

## **PRESS RELEASE**

**FOR IMMEDIATE RELEASE**

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### **BIR World Recycling Convention 25-27 May 2009, Dubai** *Press Releases on Commodity Sessions*

#### **Ferrous Division (followed by Shredder Committee): Disappointment over lack of contractual commitment**

The ferrous scrap industry experienced a “confidence shock” when some major consumers looked to escape from their contractual obligations in response to the global economic crisis. But these obligations have since been fulfilled following “fruitful” discussions between the steel and scrap industries under the leadership of BIR, European federation EFR and Germany's national federation BDSV, the BIR Ferrous Division meeting in Dubai was informed by its President Christian Rubach of Interseroh Hansa Recycling GmbH of Germany.

EFR President Tom Bird of Sims Metal Management later added: “The actions of certain steel mills both in the EU and around the world have been very disappointing over the last few months. The cancelled and renegotiated orders that many of our members have had to face are a bad reflection on the steel sector.”

As for latest market developments in Europe, Mr Bird argued that further inventory reductions may be required in the steel chain before a supply/demand balance can be achieved. Scrap collection across EU Member States has remained relatively robust “but inbound volumes in some regions have dropped as low as 50% year on year, with margins dramatically squeezed on shredder grades”. But he added positively: “I am

still optimistic that when this market turns, the streamlining of our businesses will pay dividends.”

The US domestic steel industry is operating at only 43% of capacity, reported Blake Kelley of Sims Metal Management. Nevertheless, scrap prices have remained high, possibly because supply has declined and US exports are continuing at “historic high rates”; and with blast furnaces shut down, the percentage of steel made in scrap-hungry electric arc furnaces is probably increasing, he added.

The speaker expects scrap prices to “stay in a narrow band”, controlled on the upside by steel prices that cannot increase too far before idled steelmaking capacity restarts, and on the downside by the increased costs of collection and processing, a relatively depleted reservoir of obsolete scrap, and heightened competition among dealers for available volumes.

Based on latest *worldsteel* Association data, Mr Kelley predicts that global apparent consumption of purchased scrap will decline 107m tonnes this year. He stated: “The world does not need 1.4bn tonnes of steel today, as was the annualised run rate at the peak in June 2008.”

In 2009, Russian ferrous scrap collection volumes are expected to struggle to a third of their 2008 levels, according to Roman Genkel of PG Mair. Faced with a drop in demand both at home and internationally, it is doubtful whether any of Russia’s steel mills are making a profit at present, he said.

The first of two guest speakers at the BIR Ferrous Division meeting in Dubai, Tariq Barlas of Saudi Arabia’s Al-Tuwairqi steel producing group spoke of the need for a minimum 1m-tonne scrap hub in one of the Gulf Cooperation Council countries in order to meet the requirements of the region and of its neighbours. Subsequently, Stefan Schilbe of HSBC Trinkaus & Burkhardt AG in Germany described China as “an important driver for commodity prices” and predicted that the Asian giant would experience GDP growth of more than 7% this year and of around 9% in 2010.

In the subsequent meeting of the Shredder Committee, Committee Chairman Jens Hempel-Hansen of Denmark-based H. J. Hansen Recycling Industry mentioned in his opening address that, following the substantial decline in commodity prices over recent months, it has become more important than ever for shredder operators to focus on efficiency.

And according to guest speaker Pranav Casewa of Kuwait United Chem Alloys Manufacturing Company, shredded scrap offers the best route to optimising steel production at minimum cost. Among its many advantages, he added, is its significantly lower cost compared to hot briquetted iron (HBI).

The meeting in Dubai also dwelt on key considerations in selecting the most appropriate shredder for a given application. Salam Sharif of Sharif Metals in the United Arab Emirates urged would-be operators to consider the density of material required by steel mill customers. He also underlined the importance of analysing

environmental legislation and the grades of scrap arising in a region to help determine the size and type of shredder required for a particular location.

During a discussion moderated by Anthony Bird of the UK-based Bird Group of Companies, guest speaker Roy Woolcock of shredder manufacturer Seram UK pointed out that the capacity of an installed shredder can be increased by changing the motor or by adding a pre-shredder. He had earlier informed delegates about a recent shredder design initiative based around incorporating extra magnets “tuned to a lower efficiency” for reducing free copper levels.

Having heard Mr Sharif note that some 15 shredders have been installed to date in the Middle East, Scott Newell of The Shredder Company LLC in the USA predicted that the world shredder population of around 850 “could double in the next 10 to 15 years”. Shredded scrap attracts a premium while the current generation of “smarter and stronger” shredder plants can handle a wider range of input materials, he said. Computer controls found on modern shredders “make better decisions than humans”, therefore helping to achieve higher-density, cleaner scrap and to use the power of the main motor more efficiently, he added.

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