

PRESS RELEASE

Recent BIR World Recycling Convention in Munich (24-25 October 2011)

Ferrous Division: Scrap exports under threat

Brussels, 28 October 2011

BIR Ferrous Division President Christian Rubach of Germany-based TSR Recycling expressed the fear in Munich that Europe's status as a relatively "safe haven" for the free trade principle could come under threat in the not-too-distant future.

"There is an increasing number of voices in the different EU states and on the EU level in Brussels asking for export restrictions or at least export control and monitoring of scrap exports" - despite the fact that "there is a clear scrap surplus of 20-30m tonnes in the EU-27", he pointed out. If scrap exports were to be blocked from the EU, there would be an immediate drop in prices and recycling rates, he warned the Ferrous Round-Table meeting.

In the regional/country market reviews, it was noted by Blake Kelley of Sims Metal Management in the USA that iron ore and steel prices had been "drifting lower" but steel production "continues at high rates". As for raw materials, steelmakers "will need to restock unless consumption truly decreases", he contended. "The longer they delay, the more urgent their need."

According to the EU report from EFR President Tom Bird of Van Dalen Recycling in the UK, encouragement should be derived from the fact that "business is still being done, reflecting demand"; and although prices have fallen, current levels "are not as low as some were forecasting". Compared to the crisis of 2008, he added, "our customers are more robust, more consolidated and far more likely to continue to perform in a falling marketplace".

BIR – REPRESENTING THE FUTURE LEADING RAW MATERIAL SUPPLIERS

Indian steel production growth is likely to be restricted to 5-6% in the current year rather than the 10-12% originally anticipated, reported Zain Nathani of the Nathani Group of Companies. Having noted that many of the country's steel mills had cut production in response to lower iron ore availability, the speaker went on to say that India's ferrous scrap imports fell a fraction below 4m tonnes in the 2010/11 financial year from around 4.75m tonnes in 2009/10.

In his report for Russia and the Ukraine, Andrey Moiseenko of Ukrmet Ltd predicted that the latter of these two countries would "definitely" become an importer of scrap next year (principally from Russia and Kazakhstan), not least because of the development of domestic electric arc furnace production capacity.

Scrap supply was a theme running through many of the reports. For example, Metz Corporation's Hisatoshi Kojo confirmed that scrap prices had fallen "dramatically" in most regions of Japan over a very short period of time but that the flow of material to export yards "has also started slowing down". He concluded: "I personally anticipate the Japanese scrap market will touch the bottom by the end of October/early November and rebound up to Yen 34,000-36,000 per tonne (US\$ 441.55-467.50) towards the January-March quarter on the assumption that a Greek financial crisis is avoided."

Scrap will remain "structurally scarce" and so price levels will stay strong but with some regional volatility, according to guest speaker Professor Dr Karl-Ulrich Köhler, Managing Director and CEO of Tata Steel Europe.

Fellow guest speaker Stefan Schilbe, Chief Economist at HSBC Trinkaus & Burkhardt AG, was tasked with answering the question as to whether the world was heading for recession: on balance, he believed that this would not happen, although he emphasised that a number of countries faced serious economic problems. "I don't envisage strongly falling commodity prices any more," he added.

ends