Sustainable? Latest bookings rise by around $30 per tonne, but traders question whether it will last

Renewed Turkish buying could buoy European ferrous scrap prices

LONDON
BY JANA MARAIS

Purchases made by Turkish mills over the Christmas period are expected to lead to a rise in ferrous scrap prices for domestic customers in Europe, market participants told MB.

Turkish mills booked an estimated 500,000 tonnes of scrap for January shipment in the second half of December, paying prices of around $280 per tonne cfr for HMS 1&2 (80:20 mix) and $285 for shredded material.

Four or five cargoes had been booked last week, according to traders, who expected more deals to be concluded.

"The buyers are not happy with these new prices," said one trader. "They were trying very hard to hold out for lower prices, but finally they had to accept these levels or they had to stop production."

The latest bookings represent an increase of around $30 per tonne from bookings made at the end of last year, and some market participants expressed concern about their sustainability.

Mills are unlikely to be able to pass the rises on to customers in finished product sales, most agreed.

"The scrap prices seem very firm – if you decrease offer prices, you simply can't get any material," the trader said. "Scrap collection falls to almost zero at lower prices, plus there is a very big decrease in new arisings and weather conditions are also deterring collection."

"I don't think prices will be going down," he predicted.

Bookings have also been completed at $285–290 per tonne cfr India and China for shredded material, $275 per tonne cfr Korea for 80:20 and $250 per tonne cfr Taiwan for containerised 80:20, sources said.

One trader based in Spain told MB he expected further production cuts to be made by European mills as the outlook for steel demand remains very weak.

"I don't expect to do any fantastic business before spring, and I don't know if the prospects will be good then," he said.

SCRAP 2009 FORECASTS

Rational approach is missing

Michael Pawlowski,
CEO, Oryx Stainless

2009 will present the global steel industry with one of its biggest challenges.

Order reductions and subsequent production cuts are high on steelmakers' agendas. Shorter working hours, the temporary suspension of raw materials purchases and numerous other cost cutting programmes are just some of the steps being taken by responsible managers in the steel industry.

But the fact that these measures include attempts to cancel contracts should be a cause of concern to every traditional businessman – it reveals the insecurity and helplessness of decision makers.

What's missing is a rational approach to the situation. It is without question that in the future the world will consume even greater amounts of steel and stainless steel.

We are in the midst of a very difficult crisis, but it is certainly not the end of the world, as one would imagine having read many recent headlines.

Much will change, however, and the purchasing of commodities is an essential field for the world's business community to examine.

Steel and stainless steel scrap, retrieved by urban mining in wealthy regions with high population, offer many advantages over primary raw material sources.

Scrap collection is less capital intensive, for example. There are also significant energy savings, and therefore carbon dioxide emission savings, associated with the use of scrap.

Secondary materials will always be the first choice of steelmakers – Anyone who believes otherwise will bear the cost.

Those steel producers with the highest portion of production derived from scrap will be the most profitable and successful. And they will certainly suffer the least damage during this crisis in 2009.

2009 will herald a new era in terms of secondary raw materials. It's just a shame to that it has taken such a crisis to realise this.

Scrap market is still alive

Barry Hunter
president, Hunter Alloys

The stainless steel scrap market is alive and functioning in spite of all the negatives being expressed on a daily basis.

Wholesale scrap buyers continue to reflect purchasing prices. The only decision for sellers into this market is whether or not to sell their scrap at the prevailing market price.

While the decision to sell or not to sell is based primarily on price, it also predicated on an individual's assessment of the market, physical room to inventory and the ability to manage cash flow.

Nothing new here .

However, what has changed quickly and dramatically has been the lack of any significant purchasing by the international consuming markets. Current worldwide economic conditions seemingly express limited need to purchase raw materials as would normally be required for the production of stainless steel.

As I look forward into 2009, I cannot help but believe that at some given point this situation will change. The world's stainless steelmakers are approaching a 30 million tpy combined capacity and they are not closing their doors and running away forever.

Even with a significant reduction in world stainless production, a significant amount of stainless steel scrap is still required. Mills cannot produce indefinitely using revert scrap or onhand purchased scrap inventories.

Once these mill stockpiles have been reduced or depleted there will be the ready availability of scrap for purchase from the wholesale market. However, due to a continued lack of manufacturing and a limited flow of processor scrap, there will not be a significant increase of scrap in the pipeline for quite some time. Should favourable economic conditions recover more quickly than anticipated, scrap prices and demand may tend to escalate quicker then expected. But I do not expect any turnaround to be anything like the dramatic downturn we saw last year.