



# SE AISI

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FROM  
Secretary  
General

As expected, the global economic turmoil resulted in a contraction in world crude steel production last year. Figures released by the World Steel Association revealed that world crude steel output declined by 8.0 % in 2009 to 1,220 million tonnes.

Almost all the major steel producing countries and regions witnessed sharp declines in steel production in 2009 with North America registering the steepest decline of 33.9 %, followed by Australia/New Zealand (-28.6 %), Europe (-22.8 %), South America (-20.1 %) and Africa (-11.0 %). Asia, on the other hand, still managed to turn in a positive growth rate of 3.5 % in 2009, thanks to the increase in steel production in China and India.

Asia produced 795.4 million tonnes of crude steel in 2009, with China accounting for 71 % of the total. China's production volume of 567.8 million tonnes in 2009 was another record high and represented an increase of 13.5 % over 2008. With that, China is now edging towards taking up half of the world's total steel production volume (China's 2009 production accounted for 47 % of total world output).

India is the only other country in Asia that saw an increase in steel production in 2009. India's output of 56.6 million tonnes represented an increase of 2.7 % over 2008, helping it to maintain its position as the 5<sup>th</sup> largest steel producer in the world. Of the other Asian countries, Japan posted the sharpest drop of 26.3 % in crude steel

production in 2009, followed by Taiwan (-20.8 %) and South Korea (-9.4 %).

Of the three ASEAN countries that are ranked in the top 40 steel producing countries in the world, Malaysia (number 21) registered a drop of 6.6 % in crude steel production, while Thailand (number 27) and Indonesia (number 34) saw their production decrease by 4.1 % and 10.6 % respectively in 2009.

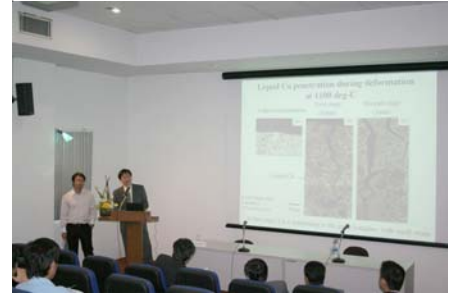
As a sign that the global steel market is recovering, world crude steel output for the month of December 2009 for the 66 countries reporting to the World Steel Association was 106.4 million tonnes, an increase of 30.2 % compared to December 2008. Most of the major steel producing countries also registered double digit growth in steel production in December 2009.

The global steel industry is poised to return to growth path in 2010. The World Steel Association had earlier on projected world steel demand to increase by 9.2 % in 2010. Reflecting this mood of optimism, some of the steelmakers in ASEAN have started to reactivate their investment projects, which were put on hold last year in the wake of the global economic crisis.

As we proceed to prepare for the 2010 SE AISI Conference and Exhibition which is to be held in Ho Chi Minh City, Vietnam from 17 to 20 May 2010, we are greatly encouraged by the turnaround in the global steel market. With the theme "The ASEAN Steel Industry: A New Era of Global Competitiveness", we expect to make this event the biggest gathering of iron and steel industry professionals in the region.

**-Tan Ah Yong-**

## Events/ Activities



### 2010 SE AISI Travelling Seminar

**Venue:** Malaysia, Thailand, Philippines, Indonesia, Vietnam

**Theme:** Improving Yield and Energy Usage in Steel Processes

**Date:** 22-31 March 2010

### Seminar schedule and contact:

Shah Alam, Malaysia, 22 March 2010

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## AUSTRALIA

### **BHP to expand West Australian iron ore ops**

BHP Billiton Ltd says it has approved a US\$1.93 billion expansion of its Western Australian iron ore business, to lift production capacity to 240 million tonnes per annum in 2013.

BHP Billiton said its share of the expansion cost would be US\$1.73 billion. The company said in a statement today that the investment represented early spending in its Rapid Growth Project 6 (RGP6).

"The funding will allow early procurement of long lead time items and detailed engineering to continue the expansion of the inner harbour at Port Hedland, progress rail track duplication works and expand the Jimblebar mining operation," the company said.

*Antara News, January 29, 2010*

### **Australia-China \$60 billion coal deal**

Australian mining company Resourcehouse announced Saturday it reached a record \$60 billion coal supply agreement with Chinese power stations.

