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FROM
Secretary
General

As an auspicious start to the New Year, it is my great pleasure on behalf of the Institute to welcome the pioneer batch of the Individual Company Members (ICM) of SEAISI. They are Nippon Steel Corporation, JFE Steel Corporation, Sumitomo Metal Industries Ltd. and Kobe Steel Ltd..

The ICM is a new category of membership of the Institute specially created to enable the companies concerned to assume a more direct role in the activities of the Institute. Any steel manufacturer, producer of raw materials or manufacturer of plant and equipment for the steel industry is eligible to apply and become an ICM of SEAISI. Companies that are admitted as ICM are expected to not only contribute more financially to the Institute but also to render greater technical support to the Institute such as facilitating technology / knowledge transfer, providing staff support for special projects and providing access to technical persons, technical expertise and technical research. In return, they will be able to enjoy certain benefits and privileges unique to such category of membership, for example, proposing special projects for adoption by the Institute, becoming active members in SEAISI committee work, having consultative role to the Board of Directors and free registration of delegates for the annual SEAISI Conference & Exhibition. The Institute

welcomes more companies to become ICM of SEAISI. With the additional contribution and participation of the ICM, the Institute hopes to be able to carry out more value added services and activities for the benefit of all members. For more details on the concept and mechanism of ICM, please see the write-up inside this newsletter.

With the advent of the New Year, Japan has phased itself out as a member country of SEAISI. Japan was a founding member of SEAISI and since the establishment of the Institute in 1971, Japan had provided much support to the Institute through its contribution of affiliation fee and the dispatch of senior personnel to the Secretariat. In addition, Japan had also presented numerous papers at the Institute's annual conferences, dispatched speakers to various seminars, provided statistical data and given guidance and advice on various technological and environmental issues affecting the steel industry in the region. It is without doubt that through the above activities, Japan had contributed significantly to the development of the Institute as well as the iron and steel industry in the ASEAN region. The Institute would, therefore, wish to register its utmost appreciation and gratitude to the Japan National Committee for their past contribution and support.

Although Japan is no longer a member country of SEAISI, it will continue to be involved in the activities of SEAISI including the dispatch of speakers for the Travelling Seminar and hosting the Training Programme. In fact, the tradition of collaboration and cooperation with the

steelmakers in ASEAN could move to a higher plane with the direct participation of the major steel companies in Japan as ICM of SEAISI.

-Tan Ah Yong-

Events/ Activities



2010 SEAISI Travelling Seminar

Venue: Vietnam, Thailand, Philippines, Indonesia, Malaysia

Theme: Improving Yield and Energy Usage in Steel Processes

Date: 22-31 March 2010



50th SEAISI Finance Committee Meeting

Venue: SEAISI Secretariat office, Shah Alam, Malaysia

Date: 27 March 2010

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AUSTRALIA

Australian government approves CSN's additional stake purchase in Riversdale

The Australian government has approved an additional purchase of 2.4 million shares by CSN in Riversdale Mining for A\$6.1 per share, according to the Brazilian flat steel and iron ore producer.

The company will now indirectly hold a 16.1% stake in the Australian mining enterprise, it said in a filing with the São Paulo Stock Exchange, Bovespa.

CSN had already acquired 28.7 million shares in November, representing 14.99% of Riversdale capital.

The company did not say why it had bought the stake, although it is believed CSN is interested in coal assets.

Riversdale is developing the Benga Coal Project in Mozambique. It also owns a 74% stake in the Zululand Anthracite Colliery (ZAC), an underground anthracite mine located in the Zululand coalfield of northern KwaZulu-Natal province, South Africa.

Last year, Tata Steel increased its share in the Australian company to 19.38%.

Metal Bulletin, January 14, 2010

INDONESIA

Indonesian HRC, CRC prices soften

Domestic coil prices in Indonesia have softened in the second week of trading as the market anticipates that prices will fall further.

Hot rolled coil is trading at 7,400-7,600 rupiah per kg (\$808-830 per tonne) this week, lower than 7,600-7,700 per kg last week.

Cold rolled coil prices meanwhile have plunged to 8,400-8,950 rupiah per kg, from 9,000-9,100 rupiah per kg.

"The market started trading high when it returned from the year-end holiday last week. A lot of people were buying to stock up as there were rumours of mills increasing prices," said a trader with operations in Jakarta, Surabaya and Solo.

"But after a week, many now are thinking that prices may fall since Afta [Asian free trade area] is now fully implemented, and cheaper imports will start coming in and pushing down prices," he said.

Afta covers six Asean countries including Indonesia, and China, allowing 350 steel categories, including hot rolled coil, to enter Indonesia duty free (MB Jan 6).

Cold rolled coil is on Indonesia's sensitive list and not under Afta.

"But cold rolled stocks have not moved much since last week. There's just no demand in the market," said another trader in Jakarta.

"It's quite normal for prices to fluctuate a little now [in the beginning of the year]. Buyers and sellers are still feeling the market," said the first trader.

Metal Bulletin, January 12, 2010

Nippon Steel asked to build special steel plant in Indonesia

Indonesian Industry Minister M.S. Hidayat said the government will ask Nippon Steel to build a special steel factory in Indonesia. "A special steel factory would strengthen the country's steel industry structure and reduce dependence on imports," Hidayat said yesterday.

Indonesia relies entirely on imports for special steel, (used especially by automotive and metal-based machinery industries), importing between two and three million tons a year.

Earlier this month Hidayat asked Japan to increase its investment in the manufacturing sector by at least US\$6 billion to help strengthen the country's industrial structure. Japan was also urged to transfer technology to improve the competitiveness of local products.

Antara News, January 14, 2010

JAPAN

Japanese mini mills restart exporting billet

Japanese mini mills have restarted exporting billets, now that the previously wide price gap that had separated EAF producer asking prices and foreign buyer bid prices has narrowed.

Mitsuboshi Metal, a rebar producer in Niigata, expects to ship 5,000 tonnes in January and 6,000 t in February to Taiwan and Vietnam, for example. Inquiries from foreign mills increased in December after the Japanese yen weakened, a Mitsuboshi sales official tells Steel Business Briefing. The yen is now trading at around \$1=¥91 from \$1=¥85 at the end of November, meaning that Japanese mills can earn more in dollar-denominated contracts.

Mitsuboshi's contracted price for this month's billet exports is around ¥41,000/t (\$451/t) fob, a level the company says is still unprofitable. The mini mill says it really needs at least ¥45,000/t to break even considering the current input costs.

"But we contracted because the demand for rebars in Japan has been too low and we have to keep our EAF in operation somehow," he tells SBB. But scrap prices in Japan are increasing, and Mitsuboshi says negotiations for March shipments won't begin until scrap price trends are clearer.

These sentiments are echoed by another mini mill in the Kanto region around Tokyo. Billet inquiries are increasing because buyers want to secure semis before scrap prices climb too high. "Some bid prices have risen to around \$500/t fob but we

are still considering whether \$500/t fob can cover the higher scrap costs when we produce," an official remarked.

Steel Business Briefing, January 15, 2010

KOREA

S.Korea Hyundai Steel starts first blast furnace

South Korea's Hyundai Steel said in a statement on Tuesday it had started as scheduled operation of its first blast furnace with an annual production capacity of 4 million tonnes of steel.

Hyundai Steel has since 2006 invested a total of 5.84 trillion won (\$5.08 billion) to build two blast furnaces with an combined annual production capacity of 8 million tonnes in Dangjin, about 200 km southwest of Seoul.

The second blast furnace will start operation next year, the statement said.

