipating another global production peak this year, the mood at the Stainless Steel & Special Alloys Committee meeting was one of caution rather than euphoria.

Global production of stainless steel is set to smash the all-time record this year by exceeding 35 million tonnes. But even in revealing this heady prospect, the BIR Stainless Steel & Special Alloys Committee's Chairman, Michael Wright of ELG Haniel GmbH, warned that 'a cautious market' was developing ahead of the third quarter of 2011.

According to the Committee's latest World Mirror publication, global stainless scrap availability jumped from around 7 million tonnes in 2009 to almost 8 million tonnes in 2010, with a further increase of around 500 000 tonnes anticipated for 2011. Availability has been 'good', Mr Wright told delegates in Singapore, and is thought likely to remain so in the third quarter.

Reasonable balance

Dmitry Kuznetsov, Chief Analyst of the Marketing Department at MMC Norilsk Nickel in Russia, is among the experts who are predicting stainless steel production of more than 35 million tonnes this year. However, his guest presentation in Singapore was more heavily weighted towards an assessment of the nickel market which he expects to remain reasonably well balanced in 2011 before incurring a 'modest' surplus next year.

Although he made no mention of personal price forecasts, Mr Kuznetsov did present a slide outlining a consensus view: this suggested that the nickel price will oscillate between US$ 25 000 and US$ 27 000 per tonne in the next year or so before heading slightly below the lower end of this bracket by the end of 2012. Furthermore, nickel is expected to average well below US$ 25 000 per tonne in the next few years before spiking back above US$ 30 000 some time around 2017 or 2018.

Influence to diminish

Mr Kuznetsov indicated that the slice of the world stainless market commanded by the 300 series fell from 65% in 2005 to just 57% last year; this erosion of 300 series market share would slow in the coming years, reaching 54% by the year 2025. However, fellow guest speaker Markus Moll argued that the influence of the 200 series was likely to diminish over the coming years as the emerging Asian economies focused their increased purchasing power on higher qualities. The Managing Director of Austria-based Steel & Metals Market Research went on to suggest that the scrap ratio in stainless steel production will grow to 55% in the years ahead. Focusing on more immediate market developments, Mr Moll said that stainless steel production will remain below real demand in the third and fourth quarters of 2011. 'The good news is that (stainless steel) demand is holding up,' he pointed out. On the downside, however, he emphasised the emergence of 'structural problems' in some stainless steel markets and the urgent need for consolidation within the production sector.

Lower purchases

Although more extensive market reports are contained in the latest BIR Stainless Steel & Special Alloys World Mirror, board members attending the meeting in Singapore picked out some of the salient market factors in their respective regions. Danny Fischer of Shapiro Metals in the USA, for example, noted that mill purchases of 18/8 scrap had been substantially lower for April deliveries when compared to previous months, while Anand Gupta of Ambica Steels in India revealed that the country's stainless mills had enjoyed almost 100% capacity utilisation levels since the start of 2011, supported primarily by demand from foreign markets. 'Demand from the domestic market remained sluggish during this period, particularly for the 200 series,' it was observed.

In Scandinavia too, mills have been achieving healthy capacity utilisation rates of around 80-90%, according to Claes Merborn of Kolbäcks Återvinning AB in Sweden. But in reporting on the Spanish and Belgian markets, Michael Sutter of KMR Stainless AG noted: 'In general, overcapacity in European flat stainless production is still the main concern, leaving little room for a price increase when knowing that up to 50 000 tonnes of final product is imported from Asia to Europe.'

In his World Mirror report on Asia, Mark Sellier of OneSteel Recycling reflected that stainless production in China is still heavily reliant on nickel pig iron and that scrap ratios in the country remain between 20% and 25%. □

BIR Stainless Steel & Special Alloys Committee's Chairman, Michael Wright of ELG Haniel.

Guest speaker Markus Moll of Austria-based Steel & Metals Market Research.

Ahmed Sharif of Sharif Metals (left) and Mark Sellier of OneSteel Recycling.