Under the deal, Resourcehouse will supply 30 million tons of coal annually over 20 years to China Power International Development Ltd., a unit of major power producer China Power Investment Corp.

"This deal with CPI is Australia's biggest ever export contract," said Clive Palmer, an Australian billionaire and chairman of Resourcehouse, the Financial Times reports.

The project will include a large thermal coalmine in the Galilee Basin, as well as four underground mines, two surface mines and associated coal handling and processing facilities.

While the Export-Import Bank of China has agreed to contribute \$5.6 billion for the construction plan, Palmer emphasized that the project is 100-percent Australian owned.

But Chinese companies are expected to carry out most of the work, which is projected to begin later this year. Metallurgical Corp. of China, under a contract worth more than \$8 billion, will build the mines and associated export infrastructure, including a new port near Bowen, Queensland, and a new 500-kilometer rail link. Sino Coal International Engineering, China Communications Construction and China Railway Group will be subcontractors.

Resourcehouse Executive Director Phil McNamara said there is a potential to create 50,000 to 70,000 indirect jobs in Queensland.

The mine is scheduled to be operational by 2013, with the first exports to China occurring in 2014.

"This is Australia's largest single, non-syndicated, finance deal," Palmer said. "The interest from China highlights the strength of the project and the benefits for Queensland and Australia in developing a new world-class coal region."

Li Xiao Lin, chairwoman of China Power International Development, said the China First Project would open up a "massive new coal resource and the CPI Group of companies are pleased to be involved," the Financial Times reports.

Last week MCC signed an agreement to buy \$200 million worth of shares in Resourcehouse. Under the deal, MCC will own no more than 5 percent of Resourcehouse. It also agreed to take a 10 percent stake in the China First coal project.

Palmer already has a track record of doing deals with China. In 2006 and 2007 he sold lease areas of iron ore deposits to China's Citic Pacific Ltd. for \$415 million.

Resourcehouse also aims to become Australia's fourth-largest iron ore producer after Rio, BHP and Fortescue. The company has rights to mine an estimated 10 billion tons of iron ore in the Pilbara, according to the Financial Times.

*UPI, February 8, 2010*

### **Bluescope sees demand improving, predicts profit in FY '10**

Bluescope Steel expects to turn a profit in the 2010 fiscal year with demand improving across all products, the company said.

Bluescope reported a A\$28 million (\$24.8 million) loss in the first half ending December 31, down 107% from the A\$407 million profit in the corresponding period a year earlier, the company said in its 2010 fiscal first-half results.

Total revenue fell by 33% to bring first-half sales to A\$4.1 billion, down from A\$6.1 billion in the corresponding six months of 2008.

The company is confident it will deliver a small profit for the full year due to improved export and domestic markets, as well as higher steel prices, company ceo Paul O'Malley said in a statement.

"After a tough period across all our businesses, we are pleased to report a more positive trend in demand and pricing and expect a profit in the second half," he added.

The slump in profits reflects lower slab and hot rolled coil prices and a fall in domestic prices across all products, the company noted.

Production at Port Kembla steelworks fell to 2.2 million tonnes from 2.35 million tonnes in the corresponding period last year due to sluggish demand.

Slab output fell to 2.19 million tonnes from 2.40 million in the fiscal first half of 2009.

Hot rolled coil production rose slightly to 1.18 million tonnes from 1.17 million tonnes.

While profits were down overall, a gradual demand recovery was evident by the end of December, O'Malley said.

"In Australia, domestic demand improved 51% in the first half compared to the previous six months," he said, putting this down to increased buying from the residential construction

sector and improved demand for pipe and tube products.

Exports to Asia, in particular China, as well as North America rose notably.

"In China, our overall business continues to improve. China coating business despatches increased 21% in the first half compared to the previous six months."

"Our buildings business saw a 24% increase in despatches," O'Malley added.

By the June half the Australian domestic markets will recover with residential construction sales anticipated to achieve moderate growth, the company noted.

"We currently see supply and demand in balance in China, however we can expect some volatility."