A Hyundai Steel spokesman said the two furnaces would boost annual output from the country's second-largest steelmaker next to POSCO by 73 percent to 19 million tonnes. (\$1=1150.0 Won)

Reuters, January 5, 2010

Korean company agrees to buy 1M tonnes of iron ore from Consolidated Thompson annually

Consolidated Thompson Iron Mines Ltd. has reached an agreement to sell one million tonnes of iron ore concentrate annually for a 10-year term, the company said Tuesday.

Korean company SK Networks Co. Ltd., a subsidiary of the conglomerate SK Group, has committed to the offtake agreement for the Bloom Lake project in Quebec.

Consolidated Thompson said it has also reached a credit agreement with SK Networks for a US\$50-million unsecured five-year term credit facility which is expected to be available for drawdown prior to Jan. 31. The company said the facility will be used to fund potential expansion at Bloom Lake and for general working capital purposes.

"These agreements attest to the robustness of the Bloom Lake project and its attractiveness to some of the world's largest consumers of iron ore. We are very pleased to have reached long-term agreements with a well-recognized Korean company such as SKN," stated Consolidated Thompson president and CEO Richard Quesnel.

Montreal-based Consolidated Thompson is a development and exploration iron ore company that is currently focused on developing the Bloom Lake deposit. It was the best-performing company listed on the TSX last year, rising more than 600 per cent.

In the summer, the company reached an agreement with Chinese steel company Wuhan Iron and Steel (Group) Corp., or WISCO, which will see WISCO make a US\$240-million investment in Consolidated Thompson for a 20 per cent stake in the company. As part of that agreement, WISCO will also buy a 25 per cent stake in Bloom Lake and will be obligated

to buy a percentage of the iron ore produced each year for the life of the mine.

Bloom Lake has an estimated resource base of more than one billion tonnes of iron ore. The mine should begin production at eight million tonnes per year at a cost of US\$25 per tonne.

Shares in Consolidated Thompson added 30 cents or 4.4 per cent to \$7.20 in Tuesday trading on the Toronto Stock Exchange.

The Canadian Press, January 5, 2010

POSCO to double its spending: sees global demand up 10%

South Korea's POSCO, the world's No.4 steelmaker, on Monday forecast global steel demand would increase by about 10 percent this year, while local media said the company would double its spending on facilities and acquisitions.

The company also expects iron ore and coking coal prices to recover this year, Park Myung-kil, a senior vice president at POSCO, said in a document released for a parliamentary economic forum.

"Global steel market recovery will depend on how much actual demand will recover in developed countries, and how supply and demand will change in China," Park said in the document.

He added that policy changes to reduce greenhouse gas emissions would be a cost burden to global steel producers. POSCO plans to increase its crude steel production to 32 million tonnes this year from below 30 million tonnes in 2009.

Analysts expect POSCO to raise its steel product prices in the second quarter as it has yet to negotiate raw material purchase deals for the fiscal year starting in April.

Last month, analysts said cost pressures would be a major driver of global steel prices this year, with bottlenecks in the steel supply chain as well as in key raw materials such as iron ore and coking coal likely to keep prices buoyant.

POSCO will spend 10 trillion won (\$8.9 billion) this year on expanding its facilities and on acquisitions, the Korea Economic Daily reported, citing industry sources. Last year, it spent 5 trillion won.

A week ago, a POSCO spokeswoman said the steelmaker had earmarked up to 4.6 trillion won for 2010 capital expenditure.

POSCO also set its 2010 operating profit target at 6 trillion won on sales of 30 trillion won, the newspaper reported. Those numbers are a touch higher than mean forecasts from Thomson Reuters I/B/E for 5.7 trillion won in operating profit and sales of 29 trillion won.

Analysts see POSCO's operating profit rising to 1.6-1.8 trillion won in January-March, the highest since the third quarter of 2008.

"The investment target sounds somewhat aggressive, higher than markets had expected. This probably includes POSCO's

India production unit construction, and potential acquisitions this year such as Thainox," Shin added.

POSCO has been tipped as a candidate to buy energy developer Daewoo International Corp and Daewoo Shipbuilding & Marine Engineering Co Ltd, which creditors are set to put up for sale this year.

POSCO also hopes to complete negotiations soon on its acquisition of Thainox Stainless, Southeast Asia's top stainless steel producer, POSCO President Lee Dong-hee told Reuters last week, adding the talks had been going well.

Reuters, January 11, 2010

MALAYSIA

Malaysia's rebar prices up \$15 on higher scrap costs

Domestic market prices of rebar in Malaysia have gone up by 50 ringgit (\$14.8) per tonne early this week, tracking higher international prices and higher ex-works prices.

Rebar is at 1,900-1,950 ringgit per tonne, up from 1,850-1,900 ringgit per tonne before Christmas.

Malaysia's mills have also listed prices at 2,000-2,100 ringgit per tonne, up from 2,000 ringgit last month, according to mill officials.

"International prices have gone up because of the more expensive scrap, and this leads to higher prices in domestic market. It's definitely not because of higher demand," said a Singapore-based trader with operations in Malaysia.

Scrap costs have risen to \$350-370 cfr per tonne in the past four weeks, compared to \$300 cfr per tonne in early December.

Demand for rebar however is still weak in Malaysia due to the absence of new projects, and the proximity to Chinese New Year that will fall in mid-February.

"Traders prefer not to keep too much inventory throughout the holiday," he said.

"[Mills] just try to maintain prices for now," said a Malaysian mill official.

"There will be not much price movement in January. Prices will only stabilise after the Chinese New Year holiday," said Ng Sem Guan, a steel analyst at Kuala-Lumpur based OSK Research.

Metal Bulletin, January 6, 2010

Malaysian CRC prices firming at \$800

Malaysia's cold rolled coil prices are firming at \$800 per tonne, tracking the rise in international prices and scrap costs.

Offer prices were at \$800 per tonne this week, up from \$760-800 per tonne in December, said re-rollers.

This is in line with scrap import prices, which have risen to \$350-360 per tonne cfr, from \$290 per tonne in November,

said mill officials.

"Certain segments have improved in the first quarter of the year, resulting in increased demand, which had been slow during the festive December season," said Mycron Steel ceo Azlan Abdullah.

"But January is still an adjustment period as it is between Christmas and the Chinese New Year holiday in February," he said.

Demand "is certainly looking up now as the market returns from the holiday", said another mill official.

"After Chinese New Year, we can see more clearly where the market is heading," he said.

Mycron Steel, which sells more than 95% of its output in the domestic market, wants to sell 15,000 tpm in January and February, up from 14,000 tonnes in December.

It has a capacity of 22,000 tpm.

Metal Bulletin, January 8, 2010

Malaysian pipemaker awaits environmental OK for slab project

Malaysia's Hiap Teck Venture Berhad will pay RM 110m (\$32.9m) for a 55% shareholding in Eastern Steel's proposed 700,000 tonnes/year mini blast furnace project in Telok Kalong, Kemaman, in Terengganu state on the eastern coast of peninsular Malaysia.

The purchase from Eastern Steel's owners – private Malaysian investors Law Tien Seng, Lau Chin An and Lee Ching Kion – is expected to be completed by Q3 this year.

"Once the Department of Environment's approval of an Environmental Impact Assessment is given, the project will move quickly," a Hiap Teck spokesperson tells Steel Business Briefing. The project should obtain the environmental approval this quarter, SBB is told.

Hiap Teck has not started talks for raw materials nor financing for the project, located on a 240-hectare site some 7 km from Kemaman port. SBB is told that Eastern Steel is in preliminary discussions with China's Jinan Iron & Steel for the supply of equipment and technology for the project.

The project backers envisage a first phase comprising a mini-BF of 530 cubic metres inner volume and a slab caster of 700,000 t/y capacity to be completed by 2012-13. It aims to produce slabs for supply to re-rollers in Malaysia and across the region including Thailand, Indonesia and the Philippines that currently roll imported slab.

