BIR
Bureau of International Recycling

BIR is the international trade association of the recycling industries. More than 55 countries are represented through their national trade associations and individual companies which are involved in recycling. BIR comprises four commodity divisions: iron and steel, non ferrous metals, paper and textiles, and has committees dealing with stainless steel and special alloys, plastics and rubber. BIR's primary goals are to promote recycling and recyclability, thereby conserving natural resources, protecting the environment and facilitating free trade of secondary raw materials.

PRESS RELEASE

FOR IMMEDIATE RELEASE

Brussels, 7th June 2006

Beijing
北京 2006

Ferrous Division: Scrap prices expected to remain firm

The steel industry had defied the somewhat gloomy predictions of late 2005 and, as a result of strong consumption by the mills, scrap prices appeared set to remain firm for at least the next few months, BIR Ferrous Division President Colin Iles of UK-based European Metal Recycling (EMR) reassured delegates in Beijing on 29th May 2006.

Most experts had been anticipating a downturn in the world steel industry during 2006. But in his review of market conditions in Europe, the USA and the Asia Pacific region, Mr Iles noted that conditions for the world steel and ferrous scrap industries had "dramatically improved". During the first quarter of this year, scrap imports into China and South Korea were, respectively, 27% and 16.7% lower than in the corresponding period of 2005. But in other major consuming areas of the world, he said, "increased scrap consumption is evident and appears sustainable for the immediate future". Tight scrap supply conditions were likely to continue "until buyers are satisfied with their inventory and on-order levels".

With finished steel prices still on the increase, "prices for scrap, pig iron and HBI should be firm for the next few months at least," he concluded.

BIR
Avenue Franklin Roosevelt 24, B-1050 Brussels (Belgium)
Tel: + 32 2 627 57 70 - Fax: + 32 2 627 57 73 - E-mail: bir.sec@skynet.be - http://www.bir.org

Divisional Vice-President Denis Ilatovskiy of Russia's Mair Joint Stock Company acknowledged the upturn in world steel production but warned against excessive optimism given that most of the additional output in China was reliant on pig iron rather than scrap.

Guest speaker Peter Hickson, Managing Director of UK-based UBS Investment Research, suggested that "all of our ultimate destinies really depend on (steel) consumption growth in China", which he put at 13% for 2006 and 10% for 2007. Longer term, China's steel production would be constrained by the supply of raw materials - including scrap, he added.

Mr Hickson contended that steel and other commodities were now strongly related to the crude oil price. Having argued that steel was still "cheap relative to its basic material peers", the guest speaker predicted that steel and scrap prices would remain elevated in real terms.

In a subsequent panel discussion chaired by Ferrous Division Honorary President Anthony Bird of the UK's Bird Group of Companies, Mr Hickson argued that India would exceed its aim of producing 100 million tonnes of steel per annum by the year 2020, although other panellists believed the country would struggle to reach this target.

Editor of CRU Hong Kong John Johnson and Chief-Editor of China Metals Xiao-Ming Lu both believed China would ultimately fall into line with other countries and accept a 19% increase in iron ore prices for this year.

The meeting in Beijing also learned that the Indian government was introducing a registration system for overseas suppliers of any grade of ferrous scrap. Similar to the AQSIQ scheme in China, the registration system was a response to the accidents and loss of life caused by explosive materials in imported heavy melting scrap - notably from the Middle East and Africa, explained BIR Ambassador Ikbal Nathani of the Nathani Group of Companies. More than 1000 companies had already applied for registration although several months would be required for all submissions to be scrutinised, he added.

At the subsequent meeting of the BIR Shredder Committee, Chairman Jens Hempel-Hansen of H.J. Hansen Recycling Industry in Denmark suggested a sharp rise in Chinese shredder installations was unlikely given the country's low labour costs and the efficiency of its scrap processing operations using relatively simple equipment. At the same time, however, he was confident of strong Chinese demand for shredded scrap in view of the country's massive infrastructure developments.

According to Jim Schwartz of Metso Texas Shredder in the USA, the number of shredders in China stood at five but could shortly rise to six. Worldwide, at least 26 shredders had come on stream since BIR's 2005 Autumn Convention in Milan: 16 in North America, eight in Europe and two in Latin America. Eleven of these were of

6000 HP or higher and therefore fell into the category of mega-shredders; the largest of the new machines was 9000 HP.

Based on latest information, Mr Schwartz estimated that world shredder output was now exceeding 100 million tonnes per annum.

In a brief review of legislative developments, BIR's Environmental & Technical Director Ross Bartley suggested that shredder operators had become the victims of a "mis-classification" with regard to the Stockholm Convention on Persistent Organic Pollutants (POPs). Shredders were not responsible for "making" POPs and so "we are stuck in a Convention where we should not be," he argued. BIR would continue to monitor this situation in a bid to prevent any "inappropriate" regulation, he added.

ends