*Metal Bulletin, February 15, 2010*

## **INDONESIA**

### **Krakatau expects to book 29% increase in total sales this year**

State-owned steel producer PT Krakatau Steel expects to book a 29 percent increase in its total sales this year, to Rp 21 trillion (US\$2.2 billion), as the commencement of a number of infrastructure projects is expected to increase demand.

The company's president director Fazwar Bujang said in Jakarta on Monday that he was upbeat the steel market would improve this year due to the economic recovery, which had paved the way for the commencement of several infrastructure projects.

"In 2009, our sales dropped to about Rp 16 trillion due to the global recession. This year we expect sales to increase to Rp 21 trillion, which is close to sales in 2008," Fazwar said.

Krakatau Steel sold about 2.11 million tons of steel in 2009, slightly lower than the 2.21 million tons the previous year. The company estimated that net profit reached about Rp 491 billion, an increase of nearly 7 percent from Rp 460 billion in 2008.

Krakatau Steel's total assets were estimated at Rp 12.64 trillion in 2009, down from Rp 15.37 trillion in 2008.

Fazwar said the company planned to go public through an initial public offering (IPO) this November.

"The IPO will provide us wider access for financing. With the IPO, we can get funding to cover the company's expenses for investment, which is expected to increase significantly in the future," he said.

Fazwar refused to mention the percentage of shares planned to be sold to the public.

He said only that the House of Representatives had allowed Krakatau Steel to divest up to 30 percent of its shares. "We may divest the shares in several phases.

This will be subject to market conditions. If the market is good, the percentage of shares to be sold to the public could reach 30 percent of the shares," said Fazwar. Krakatau Steel estimates that domestic steel consumption will reach 9.05 million tons this year, up from 8.38 million tons in 2009.

Fazwar said the implementation of the ASEAN-China Free Trade Agreement would result in the influx of cheaper Chinese products in the country's steel market. "The rise in the imports from China will surely hurt local producers," he added.

He added the worst impact of the free trade would be felt by the downstream business of the industry as China could sell products at cheaper prices.

To anticipate this, he said, the government and the industry must utilize all non-tariff barriers and carry out counter measures against unfair trade such as dumping practices and non-standard products.

*The Jakarta Post, February 9, 2010*

### **Indonesia to tighten standard requirements on imported products**

Indonesia will tighten the implementation of SNI standard requirements to prevent the inflow of cheap and low quality products following the implementation of the Asean-China Free Trade Agreement (ACFTA), a minister said.

"We support the implementation of the Indonesian National Standard as an anticipatory measure against goods of below standards coming into the country," manpower and transmigration minister Muhaimin Iskandar said at a press conference at his office here on Tuesday.

He said the government would also take concrete steps to anticipate the negative impact of the implementation of the ACFTA.

He said the government would conduct revitalization of its industries so that their products could compete with those from abroad particularly from China.

On worries about lay-offs following the implementation of ACFTA the minister said no indicators had shown that the implementation of ACFTA would lead to lay-offs.

He said the implementation of the ACFTA would affect 30 percent of workers in the formal sector while 70 percent of workers in the country were in the informal sector.

He said the lay-offs that happened now were not related with the ACFTA.

"According to recent data no lay-off was related to the implementation of ACFTA so far," he said.

The layoffs so far were connected with industrial relations and recruitment and working patterns, he said.

The minister urged for increased bipartite communications with regard to seeking a solution for dealing with global competition and anticipating possible layoffs following the implementation of the ACFTA.

In view of that he said the government would assign a special team to monitor and detect layoffs that are not done according to procedures and laws.

Regarding the layoffs at several companies such as JICT, Indosiar, Berita Kota, PT PAL, Mayora, Hotel Papandayan and Grand Aquila the minister suggested that the companies would cancel their decision and employ back those who had been fired.

"In view of current high unemployment, limited jobs and humanitarian reasons I appeal to the employers to cancel their decision and resume employing those who have been dismissed," he said.

Minister Muhaimin also called for an immediate meeting between the employers and employees to find a quick solution to prevent the layoffs.

"To the workers I appeal to adhere to the manpower law, and company regulations and I also call for increased cooperation between the employers and workers," he said.

*Antara News, February 16, 2010*

### **Indonesian HRC prices see small rise**

Hot rolled coil prices in Indonesia have gone up by just 50 rupiah per kg (\$5 per tonne) in the past one week, as mills continue to lack market confidence, said market participants.