In the second phase, a hot strip mill of around 350,000 t/y capacity will be installed. This will enable Hiap Teck to secure feedstock for its core pipe-making operations.

Steel Business Briefing, January 13, 2010

Ann Joo to start 500,000 tpy BF in H2

Malaysia's Ann Joo Resources will start its 500,000 tpy blast furnace in the second half of 2010, boosting its billet capacity to 1.2 million tpy, a company official told MB.

Ann Joo previously said it would start the blast furnace in the second quarter of 2010, after delaying it for three times due to unfavourable market conditions (MB Jun 2).

Commissioning was pushed back from end-2008 to March, then to September, and then first quarter of 2010 (MB Dec 1 & April 13).

"There's no delay this time. The blast furnace itself is already ready. Now, we only need to prepare the yard for iron ore supplies," said the official.

Ann Joo has secured a five-year iron ore supply of 450,000 tpy from BHP Billiton, and the remaining iron ore requirements will be sourced in Malaysia, Thailand, Indonesia, and India, said Ann Joo's official.

Metal Bulletin, January 15, 2010

TAIWAN

Rebar demand strong in Taiwan, says Feng Hsin

Demand for rebar is strong in Taiwan due to various factors including government projects, rising prices and low user inventory levels, says a spokesman from Feng Hsin Iron & Steel Co, one of Taiwan's largest rebar makers.

"There are many government project tenders now. We had earlier expected demand to pick up after Chinese New Year (in February) but demand has already started picking up," the official tells Steel Business Briefing. Customers' inventory levels have also become low and many are anticipating further price increases in light of current rising international steel prices, he says. "Hence buying interest is strong now," the executive adds.

Feng Hsin produced around 60,000-70,000 t of rebars in December, up from around 48,000 t in November. Its total output of all products was around 138,000 t in December, which is near full production capacity for Feng Hsin. At its Taichung works in central Taiwan, the EAF producer can also make angles, sections, flat bars, round bars and square bars, and can produce up to 140,000 t/m of long products in total, including rebar.

The company also raised its rebar list prices due to strong demand and rising scrap prices. It announced a list price of TWD 18,200/t (\$574/t) this week, up TWD 700/t (\$22/t) from a week ago. The latest price is also an increase of TWD 1,600/t from a month ago as the good demand and increasing raw material prices prompted the company to raise prices over December. Feng Hsin claims to be the largest seller of rebars in Taiwan in terms of sales volume.

Steel Business Briefing, January 12, 2010

THAILAND

Bluescope caught in Thai pollution case

The Australian steel producer BlueScope is caught up in a court dispute in Thailand that has stalled billions of dollars in industrial projects because of allegations that unchecked industrial pollution in the port town of Map Ta Phut is killing residents and poisoning the environment.

Critics say the Supreme Court decision to forbid 65 industrial developments, worth nearly \$9 billion, in Map Ta Phut will threaten the precarious recovery of the economy. The central bank says the delays will cost 0.5 per cent of growth in gross domestic product. But local campaigners say people's health, and the environment, have been ignored for years in favour of profits.

Map Ta Phut is a sprawling petrochemicals hub, the eighth-largest in the world. More than 100 factories, spread over 16 square kilometres, employ more than 30,000 people.

The Public Health Ministry found the incidence of cancer and leukaemia in Map Ta Phut was five times the national average. The National Cancer Institute found refinery workers on the estate had 120 per cent higher levels of genetic damage to blood cells than rural workers. Villagers in the area do not walk in the rain because, they say, it burns their skin and causes their hair to fall out.

The lobby group which brought the court challenge, the East People's Network, says the air and water pollutants are causing birth defects, and that more than 2000 people have died from cancer in the past decade. Doctors have been unable to link the deaths conclusively to hazardous chemicals used in the area.

Thailand's largest publicly listed company, the gas group PTT, as well as Siam Cement, have both had 18 projects stalled by the court decision.

Foreign firms are also caught: Germany's Bayer, the Indian chemical firm Aditya Birla, and BlueScope Steel, though the company says it is not affected because it has no immediate expansion plans for the vacant land it owns in Map Ta Phut. But it is named in court documents which forbids any "enlargement of cold-rolled and galvanised steel manufacturing by BlueScope Steel".

A BlueScope spokesman said the company was talking to the Industrial Estate Authority of Thailand about having BlueScope removed from the list of injuncted projects.

"BlueScope Steel Thailand purchased the land about three years ago and it is surplus land to our existing operations. At no stage have we applied for approval to undertake any development ... We believe our listing is erroneous."

The Sydney Morning Herald, January 4, 2010

Flexible Business Strategy Remains SSI's Key to success

Sahaviriya Steel Industries Plc (SSI) was established in 1993 as Thailand's first manufacturer of hot-rolled steel sheet in coils (HRC) with an initial investment of 13.3 billion baht. SSI's facility is considered the most modern and largest stand-alone

hot strip mill in Southeast Asia, with a capacity of 4 million tonnes per year for HRC, and up to one million tonnes of pickled and oiled HRC. Both plants are in Bang Saphan district, Prachuap Khiri Khan on the western coast of the Gulf of Thailand. President Win Viriyaprapaikit discusses the company's strategy and outlook.

Political instability, which leads to policy uncertainty and other negative factors, remains the biggest threat to SSI's business, says Mr Win.

We are a flat steel products producer. We principally produce hot-rolled steel sheets in coil (HRC) from imported steel slabs. Our HRC products are then processed in numerous ways for further usage in various industries, such as automobile, energy, transport, construction, appliances, packaging etc. We also produce value-added high-grade products: pickled and oiled products (HRC P/O) with our own pickling and oiling line, and cold-rolled steel sheets (CRC) and electro-galvanised steel sheets (EG) via our joint-venture companies. Because Thailand does not have enough iron ore or energy, our country has to import them. This is why we chose to be located in the Bang Saphan district of Prachuap Khiri Khan province, where we built and own Thailand's largest privately owned deep-sea port, so that we can be internationally cost-competitive, as well as help the country bring down its logistics cost.

What percentage of total costs does steel represent as a raw material?

Eighty percent. That makes raw material procurement a key function of our organisation. The risk management of raw material price fluctuation is similarly important.

How has the recent baht appreciation affected SSI?

Our business is flexible. We can operate in any currency environment. For example, in the strong baht environment, we become less competitive in exports due to our baht costs, but domestic steel consumption is higher, spurred up by cheaper domestic steel due to the dollar component.

What impact do government regulations - both Thai and foreign have on SSI's business?

In general, Thailand is doing too little and being too slow in partnering with domestic industries to compete in the international arena.

Let me give you a few examples. First, as many governments in major economies rolled out their economic stimulus packages, they designed them in a way to increase domestic industrial production with the aim of keeping jobs - for instance, the "Cash For Clunkers" programmes in the US and some EU countries. We do not have that.

Some governments also designed major portions of their packages to concentrate on infrastructure building. This has both short-term and long-term benefits: the quick revival of steel consumption and long-term competitiveness of the country.

Second, some countries are keeping their currency values low or pegging them to the dollar - which is currently low - which makes their industries more competitive in the international market. While I am not a proponent of a weak

baht policy, the question is what should our government do to help us compete with those countries?

Third, some governments are going beyond that and are actively using trade laws to protect their local industries. Of course, some may argue about the merits and consequences of such actions, but as long as some countries - in this case, major countries - actively use them, our industries are stuck in a very uneven playing field. Then, our country will lose out in the long run.

With the Thai government's stimulus packages, does SSI expect to see an increase in steel consumption in the next few years? Is it possible to quantify the impact on SSI?

First, we see a revival in steel demand - back to the pre-crisis level of 12 million to 13 million tonnes per year. And then, 5% to 6% growth annually after that. We expect our sales to grow higher than that. On the other hand, we are also concerned about the unhealthy long-term effect of the burgeoning public debt.

