

PRESS RELEASE

Recent BIR World Recycling Convention (Round-Table Sessions) in Prague (26 - 27 October 2015)

Ferrous Division:

“It’s not going to be business as usual”

Brussels, 29 October 2015

Billet exports from China “at ever-decreasing prices” have been “truly the cause of the present condition of ferrous scrap values”, BIR Ferrous Division President William Schmiedel of Sims Metal Management in the USA told the body’s latest gathering in Prague on October 27. “The good news,” he added in a meeting short on rampant optimism, “is that the lower prices we are experiencing today should enable our customer base to again start to look at ferrous scrap as a reasonable, viable and economic option.”

The “pain” endured by the scrap industry also extended to their steelmaking customers, emphasised Mr Schmiedel. By way of example, he quoted the chairman of a major Chinese steel producer as saying that the country’s steel industry had run up losses of US\$ 2.8bn for the first eight months of 2015.

In his global market review, Tom Bird of UK-based Mettalis Recycling contended that “there needs to be a change in the approach by China” given that “producing steel at the current rate and pricing it accordingly is simply not sustainable long term”. And he added: “It is early days but with huge losses in the state-owned Chinese steel sector attracting the attention of Beijing, international pressure and countries now taking a more aggressive stance to Chinese steel products, this can only be of benefit moving forward.”

Mr Bird said steel producers in Europe - notably in Spain and Italy - were struggling to compete against cheaper product coming from China, thus adversely affecting demand and prices for steel scrap. “It has been reported that some of the Spanish mills are considering a temporary cessation of production,” he said. “The depressed market is in

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turn affecting arisings of material, with many operators across the EU region reporting volumes into yards as much as 30-40% down on normal levels.” In the USA too, intakes into yards were continuing to slow such that, with winter approaching, “some mills may start to become uneasy about the ongoing availability of scrap”.

On a positive note, Mr Bird said the Indian and Pakistani markets had been “very active” over recent weeks, thus boosting scrap exporters. And more generally, current market conditions had encouraged some scrap consumers - “many who have been away for months” - to enquire about availability and price “as they recognise the viability of making finished steel from scrap at the lower levels”.

Also in Prague, the latest “World Steel Recycling in Figures” update from divisional Statistics Advisor Rolf Willeke highlighted the fact that the EU-28 had remained the world’s leading steel scrap exporter in the first half of this year despite a 12.1% drop-off when compared to January-June 2014. US overseas shipments had fallen by 9.1% on the same year-on-year basis.

In the keynote presentation from analyst Becky E. Hites of US-based Steel-Insights LLC, it was noted that American scrap exports were 40% below their 2011 peak and down 17% year on year in January-August 2015 despite an increase in shipments to five of its top 10 outlets (Turkey, Mexico, India, Vietnam and Peru).

Ms Hites also contended that, within the Chinese government, “the tide has turned against the accommodating policies for the steel industry”. And she went on to assert: “The world has changed. You need to look at how your world has changed and how you need to work in your new world. It’s not going to be business as usual.”

The guest speaker then moderated a question-and-answer session, for part of which she enlisted the specialist knowledge of Sunil Barthwal, Joint Secretary of India’s Ministry of Steel, and Shailendra Krishna Tripathi, Chairman of major trader MSTC. It emerged that India’s steel industry is expected to boost its scrap consumption over the next 10 years from 32m tonnes per annum to around 56m tonnes. Annual scrap imports are projected to double to 10m tonnes by 2020.

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