Hot rolled coil was trading at 6,450-6,650 rupiah per kg this week, up from 6,400-6,600 rupiah per kg early last week.

This is after Indonesia's largest mill, Krakatau Steel, last week raised its prices for April delivery to 6,400-6,500 per kg, up 50 rupiah, said traders.

Many traders were unhappy that the price change was so small.

"It shows that the Indonesia's own mills such as Krakatau Steel itself are not confident about the market condition, and not sure if it can readily compete with the influx of Chinese imports after the Asean-China free trade," said a trader in Jakarta.

Krakatau Steel last changed its prices in November.

Other mills such as Gunung Garuda have also raised prices by a "similar amount" though their prices tend to be 100-200 rupiah below Krakatau Steel's, said sources.

Krakatau Steel and Gunung Garuda declined to confirm nor comment on these prices.

"The domestic trading market in turn becomes less excited and more difficult to move faster," said the trader.

Imports from China are expected to start trickling into Indonesia this month as Chinese traders seek an alternative market during the Chinese New Year slowdown (MB Jan 25).

The Asean-China free trade area came into effect on January 1, removing import duties for 350 steel products.

Meanwhile, demand in the Indonesia was "rather slow", as some Chinese-owned trading businesses are closed for a week, said another trader in Jakarta.

Traders expect the market to pick up only next week as businesses return from the holiday.

*Metal Bulletin, February 17, 2010*

### **Indonesian wire rod prices rise on scrap costs**

Indonesia's domestic wire rod prices have gone up over the fortnight, tracking higher scrap costs.

Locally produced wire rod was trading at 6,550-6,650 per kg (\$687-698 per tonne) this week, up from 6,250 per kg two weeks ago, according to Ario N. Setiantoro, cluster head of wire rod and nail at the Indonesian Iron and Steel Industry Assn (Iisia).

The price rise was driven by higher ex-works prices in mid-January in response to higher scrap costs.

Scrap was trading in capital Jakarta at 3,600-3,700 rupiah per kg in January, before softening to 3,500 per kg now.

The recent price hike was less affected by demand, which has been normal, said Setiantoro.

Cheap imports from China and Taiwan that can be lower by 500 rupiah per kg continue to be the bane.

"But [buyers] know the quality can be inferior to domestic ones," said Setiantoro.

Still, domestic producers remained worried that imports from China could surge this month or early March, following the creation of the free trade area this year.

"Many domestic mills are now producing at 80% or higher capacity, trying to produce as much as possible to bring more wire rod in the market now before these imports come in and spoil prices," said Setiantoro.

The average running rate of wire rod mills in Indonesia is normally around 50-60% capacity.

*Metal Bulletin, February 8, 2010*

## **JAPAN**

### **Nippon Steel to make auto steel sheet in India with Tata**

Nippon Steel Corp. said Thursday that it agreed with Tata Steel Ltd. to jointly produce cold-rolled steel sheet for automobiles starting in fiscal year 2012.

The two firms are to set up a joint venture in June, with Nippon Steel contributing 49 per cent of the capital and Tata providing the rest.

Through the venture, the partners plan to invest 30-35 billion yen (US\$334.3-389.97 million) to set up a production facility at Tata's plant in the eastern Indian city of Jamshedpur.

The facility is expected to sport an annual output capacity of 600,000 tons, or enough steel sheet for 1.6 million cars.

*Antara News, January 29, 2010*

### **JFE buys 3% of Mycron Steel as Japanese mills continue overseas expansion**

JFE Steel Corp has bought a 3% stake in Mycron Steel, a major cold roller in Malaysia, as Japanese mills continue to expand overseas due to weak domestic demand.

JFE and Mycron Steel have also signed a strategic collaboration agreement for JFE to supply hot rolled coil and technical assistance to help Mycron Steel boost its presence in automobile and electrical appliance sectors.

"The demand for high quality steel is growing in Malaysia, where manufacturers are increasingly seeking local sources of high-quality industrial materials," said JFE.