What do you feel are the biggest risks facing your business today?

Political instability. This plays out in so many negative ways. The unsafe environment for our people, the lack of a coherent and co-ordinated policy, unclear regulations, increasing red tape and corruption - the list goes on.

Where do you see SSI in five years from now?

Our board of directors just approved a mid-term strategic plan in December for the next three years, 2010 to 2012. We will launch a major initiative - from changing the mindset of individuals to changing the culture of the organisation - hoping to change the way we add value to our customers. In our endeavour to stay relevant in the market place, we hope to revolutionise ourselves and see ourselves as a revolutionary force in the industry going forward.

Bangkok Post, January 8, 2010

VIETNAM

Steel pipe exports to US to rise, say industry experts

Domestic steel pipes producers are hoping to increase exports of steel pipes with a diameter of less than 10 inches to the US, saying the market offers great potential due to high demand and low supply.

Industry insiders said that demand for steel pipes in the US was huge, with not many countries and territories, including Taiwan, mainland China and Viet Nam, manufacturing the product.

With an export turnover of more than US\$2.7 billion of steel pipes - also known as oil industry tubular goods and often used in oil wells - to the US in 2008, China has been among the US's largest steel pipe suppliers.

However, the US Department of Commerce's recent decision to impose anti-dumping duties ranging from 10.36 per cent to

15.78 per cent on Chinese exports of steel pipes is expected to leave the Chinese less competitive.

The director of the Son Ha International Joint Stock Co, Le Vinh Son, said that his company would seize the chance, and expect to export roughly 2,000 tonnes of steel pipes monthly to the US during the next two years.

Viet Nam Steel Association vice chairman Nguyen Tien Nghi said that Hoa Phat, Viet Duc and SeAH Steel were among Vietnamese companies currently manufacturing steel pipes. The latter two began exporting steel pipes to the US late last year, with annual export revenue totalling several million dollars.

However, authorities also warned domestic steel pipe producers that Viet Nam was also among six countries which faced complaints from US steel pipe producers over alleged dumping.

US trade authorities have yet to investigate steel pipes imported from Viet Nam, as total steel pipe imports from Viet Nam make up only 2.55 per cent of the US steel market. According to US rules, if the percentage abruptly climbed to 3 per cent, they would launch an anti-dumping probe.

But sources from steel pipe manufacturers believe that Viet Nam's steel pipe exports to such a huge market as the US would be extremely unlikely to break the 3 per cent threshold.

Vietnam News, January 13, 2010

Vietnamese buyers resume hot rolled coil purchases

Vietnamese consumers have resumed purchasing hot rolled coil after more than a month's break as stocks run low, market players told MB.

Buyers in Vietnam stopped purchasing hot rolled coil when the government tightened credit and devalued the dong by more than 5% in November.

"[Traders and buyers] have not been buying since end November. Mills have to restock hot rolled coil for their production and have started buying again this week," said a trader in Ho Chi Minh.

Consumers bought 2-3mm hot rolled coil from China, Taiwan and Japan at \$540-580 per tonne cfr, up from previous highs of \$490 in December.

And the latest offers for Korea- and Taiwan-origin material rose even more to \$600 on the same terms.

Local market prices also rose, climbing to \$530-550 per tonne delivered, up from \$520 last week.

But financing continues to be a problem, market sources said.

"Some banks offer loans at 18% interest rate. That's really high. But some traders have no other choice and have to take up the loans to buy new stocks," said the trader.

"Demand in the market has not fully recovered. However, the rise in scrap prices has pushed up hot rolled coil prices," said a market source in Vietnam.

Scrap prices have jumped to \$350-380 per tonne cfr from \$290 in early December.

The rising hot rolled coil market has also opened up opportunities for a few traders in Vietnam to re-export to markets such as India at \$520-530 per tonne fob.

"We hear India is buying a lot of hot rolled now. If they buy from China, prices are at \$530-560 per tonne fob. Many now are looking at Vietnam as alternative source," said the trader.

Metal Bulletin, January 14, 2010

BRAZIL

Brazilian pig iron producers increase offers to US buyers

Brazilian pig iron producers have increased their export offers to buyers in the USA despite weak demand, market participants told MB.

The latest offers were quoted at \$330-350 per tonne fob, up from \$330-335 at the end of last year, they said.

Production costs now stand at \$260-320 per tonne fob, traders said, putting transport costs from plant to port at up to \$20-25 per tonne, depending on location.

"Even at that level there is not much interest from US buyers at the moment," one trader said. "This means a big chunk of Brazilian producers was cut out of the market."

"I had offers at \$340 fob Brazil of \$360 c&f New Orleans but I am not taking it unless I have got a back-to-back sale," a second US trader said.

"I am not going to bet on it at this point," he said, adding that mills would like to buy at no more than \$355-360 cfr.

"Scrap prices have increased, as have steel prices. So pig iron prices could potentially rise by \$10 per tonne in the next few weeks, although there is still no clear market trend at the moment," he continued.

US steelmakers have succeeded in raising their prices, market participants noted.

"US steelmakers have noticed more interest in their products for January shipping, even after they increased prices – but it still is only a month-to-month increase from a very low base," the US trader said.

"There is very little demand in the USA at \$360-370 c&f level. Maybe just a few cargoes," a third US-based trader said.

"China is showing more interest than the USA at the moment. The highest booking I heard of from China was at \$375 cfr east Russia," he told MB.

"I also heard that Brazilian steelmakers are cutting production, especially rebar. This will put more pressure on Brazilian raw materials producers," he added.

Metal Bulletin, January 6, 2010

Brazil's Minas Gerais iron ore exports down: Pará state up

Brazil's iron ore exporting regions reported mixed results for the first 11 months of last year. The leading Brazilian iron ore exporting state, Minas Gerais, saw its foreign sales down 6.7% year-on-year during the January-November 2009 period, to 131.5m tonnes from 141m t, Steel Business Briefing learns from the country's customs data.

In the same comparison export revenues decreased from US\$6.55bn to US\$5.96bn.

Meanwhile, the second largest iron ore exporting state, Pará, improved its January-November shipments by 5%. Pará's overseas iron ore sales reached 77.6m t during the period, against 73.9m t in the same period in 2008. However, the total value of these exports was flat at US\$3.5bn, SBB notes.

Steel Business Briefing, January 7, 2010

RUSSIA

Russian pipemaker gets credit to complete billet plant

Russia's ChTPZ Group has secured a 10bn rouble (€235m), five-year credit line from state-owned Sberbank Russia. It says it will use the bulk of the funds - 8bn roubles - to complete construction of the electric arc furnace meltshop at its Pervouralsk New Tube Plant (PNTZ). The remainder of the funds will be used to refinance debts to foreign banks.

The meltshop, with a capacity of 950,000 tonnes/year of billet, is expected to start up in the fourth quarter of 2010. It is designed to provide PNTZ and Chelyabinsk Pipe Rolling Plant (ChTPZ) with their own supply of billet for the production of seamless pipe, as previously reported by Steel Business Briefing. The total cost of the project is estimated at 19.2bn roubles.

A few months ago Russia's Gazprombank also granted ChTPZ Group a 20bn rouble credit line, which is backed by a state guarantee to the value of 10bn roubles. A quarter of the credit is being used to complete construction of another strategic project, the large diameter pipe mill at ChTPZ, and the first funds relating to the mill were released in November. ChTPZ aims to produce the first pipe at the new mill in July 2010.

ChTPZ Group has also appointed a new general director to head its pipe division. Alexander Fedorov has taken over the role from former Voestalpine executive Reinhold Steiner, whose contract came to an end. Fedorov has been chairman of the board of directors of ChTPZ since 2003 and of PNTZ since 2007.

