PRESS RELEASE

Recent BIR World Recycling Convention in Barcelona (29-30 October 2012)

Ferrous Division:

Over-capacity - but more promising price outlook

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"Obvious" over-capacity in the global steel industry is mirrored to some extent by an excess of capacity in the steel recycling sector - notably among the highly-developed economies, delegates to the latest BIR Ferrous Round-Table were told by divisional President Christian Rubach of Germany-based TSR Recycling. And amid "unstable" economic conditions, recyclers "are facing enormous uncertainties", he informed his audience in Barcelona.

His concerns chimed with those expressed by Hisatoshi Kojo of Metz Corporation in Japan who noted that domestic "price-setter" Tokyo Steel cut its scrap purchasing price 13 times between mid-August and mid-October by a combined sum of Yen 5000 per tonne (just over US$ 63). And while the scrap market has "clearly hit the bottom", there is a ceiling on its recovery potential because steel product prices cannot be expected to improve until next spring at the earliest, especially with over-capacity in China of around 200 million tonnes per annum.

A brighter note was sounded in the EU market report delivered by Tom Bird of Van Dalen Recycling UK, who is President of the European Ferrous Recovery & Recycling Federation (EFR). "The final quarter for 2012 should prove to be better than the previous three quarters," he assured delegates. "Prices in the EU markets should remain relatively stable and not fall further." His more upbeat assessment was shared by Blake Kelley of Sims Metal Management who suggested that "industry prospects appear more stable and positive" at present, "even though economic uncertainties continue to keep buyers cautious, which naturally limits inventory accumulation".

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The latter contended in his US market report that “trade opinion expects November dealer prices to increase” and that, indeed, “some increased pricing is already evident”. And in his review of developments in the Pacific Rim, Mr Kelley highlighted China’s recent return to the deep-sea bulk cargo scrap import market “after a long absence”. Subsequently, the BIR Ferrous Division’s Statistics Advisor Rolf Willeke of Germany confirmed that, in the first half of 2012, there was a “sharp” year-on-year decline in China’s steel scrap usage of around 17.1% to 41.3m tonnes.

Positive sentiment in Barcelona was also fuelled by keynote speaker Ralph Oppenheimer, Executive Chairman of international steel trading company Stemcor. He predicted ferrous scrap values will rise “by at least US$ 50 per tonne” in the coming three months, not least because scrap is “seasonal” and prices tend to rise in the winter. Looking to the longer term, Mr Oppenheimer anticipated further increases given that “demand for scrap is growing faster than supply”.

Zain Nathani of the Nathani Group of Companies pointed to two records for India: its ferrous scrap imports increased by around 50% in the 2011/12 financial year to an all-time high of more than 6m tonnes; and the same period also saw India produce more shipbreaking scrap domestically than ever before, with 425 vessels yielding an estimated 3.9m ldt compared to 2.8m ldt in the previous financial year.

In the Ukraine, conversely, steel scrap collections tumbled more than 25% in the first three quarters of this year as a result of market volatility and, principally, low price levels stemming material flows, it was reported by Andrey Moiseenko of Ukrmet Ltd. Reporting also on Russia, the same speaker highlighted a 5% reduction in steel scrap shipments over this year’s January-September period.

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