Mycron Steel produces cold rolled sheet for automobiles, drum cans, construction materials and coil centres. It is strengthening sales in the automobile industry and plans to start supplying substrate to electric galvanizing mills for electrical appliances.

Mycron Steel expanded to 260,000 tpy in 2009 from 180,000 tpy, and a new cold reduction mill is expected to come on line in around 2012 to raise capacity to 500,000 tpy.

*Metal Bulletin, February 9, 2010*

### **Japanese billet exports show shift in grades**

Despite the slump in Japanese construction steel demand last year, the country's mini mills were able to maintain cashflow and keep their furnaces operating – by exporting billets, as Steel Business Briefing has reported. But just released Customs office data reveals a mysterious tweaking of grade.

During last calendar year, Japan exported 602,000 tonnes of billets with a carbon content below 0.25%. Of these, 303,700 t went to Korea. During 2008, Japan shipped out 879,400 t of this grade of billet of which 446,500 t were delivered to Korea.

Yet the same data show that Japanese exports of billets with a carbon content more than or equal to 0.25% surged to 583,300 t last year, from 403,600 t in 2008. Of the former, 240,200 t went to Korea.

Consequently, total billet exports last year dipped only slightly to 1.18m t, from 1.28m t in 2008. Vietnam was the second largest buyer of Japanese billets last year, taking 255,000 t of which those under 0.25% C accounted for 141,700 t.

This compares with a total of 221,000 t in 2008 of which under 0.25% C accounted for all but about 16,000 t. Traders could volunteer no clear explanation for the slight grade shift. "Under or equal to 0.25% doesn't mean very much," one told SBB. But he suggested billets with a higher carbon content could more readily be rolled into larger diameter rebars much in demand as buildings in countries such as Korea and Taiwan become taller.

"Korean re-rollers have changed their requirement to produce higher tensile rebar which Japanese are able to accommodate," another suggested.

*Steel Business Briefing, February 12, 2010*

### **Japan January crude steel output rises 37 pct**

Policies aimed at boosting demand for cars and homes in emerging markets helped Japanese mills increase crude steel output by more than a third in January from a year ago.

A nearly 37 percent jump in January to 8.72 million tonnes was the third-straight monthly increase in crude steel output and in line with recent economic indicators which have shown the Japanese economy is on a moderate recovery path.

"The data shows that finally, the upward momentum (in steel output) is strengthening," said Tomomichi Akuta, senior economist at Mitsubishi UFJ Research and Consulting.

According to a Reuters poll issued on Wednesday, Japanese manufacturers are becoming steadily less pessimistic about economic conditions and at their least gloomy since July 2008 as the economy recovers on the back of exports, particularly to emerging economies.

The stimulus-fuelled rebound in domestic demand and a corporate investment revival have also helped mask rising deflationary pressure and the risk of a slowdown in 2010, as Japan's economy grew faster than expected in the fourth quarter.

Japan's core machinery orders jumped in December to secure the first quarterly rise in the key measure of capital spending in almost two years, but the data also pointed to little confidence of recovery in the months ahead.

"There were concerns about the weakness of capital spending, but recent data showed that investment money is gradually returning to big machinery and buildings," he said.

There are also signs of the U.S. economy bottoming out.

U.S. housing starts rose to a six-month high in January and industrial output increased solidly, pointing to an economic recovery taking a firm hold and respectable first-quarter growth.

"It (the steel data) suggests that the developed economies have emerged from their slump in the recent financial crisis, and that this recovery trend will continue. But it will still lack the strength of a full-fledged recovery," Akuta said.

Japanese steelmakers, including the world's second-biggest steelmaker Nippon Steel Corp and the No.6 JFE Holdings Inc, have boosted exports of high-grade steel, such as galvanised sheet steel, tinned plates and magnetic sheet steel, to South Korea, China and other Asian countries.

*Reuters, February 18, 2010*

### **Posco won't pull out of Orissa'**

South Korea's Posco said it will not pull out of Orissa amid media reports that it is looking for an alternate base in India. Both Posco India and the Naveen Patnaik government strongly dismissed speculation in a section of media that the South Korean steel major was planning to shift its proposed 12-million-tonne steel project to Kulti in West Bengal.

Posco was facing problems in acquiring land for its Rs 52,000-crore plant near Paradip.