Steel Business Briefing, January 12, 2010

CIS mills seek higher HRC prices to recover raw materials and transport costs

Russian mills have increased their domestic hot rolled coil offers in an attempt to recover higher raw materials and transport costs, market participants told MB.

January rolling was on offer at \$560-575 per tonne ex-works (exw), up from deals at \$540-560, they said.

But it is unlikely the offers will be accepted because demand remains poor, one trader said.

Higher scrap and coking coal prices have put pressure on producers' margins, they said.

At the same time, Russian rail tariffs have risen by around 9% since January 1, one told MB.

Metal Bulletin, January 14, 2010

INDIA

Steel sales jump 50% in Dec on firm demand

India's top steelmakers led by Steel Authority of India (SAIL) saw up to a 50% sales jump in December from a year ago, a perfect bookend to 2009 that began on a somber note with piles of unsold inventory and production cuts.

The strong numbers by companies like SAIL, India's largest steel company, and rivals JSW and Ispat also lend credence to the economic recovery gathering momentum. Indeed, the pent-up demand from the automobile and infrastructure industries as well as the low-base factor sales in December 2008 were subdued due to the downturn made it a staggering year-end for steel companies. SAIL reported a 32% growth in sales at 1.3 million tonne in December from a year ago, the company said on Sunday. The state-run company's sales in the third quarter ended December 2009 grew 23% from a year earlier due to an increase in products consumed by the construction industry. SAIL has a market share of around 25%, producing around 13 million tonne of steel every year.

Private steelmaker JSW, meanwhile, posted a 50% jump in sales from the year before, a company executive, who asked not to be named said, adding that the company has also benefited from robust construction industry demand. Demand for construction-grade steel, which slumped in August 2009 due to the monsoon, picked up again in the last quarter not just in India, but also other big markets like China and Japan. Overall steel usage in India is estimated to rise over 12%, compared with the global demand of 9.2% in 2010. That will be a far cry from December 2008 when steel demand was battered by the global slowdown forcing most steelmakers to cut production by 50% or more.

"The last two weeks of December 2009 saw a significant turnaround in demand," said JSW Steel joint managing director Seshagiri Rao.

According to industry watchers, steel consumption is likely to shoot up further as companies stock up the commodity expecting a price hike. A senior SAIL executive, requesting anonymity, said the company's sales were boosted from a fear of imminent price hike. Companies in the auto and construction sectors are said to be building inventories for the same reason.

Already, steelmakers such as SAIL, Tata Steel, Essar, Bhushan and JSW have hiked prices by up to Rs 2,000 a tonne on rise in demand. And steel prices have risen \$30-40

per tonne to \$580 a tonne globally in the past one month alone. Steel products in the domestic market are currently selling for Rs 32,000-34,000/tonne, marginally higher than the landed price of imported steel.

A Delhi-based steel analyst said the rise in prices of key raw materials, iron ore and coking coal, was also putting pressure on metal prices. Though steel demand was still modest in some parts of the US and Europe, prices are expected to remain volatile due to the pick up in Asian economies.

Sales of Mumbai-based Ispat Industries, which produces 3.4 million tonne of steel annually, were helped by strong demand from the auto sector.

"We are not carrying November's inventory and sold whatever was produced, as demand is strong," said Ispat Industries finance director Anil Surekha, adding that even household construction activities have picked up. The company refused to give its sales figures.

Mr Surekha said December 2009 sales are not comparable with sales in December 2008 as companies then were sitting on a huge inventory.

JSW's Mr Rao too was cautious, saying many steel companies are still operating below normal capacities globally. This raises concern whether the current demand and price levels are sustainable, he said.

The Economic Times, January 4, 2010

India's Tata gets huge CVD from US on HRC

Because it decided not to respond and India's government did not respond in a timely manner to the US Commerce Department's requests, India's Tata Steel will likely receive significantly higher countervailing duties (CVD) on its shipments of hotrolled coils to the US.

In an administrative review of the CVD order covering the 2008 calendar year, Commerce assigned a preliminary CVD margin of 586% to Tata - much higher than the 27.2% it assigned in the previous review.

Steel Business Briefing understands from US government documents that Tata informed Commerce it would no longer participate in the review, thus Commerce had to use "facts otherwise available" to determine the government subsidies that Tata had likely benefited from.

Commerce investigated 93 Indian government programs guided by its approach in prior reviews as well as recent Chinese CVD investigations to assign net subsidy rates for each program.

Commerce, which will make its final ruling later this year, determined that other Indian producers JSW, Essar and Ispat did not ship any HRC to the US during the period of review, thus the review was rescinded for those companies. The CVD rates determined in the most recent reviews of those companies will continue to be collected, SBB understands. JSW's previous rate was 484%, Essar's was 77%, and Ispat's was 15%.

Steel Business Briefing, January 11, 2010

CHINA

China plans to boost steel output by almost 9%

China is expected to increase steel supply by 8.6% in 2010 to 621.5 million metric tons, according to a report from the Mysteel consultancy in Shanghai. That will occur, says a report in the official Xinhua news agency, despite an expected increase in domestic prices caused by increased costs of iron ore, coking coal and other steelmaking ingredients.

The need for more steel stems from the multi-billion-dollar, multi-year economic stimulus package that has boosted production of such steel-bearing products as agricultural machinery and equipment, infrastructure construction materials, environmental protection equipment, motor vehicles and emission-reduction equipment. Since the construction of these key projects usually lasts for three years and longer, Xinhua says expanded consumption for such raw materials as steel will continue in 2010 and 2011.

Meanwhile, the Chinese central government has forecast that China's economy as measured by gross domestic product will grow by between 8% and 10% in 2010. Some private economists put the figure even higher, at more than 10% since Li Yizhong, minister of the China Ministry of Industry and Information Technology, has announced fixed-asset investment growth of 22% this year.

So, with demand for steel expected to boost production in 2010, the China Iron and Steel Association (CISA) expects foreign iron ore miners to call for a 20-30% increase in benchmark iron ore prices in 2010, the official China Securities Journal has reported. This forecast is in line with current market expectations as analysts have said the 2010 Asian benchmark price might inflate on Chinese buys.

However, Luo Bingsheng, vice-chairman of CISA, tells the newspaper that the proposed price rises would "complicate negotiations" with Rio Tinto and BHP Billiton of Australia and Vale of Brazil. China and the three major seaborne ore suppliers have been at odds for more than a year and actually never settled on a 2009 contract price. Instead, CISA members bought from the three mining firms on spot deals.

Meanwhile, Reuters is reporting that India's 5% iron ore export tax hike may "tempt Chinese buyers back into a loveless annual relationship with the big three miners," in preference to the uncertain supply and volatile prices of the spot market. As has been reported on Purchasing.com, India's boost of the export taxes on iron ore likely will add \$4-\$5 a metric ton to the cost of Indian iron ore. Indian exports most of its iron ore to China, which already has been accumulating inventories ahead of 2010 price negotiations with major iron ore miners in Australia and Brazil.

Purchasing, January 4, 2010

Colombian coal starts to move to China

Colombian coal is starting to move into China to feed the voracious demand of coastal utilities which cannot get enough domestic coal, traders said on Thursday. New Colombian spot business into China will accelerate the global tightening of coal supply and continued rise in prices, they said.

"It remains to be seen how much they actually book but there do seem to be opportunities for spot business. It's difficult now because the market's so volatile and swaps prices move dramatically within a few hours," he said. China is the world's largest coal producer but imported over 50 million tonnes in 2009 because imports to coastal utilities were cheaper than domestic coal railed or shipped from mines in the north. The current severe weather in China is disrupting domestic deliveries and increasing power demand at the same time, traders said.