"I'm confident Posco is not shifting its project anywhere. We have talked to them and they have assured us they will execute the 12 million tonne project in Orissa," state steel and mines secretary Ashok Dalwai told ET, adding that the state government has already facilitated the mining lease in favour of the steel behemoth.

Senior officials at Posco India also corroborated Mr Dalwai by affirming that the company was committed to the project. "The project is extremely important of us and we remain committed to it. Things in Orissa are moving and we are hopeful of significant progress," Posco India GM (external affairs) Simant Mohanty told ET.

Mr Mohanty said the rehabilitation package for betel vine owners and labourers has already been announced. "The company has already deposited Rs 105 crore towards compensatory afforestation to meet the conditions for using forest land for building the steel plant," adding that he hoped the administration would be able to hand over land at the earliest.

Posco is battling hard to find a solution to the ongoing land dispute for its Rs 52,000-crore plant near Paradip even as it recently got clearance from the Union ministry of forest and environment to acquire forest land for the biggest FDI project.

*The Economic Times, February 12, 2010*

### **Posco plans a new 800,000 t/y wire rod mill**

Korea's Posco is planning to build a new plant to produce wire rod at its Pohang steelworks north of Busan. The new plant will have a capacity of 800,000 tonnes/year and is slated to be commissioned by the first half 2012.

The new mill will be the Korean mill's fourth wire rod unit, and it will take Posco's total capacity of wire rod to about 2.8m t/y. Final approval for the project will be made at a meeting of Posco's executives in April, the source says. As demand from the auto industry is steadily increasing, the new mill is likely to focus on producing cold-heading quality rod and similar products.

Posco's project comes in response to the increasing imports of wire rod over the past few years. Korean import volume of wire rod was hovering around 1-1.4m t/y during 2002-08, though the tonnage dipped to 762,000 t last year due to the large drop in demand, according to the Korea Iron & Steel Association. Market sources suggest Posco's expansion of wire rod output will aim to substitute imported materials.

Last year, Posco produced just over 2m t of wire rod, the majority of the country's total output of 2.6m t. The mill sold 1.66m t wire rod to domestic consumers and exported 350,000 t, SBB learns.

*Steel Business Briefing, February 16, 2010*

## MALAYSIA

### Vale plans iron ore port and stockpile in Malaysia

Brazilian iron ore producer Vale is planning to build an iron ore port terminal in Teluk Rubiah, Malaysia, in order to improve its iron ore distribution to Asian countries. The terminal may be commissioned by the first half of 2013, Steel Business Briefing learns from the company.

The US\$900m project, which is yet to be approved by the miner's board, proposes constructing a terminal capable of handling 400,000 dwt bulk vessels, and with stockpiles having an initial capacity for 30m tonnes/year of iron ore. In a subsequent phase capacity could be expanded to 90m t/y.

The move could be the first step towards setting up an iron ore pelletizing plant in Southeast Asia, as mulled by Vale in the past, SBB understands.

Asia was Vale's largest market for iron ore and pellets last year, taking almost 180m tonnes. Of this China accounted for 140mt, Japan 22mt, Korea 11mt and the rest of Asia 6mt.

*Steel Business Briefing, February 12, 2010*

### Steel prices likely to rise further

Steel prices are expected to jump a further 15% to 20% after the Chinese New Year as governments in East Asia restart spending on major infrastructure-related projects and restocking activities increase, said Malaysia Steel Works (KL) Bhd (Masteel) managing director Datuk Seri Tai Hean Leng.

The current steel bar price in the domestic market is about RM2,000 (US\$585) per tonne while the international market price is about US\$565.

He said the steel industry was heading for a recovery with an average capacity utilisation of about 70% to 75% due to an improvement in steel demand from East Asia.

The higher cost of raw materials like iron ore and scrap metal, given the extreme cold winter, could also result in steel prices rising in the coming months.

"Many industry players are expecting an increase in restocking activities as consumers (steel buyers) prepare for strong construction demand by end-February," Tai told StarBiz.

Malaysia, Indonesia, the Philippines, Singapore and Thailand are expected to spend a total of about RM102bil on infrastructure projects, financed by their economic stimulus packages.

He also expects locally-made steel billets to command higher prices in the regional markets as the local products were of a higher grade compared with those from China.

"The Middle East, Australia, Pakistan and Bangladesh will also be favourable export markets for local billets, should these economies continue to improve," he said.

According to Tai, Masteel was looking forward to boosting the sale of its premium steel products which conform to the Australian and New Zealand standards.

The company recently secured a two-year contract worth RM120mil to export steel bars to major cities in Australia. It has been exporting to New Zealand since October last year.

Tai said Masteel was targeting to produce 500,000 tonnes of steel billets and 280,000 tonnes of steel bars by the year-end. Currently it produces about 450,000 tonnes of billets and about 230,000 tonnes of steel bars.

"Works are in progress to further boost our billets and steel bars capacity to 550,000 tonnes and 300,000 tonnes by the middle of next year," he said, adding that this was to cater to the expected higher demand arising from projects earmarked by the government stimulus packages.

The infrastructure expenditure in Malaysia include the Light Rail Transit extension, Gemas-Johor Baru electrified double-tracking, the low-cost carrier terminal, the upgrading of roads, bridges and community halls in rural areas, the upgrading of schools and hospitals as well as the urban transport system.

It is reported that over the past two years, local steel mills had been exporting about one million tonnes of steel products.

Malaysia's exports of steel products increased after China imposed a 25% tax on exports of billets which created a shortfall of about five million tonnes of billets in the South-East Asia (SEA) market. Previously, China supplied about 75% of the total SEA billets requirement.

Meanwhile, analysts expect feedstock iron-ore prices to increase by 20% to 40% from 2010 onwards due to the emergence of highly monopolised supply from the impending merger between iron-ore giants BHP Billiton Ltd and Rio Tinto Group.

Metal Bulletin said in a recent report that iron-ore prices would likely trade at US\$110 to US\$110 per tonne from US\$70 to US\$75 per tonne currently.

BHP is currently in talks with China to set the annual iron-ore prices. Together with Vale SA, the world's biggest producer, the move could signal contracts doubling the spot market prices this year.

*The Star, February 17, 2010*

## TAIWAN

### China Steel Sees January Sales Grow 80%

Thanks to the injection of orders, China Steel Corporation (CSC), Taiwan's largest integrated producer of steel products, scored NT\$18.54 billion (US\$579.37 million at US\$1:NT\$32) in sales in January, up 80% year-on-year and hitting a new high in 15 months in a row.

The company said it registered NT\$4.182 billion (US\$130.68 million) in pretax earnings, or NT\$0.31 (US\$0.009) in earnings per share, in January, up 2.18-fold year-on-year.

An industry insider predicted CSC's performance in February will be affected by the stoppage of its No.1 blast furnace for regular repair and maintenance. But the company's subsidiary-Dragon Steel Corp. will begin operation of a blast furnace which has an annual output of 2.5 million tons of steel products. Accordingly, CSC is expected to see sharp rise in shipment in March.

With the upward adjustment of its major products for domestic sales in March by NT\$1,000 (US\$31.25) per metric ton, CSC is expected to have an upbeat outlook in March sales and earnings. For instance, CSC has raised the prices for hot-rolled steel for shipment in January and February to reach US\$570 per metric ton and that for shipment in March has been elevated to US\$600, although its production costs reach only between US\$460 and US\$470 per metric ton. This will make CSC to cash in over US\$100 in sales of the hot-rolled steel per metric ton.

A CSC executive said the price hike in the world steel market has made his company's production lines fully running. Despite the stoppage of the No.1 blast furnace, CSC has stocked a lot of steel slabs to facilitate the need of producing hot-rolled steel.

It is expected CSC will see a bright outlook in earnings in the first half of this year as it still used low-price materials in production lines in the second quarter while the new-year contract price for iron and coal to be soon settled is expected to rise by 20% up to 30%.

*CENS, February 12, 2010*

### **E United Vietnam BF project could restart in Q2**

Construction of E United Group's blast furnace project in Vietnam is likely to restart in the second quarter of this year, instead of the first quarter, pending the finalisation of equipment purchases, an official from E United's subsidiary, Yieh Phui Enterprise, tells Steel Business Briefing.