While this continues, China will suck in coal from all possible origins. During 2009 strong freight rates kept the delivered cost of Colombian coal to China uncompetitive compared with Australian, Russian, Indonesian and South African coal. Colombia was the sole major coal exporting country unable to benefit from Asia's hunger for coal last year but a window is opening to allow some spot trades, they said. "There's not going to be major term business of millions of tonnes from Colombia to China in 2010 but it's fair to say that the window is opening for some spot cargoes.

Some opportunistic trade is looking viable right now," one major European utility/trader said. A prompt loading cape cargo of Colombian coal has been sold this week to a Chinese utility by a producer, said a major Colombian producer who declined to be identified. "There are enquiries in the freight market, there are firm numbers being talked now from Colombia to China," said Emmanuel Fages, analyst with Paris-headquartered Societe Generale. Enquiries for more are being examined by producers and traders, traders said.

Colombian exporters had to trim production in 2009 due to falling demand in their key markets of Europe and the U.S. Stockpiles of coal have become almost unmanageably high at the mines and Colombian ports, industry sources said. Severe weather in America may also result in increased prompt demand after months of little or nothing.

"Southern Electric took absolutely nothing from Colombia last year for its Florida plants, they managed with domestic coal. That could change soon," another trader said. Colombia exports around 64 million tonnes a year of thermal coal, mostly to Europe.

Spot Colombian cargoes have proved difficult to sell in the European market recently. Buyers have wanted delivered prices which work out at a huge discount to the API2 index because they already had massive coal stockpiles to consume and would only take more if it was at a bargain price. Colombian coal is high energy content, low-sulphur material favoured by many European utilities who blend it with poorer quality coal.

Reuters, January 7, 2010

Iron Ore Imports Surging in China Strengthen BHP, Rio's Hand

Iron ore imports by China, the largest buyer, surged 22 percent in December to the second-highest on record, strengthening the ability of BHP Billiton Ltd., Rio Tinto Group and Vale SA to ask for higher prices.

Imports reached 62.2 million metric tons, compared with 51.1 million tons in November, according to customs data

yesterday. Shipments jumped 80 percent from a year ago.

BHP, Rio Tinto and Vale, the world's three largest suppliers of iron ore, may ask for a 30 percent increase in contract prices this year, Macquarie Securities Group predicted Dec. 15, as Chinese demand soars. The nation's \$586 billion stimulus spending has boosted steel demand from automakers, builders and appliance manufacturers.

"The bottom line is, China's demand for iron ore, for coking coal, will remain extremely strong given China's record production of steel products," Jing Ulrich, the Hong Kong-based chairwoman of China equities and commodities at JPMorgan Chase & Co., said today in a Bloomberg Television interview.

The cash price of 62 percent iron ore delivered to China jumped to \$131.2 a ton on Jan. 8, a 13-month high based on data from The Steel Index. The spot price has posted six weekly gains, rising 32 percent.

"Rising cash prices boosted expectations for higher contract benchmark prices," Hu Kai, a Shanghai-based analyst with researcher Custeel.com, said by phone.

Annual contract prices take effect from April 1. Spot prices have gained because of "panic buying" by Chinese mills concerned about the availability of material, Goldman Sachs JBWere Pty. said last week.

Iron ore imports by China may jump 5.1 percent to 660 million tons this year, up from 628 million tons a year ago, Custeel.com analyst Du Wei said. Steel production may gain 11 percent to 630 million tons, she said.

China's steel output may exceed 600 million tons in 2010, after reaching a record 570 million tons in 2009, the China Securities Journal reported Dec. 17, citing Ma Guoqiang, general manager of Baoshan Iron & Steel Co., the listed unit of the nation's largest steelmaker.

Iron ore exports from Australia's Port Hedland harbor, the nation's biggest, jumped 41 percent last month from a year earlier to 14.9 million tons, the Port Hedland Port Authority said today on its Web site. Exports to China advanced 21 percent to 11.2 million tons, it said.

Australia is the world's biggest exporter of iron ore, with mines controlled by BHP and Rio Tinto.

Bloomberg, January 11, 2010

Chinese over-capacity will continue to weigh on margins, Levich says

The global economic crisis has exacerbated growing tensions between Western and Chinese trade relations, and within the global steel industry itself.

With Vietnam suddenly devaluing its currency, a budgetary mess in Greece, and crises such as the one in Dubai in December unsettling world financial markets, this just shows how the economic system is still unstable, fragile and, above all, unpredictable.

Simply throwing money at the problem in the form of stimulus packages may not solve some of the fundamental imbalances behind these difficulties. This includes excess leverage that helped to create the global economic crisis in the first place. China refuses to allow its currency to be fully convertible against the US dollar, allowing it to positively manipulate its exports, and with it, the export economies of southeast Asia. And with the perception that China is "blindly expanding" steel, aluminium, cement and plastic production capacity, avoiding economic confrontation, or even a trade war, between China and the West will be the next large strategic challenge.

There is already strong political pressure for protectionist action against "cheap" China exports.

European and US authorities routinely undertake fairly widespread anti-dumping action against importing nations during periods of economic downturn. The USA recently took protectionist measures against Chinese tyre exports, and Eurofer has lobbied for anti-dumping duties on China-origin stainless steel to supplement existing measures taken against Chinese exports of oil country tubular goods (OCTG) and other metal commodities.

China recognises that it must stimulate its own domestic market to compensate for the weak export environment and support the global economy in the absence of US spending. Thanks to the government stimulus package, the Chinese economy grew 9.8% in the third quarter and 7.9% in the second quarter, while the West was in recession.

Much of China's recovery ultimately depends on the recovery of the rest of the world. Many commentators believe it is, for the next five years at least.

Chinese labour costs are low, China has relatively low per capita GDP levels and a middle class projected to grow to some 300 million people. China also has a huge trade surplus and foreign exchange reserves.

According to this hypothesis, the age of 'resources', which was the principle driver of soaring commodity prices to their dizzying levels before the economic crash, is far from over.

This needs critical analysis, particularly as the impact of China's steel sector on the rest of the world is potentially incredible. China accounts for nearly 50% of global crude steel output, while it accounts for less than 10% of world GDP. Chinese steel consumption is driven almost exclusively by the construction sector, which accounts for more than 65% of demand. So the question is just how long can China maintain its extraordinary high national rates of gross domestic fixed investment, amid uncertainties in the global economic outlook, and a host of fundamental imbalances facing China today?

After all, China is undemocratic, untransparent and a state-run command economy, with 90% of its steel industry under government control. Production, rather than profit, is 'king', some of its public administration is corrupt and it is inefficient and, in parts, high cost to operate there.

Chinese crude steel capacity is set to rise to 800 million tpy by 2013, up from 660 million tpy at the end of 2008, based on the expansion plans we know about. Steel production and consumption rates account for a disproportionate share of GDP in value terms relative to other emerging markets.

And a large amount of this steel production is not profitable in the first quarter of last year 48 steel producers in China posted commercial losses amounting to 4.35 billion yuan (\$637 million).

China will have real over-capacity in steel and operate at a capacity utilisation of less than 80%, even if exports are high and capacity expansions are successfully restrained.

There is no likelihood that output from China will be matched by its domestic consumption.

And there are already short-term concerns emerging. Chinese steel mills have been raising their output since the start of 2009 and have been producing crude steel at an annualised rate of around 600 million tonnes throughout the third quarter. This is as much as 25% more than the same time in 2008, and comes at a time when domestic consumption is expected to only optimistically reach 570 million tonnes for 2009.

Since early 2009 the combination of undisciplined hikes in steel output and imports have undermined Chinese steel prices and propelled inventories to very high levels, particularly for commodity-grade hot-rolled coil.

Some Chinese mills have also been prompted to turn their attention to the export market. China Iron & Steel Association (Cisa) has already issued a warning about steel stock levels growing to unsustainable levels. MBR forecasts that inventories along the supply chain will continue to grow as colder weather slows construction activity. It is unlikely we will see any need for restocking until spring.

The largest concern is whether the government eliminates steel export tariffs and allows VAT returns on most key steel products.

In early 2009 export taxes and rebates were adjusted to encourage exports, and there may be further export incentives to come. Should this occur, then Chinese exporters have typically been willing to accept much lower profit margins in their export activity, and will continue to target export markets, including the GCC market on a price-based market entry strategy. Their volume of sale allows them to be relatively competitive in logistics costs. This tends to be disruptive to the local market prices, as large tonnages are landed without advance sales that are then sold on an ex-docks basis.

Much of China's impact on global steel prices will depend on whether the NDRC and the planning authorities in China will do as they say in forcing accelerated plant closures, 'control' production and establish 'orderly' markets.

It's not clear what any of these mean, but they seem to signal a move to more inefficient central state control of the industry. The former European Coal and Steel Community (ECSC) tried exactly the same tactics in the latter decades of the twentieth century, and found out how hard it is to reduce capacity, especially when the social and economic impact of lost jobs is factored in. The longer central power is utilised to maintain an unsustainable level of investment, the harder the eventual fall will be.

It is important to remember Chinese steel consumption was actually falling in the second half of 2008 and was only rescued last year by two factors.

One was sustainable expansion in credit fuelled steel-intensive consumer goods within China, such as cars and white goods. This also triggered expansion in private investment in real estate. Is this relaxed monetary policy set to become tighter?

The Chinese fiscal stimulus package also played a key role.

But this was a one-off event. There is a risk it has inflated asset bubbles and that they may crash as the effects of the spending package subside.

Because steel consumption in investment is a one-off event, there is the potential for steel consumption to collapse by as much as 30-40% if fixed asset formation drops sharply.

This will leave a significant threat of steel supply overhang on the global steel industry.

Over-capacity within China is here to stay and will serve as a brake on margins for an extended period of time in the world steel market. Currency appreciation, the obvious solution, may in fact result in a more competitive Chinese industry on the cost curve given the reduction in the price of imported iron ore. World excess capacity will leave most steelmakers operating at low levels of capacity utilisation for at least a couple of years, with most high-cost plants continuing to report losses. Steel prices will still be above the pre-2007 levels, however, and high enough for a well-operating plant at good levels of output to be profitable again.

On balance, the global steel industry can expect a gradual volume recovery, but difficult and volatile pricing conditions for 2010.

Metal Bulletin, January 13, 2010

WORLD

Asian steel mills to post solid Q4 earnings

Asia's big steel mills should post solid fourth-quarter earnings as strong growth in the region's emerging economies boosted demand and raised prices, leading most of the big mills to operate at full throttle.

China-related fears have subsided, at least for now, as the country's surprisingly resilient demand for steel has lifted pessimism on the risk of oversupply.

Many expect more demand to come after the Chinese New Year in mid-February as the government has committed to flexible economic support, while rising costs for raw material costs such as iron ore and coking coal will further boost steel prices.

"China's demand is solid and we see no worrying factors in Asia's steel market for the (2010) first quarter," said an official at a big Japanese trading company, who asked not to be identified as he was not authorised to talk to the media.

China's 2009 steel output is likely to have hit a record 565 million tonnes, with automobile output at a record high and construction activity still benefiting from a near-\$600 billion government stimulus package.

Output is almost half the global total and far higher than the 400 million tonnes predicted at the beginning of the year.

Prices of hot-rolled coil in China have risen nearly 30 percent from their June lows to around \$590 a tonne. Many expect more price hikes in the coming months.

Japanese steelmakers are the biggest gainers from a tightening market in Asia, analysts say, given capacity constraints for high-end sheet steel at rivals, China's Baosteel, the world's third-ranked steel firm, and South Korea's POSCO, the world's fourth-biggest.

"Japanese steelmakers are the ones who would benefit most from rising spot prices and tighter demand-supply conditions in Asia," Rajeev Das, analyst at Goldman Sachs, said in a note.

He said Japan and China are the only two net steel exporters but Baosteel's exports are low due to strong domestic demand.

"We'll see full-fledged demand growth in China later this year, but they'll have to buy steel from Japan due to a lack of capacity of high-end sheet steel," said Yuji Matsumoto, a steel analyst at Nomura Securities.

China's Lianhe Securities predicted that additional demand in 2010 would be three times higher than planned new capacity in China.

Nippon Steel Corp, the world's second-biggest steelmaker, and sixth-ranked JFE Holdings Inc have increased their exposure to Asia since the mid-year, due in part to a deepening construction slump at home.

JFE told Reuters last month it was seeking price hikes of 10-15 percent for January-March exports and would next month bring back on line an idled blast furnace.

Nippon Steel is expected to return to profit in October-December, while JFE's earnings will show an improvement on the previous quarter.

"We expect POSCO to raise prices by around the second quarter following the annual coking coal and iron ore price negotiations that usually take place in the first quarter," said Chung Young-kwon, an analyst at Hanwha Securities.

POSCO's operating profit is seen rising to 1.6-1.8 trillion won in January-March, the highest since the 2008 third quarter, analysts said. POSCO plans to raise crude steel production to 32 million tonnes this year from around 30 million tonnes in 2009.

Baosteel's October-December earnings are seen lower than in the previous quarter due to easing prices and a plant overhaul, but analysts said soaring demand for consumer products and real estate in China would boost prices.

"Money supply, fixed asset investment and sales of home appliances and autos are key factors for Baosteel's earnings in this first quarter," said CITIC Securities analyst Zhou Xizeng.

Chinese steel prices rose 3 percent last month with buyers defying the traditional winter lull, shrugging off dire warnings

from the government about overcapacity and a possible slump in demand.

ESTIMATED EARNINGS FOR MAJOR STEELMAKERS

	Estimated Profit/(loss)	Yr ago	Reporting date
POSCO	1.6	1.4	14-Jan
Nippon Steel	10.91	155.1	28-Jan
JFE	33.9	194.2	29-Jan
Sumitomo Metal	-47.21	97.3	3-Feb
Baosteel	2.02	-6	1-Apr

Notes: For Nippon, JFE, Sumitomo Metal Industries, estimated net profit is in billion yen for year to March 2010.

For Baosteel, estimated net profit is in billion yuan for Oct-Dec.

For POSCO, parent operating profit estimate is in trillion won for Oct-Dec.

Reuters, January 11, 2010

SE Asian billet importers delay buying

Limited offers of imported billet to Southeast Asia are prevailing at around \$485/t cfr for billet from Russia. Apart from some buying at around \$480-485/t cfr to Taiwan and the Philippines in the past week, regional buyers have not been active and have been adopting a wait-and-see attitude. The mills in the region including those in Thailand, Malaysia and Taiwan are aiming to export at \$480/t fob.

The price gap between billet and scrap imports is around \$100-110/t instead of the norm \$150/t conversion cost. However, mills in Vietnam would still prefer to operate their EAFs because companies are committed to running on schedule and keeping their workforce, a Vietnamese trader tells Steel Business Briefing. "Billet prices are rising.

Despite scrap prices increasing more in comparison with billet, they cannot shut down their furnaces. Mills would rather wait-and-see," he says of the quiet import markets for scrap and billet in Vietnam.

"The big re-rollers are still not buying. Those who booked think prices are going up further," a trader in the Philippines tells SBB. Offers of billet imports were around \$475-485/t cfr a week ago. Buyers are cautious because they are worried that prices may fall.

"Buyers have not been active because supplying mills have been on holidays," a Thai trader says. New offers are expected this week after the CIS mills return from their holidays.

Bullish traders are anticipating new offers at around \$500/t cfr because mills need to cover the rising costs of scrap. But it may take some time before buyers are willing to accept this price, SBB is told.

Steel Business Briefing, January 12, 2010

HEADLINES

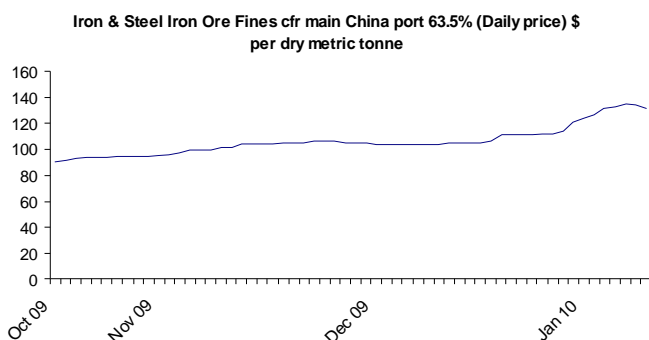
China's iron ore demand and price trend

China's demand for iron ore has surged significantly as reported by many sources. World Steel Association reported that China's domestic production (run of mine) in the first 11 months of 2009 rose by 6.1% to 790.54 million tonnes. Meanwhile imports by China registered 565.86 million tonnes in the first 11 months, an increase of 38.4% y-o-y. The stock of iron ore at China's seaports in late-December 2009 saw an increase of 0.43 million tonnes to 66.07 million tonnes, when compared to November 2009.



Source: World Steel Association

Cash price of 62 percent iron ore delivered to China saw a robust increase to 124 USD per tonne on January 5, 2010 and further increased to 131.2 USD per tonne in the next three days. Metal Bulletin reported a significant increase of daily iron ore fines (63.5%) cfr main China port prices in January 2010 by 3-4 USD per tonne each day to 134 USD per tonne in the middle of the month.



Source: Metal Bulletin

Improving demand from core contract buyers outside of China was also reported to be significant. Major iron ore miners have boosted up their capacity utilization to serve recovered demand and have revised their global output forecast. Iron ore exports from Australia's Port Hedland harbor was found to have increased by 41% in December 2009, when compared to the same period of 2008. Despite the increase in iron ore production, Goldman Sachs reported signs of supply constraints for iron ore, notably due to a lack of spot cargoes.

Although fuel price has increased significantly leading to a substantial increase in transportation cost in late 2009, there was a drop in freight rate in January 2010. According to Steel Business Briefing, freight rate for cap size iron ore from Brazil to China almost doubled to 45 USD per tonne from October to December 2009. However, the rate dropped by 30 USD per tonne in January 2010. Freight rate from West Australia to China jumped from 11 USD per tonne in October 2009 to 24 USD per tonne in November 2009 and declined substantially to 12 USD per tonne in January 2010. Goldman Sachs foresees that the freight rate will remain unchanged up to the first quarter of 2011.

Freight rate for Cape-size iron ore import (USD/ tonne)

	Brazil - China		Brazil - Rotterdam		W. Australia - China	
	Min	Max	Min	Max	Min	Max
Jun 09	34	44	19	26	17	23
Jul 09	36	39	21	24	15	18
Aug 09	29	36	14	18	12	14
Sep 09	21	29	11	14	7	12
Oct 09	24	27	13	15	9	11
Nov 09	36	47	20	25	14	24
Dec 09	27	45	15	23	11	17
Jan 10	26	30	14	16	11	12

Goldman Sachs also reported no change in Australia/Japan benchmark price forecast. However, the forecast for 62% Fe fines spot price for delivery in the first quarter of 2010 at China's port has been revised from 78 USD per tonne to 115 USD per tonne CFR. The forecast of the average spot price for the remainder of 2010 was revised from 85 USD per tonne to 110 USD per tonne CFR.

Iron ore fines, basis 62% Fe spot price forecast (USD/tonne)

	CFR China	Freight ⁽¹⁾	FOB Aust.	Contract ⁽²⁾
Q1 09	71	8	64	90
Q2 09	65	12	53	60
Q3 09	87	12	75	60
Q4 09	98	15	83	60
Q1 10F	115	12	103	60
Q2 10F	110	12	98	72
Q3 10F	110	12	98	72
Q4 10F	110	12	98	72
Q1 11F	105	12	93	72

(1) West Australia to NE China

(2) Australia/Japan benchmark for Pilbara Blend fines

Source: Goldman Sachs

SEASIS, January 2010

SEAISI Individual Company Member (ICM)

Background

A Brainstorming Workshop to map out the future strategic direction of SEAISI was organised on 8 December 2007, in conjunction with the 77th Board meeting in Bangkok, Thailand. The Workshop identified three strategic challenges i.e. revenue enhancement, customer value add and institute capability. Following this, a Task Force on Institute Structure was formed to review the Institute structure to ensure it is able to address the strategic challenges identified.

One of the key recommendations of the Task Force is the creation of a new category of membership called Individual Company Member (ICM). The main objective is to enable the bigger companies to be able to assume a more direct role in the activities of the Institute through a separate category of membership. It is felt that the bigger companies are in a better position to lend financial and technical support to the Institute so that it is better able to carry out various programmes and activities to enhance value added services to its members. The ICM concept and mechanism was subsequently approved by the Board.

Who Can Become an ICM?

The ICM must be an enterprise engaged in the production of iron and/or steel products or of related raw materials and equipment with such production, whether presently a member of SEAISI or not, with an interest to help in furthering the goals of SEAISI and its members through:

- 1) technology / knowledge transfer,
- 2) providing staff support for special SEAISI projects,
- 3) providing financial support for SEAISI projects as sponsor, and
- 4) providing access to technical persons, technical expertise, and technical research

Benefits of ICM

An ICM will enjoy the following special benefits:

A chance to influence SEAISI projects and policy making

- (i) proposing special projects in their interest for possible adoption by SEAISI;
- (ii) becoming an active member in SEAISI committee work for a fixed period of time, by invitation of the SEAISI Board;
- (iii) assuming a leadership role in SEAISI special projects subject to SEAISI guidelines;
- (iv) having a possible consultative role to the Board of Directors on specific concerns;
- (v) networking with senior and key decision makers through interaction with the Board of directors;

A chance to enjoy unique commercial benefits and special discounts

- (i) enhancing its corporate image within ASEAN through its activities;
- (ii) accessing timely market & policy information affecting or emanating from SEAISI member countries,

- (iii) preferential rates for publications, advertisements, seminars, conferences, exhibition booths, and the like.

[For the annual SEAISI Conference & Exhibition, Category 1, 2 and 3 ICM will be given one (1), two (2) and three (3) free registration(s) respectively]

Note: ICM privileges for a holding company will be extended to all subsidiary companies under the group. Subsidiary companies are defined as companies in which the holding company has shareholding of at least 50 % or above.

Subscription

An ICM shall pay the Institute such annual subscription as is determined by the Board of SEAISI. The current annual membership fee is as follows:-

<u>ICM Fee Structure *(in US Dollars)</u>			
	Category 1	Category 2	Category 3
Member Country	US\$ 2,500	US\$ 4,000	US\$ 6,000
Non-Member Country	US\$ 3,000	US\$ 4,800	US\$ 7,200

* Annual revenue to be used as criteria for differentiation of fees:

Note:
Category 1 up to US\$100 million
Category 2 > US\$100 million and up to US\$ 800 million
Category 3 > US\$ 800 million

Process of Admission

ICM applicants are required to submit their applications for membership in the prescribed form to the SEAISI Secretariat and acceptance is wholly at the discretion of the Board of SEAISI. ICM membership commences with acknowledgement of receipt of payment of membership fee.

Validity of Membership

ICM membership remains in effect unless mutually terminated via resignation or non-renewal.

Rules and Regulations

All ICMs are subject to the rules and regulations as contained in the Memorandum and Articles of Association of SEAISI.