SBB learned in December last year that construction of the plant at Dung Quat industrial park in Vietnam's Quang Ngai province could begin in the first quarter. But the official says this is now unlikely to happen as the equipment purchase agreements have yet to be signed. Hence the second quarter will be a more probable timing, he says.

Construction is expected to take three years to complete. The first phase of the project is currently envisaged to include a 3.5m tonnes/year blast furnace, 2.5m t/y of hot strip capacity, and 600,000 t/y of billet capacity, with approximately 400,000 t/y to be sold as slabs.

Construction of the project was halted in 2008, not long after it started, due to the global economic slowdown and softening steel demand.

*Steel Business Briefing, February 15, 2010*

### **Yieh Phui keeps galvanising output high**

Taiwanese hot-dip galvaniser Yieh Phui Enterprise is keeping its operating rate high at around 90% at its Kaohsiung works in southern Taiwan, as demand remains strong and steady, a company spokesman tells Steel Business Briefing.

Yieh Phui has been gradually increasing its production since last year after it had cut production by as much as 50% in late 2008 due to weak demand caused by the global economic crisis. It has been producing at around 90% of capacity, which is considered a return to normal standards for the company, since the fourth quarter of last year.

Yieh Phui can produce 125,000 tonnes/month of sheets and pipes, with flats accounting for 90% of this output. Production has also remained high, at around 90% capacity, at Sino Leading Technomaterial Co (SLTC), Yieh Phui's Changshu subsidiary in China's eastern Jiangsu province, where it has been since the fourth quarter of last year.

SLTC has a capacity of 900,000 t/y of hot-dip galvanised, 900,000 t/y for pickling, 600,000 t/y for cold rolling and 360,000 t/y for colour coating.

*Steel Business Briefing, February 16, 2010*

## THAILAND

### **Steel industry eyes 15-20% growth. Infrastructure projects to be major driver**

Thailand's steel industry is expected to grow by 15-20% this year, helped by the government's infrastructure investments, although political uncertainties could still affect the industry, says Wikrom Wajragupta, president of the Iron and Steel Institute of Thailand (ISIT).

"We projected this year's demand to be at least 11.5 million tonnes. If we are lucky the number might rise to 13 million tonnes," Mr Wikrom said yesterday.

This year the steel industry should see positive signs, with the government's Thai Khem Khaeng programme starting to have an effect, he said.

"Currently, we expect the industry to grow by around 15-20%, as we hope that politics should not be a main issue," said Mr Wikrom. "Even if there are political problems, such as dissolving Parliament, it will not cause problems for the steel industry. However, if clashes occur, the effect would be in line with the severity of the situation."

He said steel prices would remain volatile until April when new negotiations on the prices of coal and iron ore are expected.

The ISIT has employed a Thai consulting company to perform an in-depth study on setting up an upstream steel industry, which will incorporate the Industrial Estate Authority of Thailand's idea of an "eco-industrial town" focused on raising the living standards of the surrounding communities.

The two areas chosen for the study are Thailand's eastern coast in Rayong and Chanthaburi provinces, or the country's southern coast.

"Within a week or two we will start working with the consultant. After the study has finished, the issue will be presented to the cabinet for approval, and conditions will be set for investors to follow according to the rules. I hope that by that time the Map Ta Phut issue will be solved," said Mr Wikrom, referring to the legal impasse over environmental and health impact rules.

The government last year received investment proposals from four big steel producers - Nippon Steel of Japan, Posco of Korea, Arcelor-Mittal of India and Baosteel of China - to build an integrated steel smelter.

"Nippon Steel has not yet backed out - and going to Burma, as rumoured, is not its aim due to logistics, since Burma is on the other side of the Gulf of Thailand, whereas the market is on the opposite side," he said.

Mr Wikrom added that China's move to cool its economy by telling banks to curb lending should have positive results, by preventing China from expanding production capacity to the point that it hurts other steel producers around the world.

China's demand for steel currently runs at 500 million tonnes.

"Thailand is not naturally suited to exporting basic products such as steel, because material such as ore needs to be imported. The country is more suited for exporting ready-made products with added value," said Mr Wikrom.

The ISIT along with Sahaviriya Steel is holding the Thailand Steel House Contest 2010 under the theme of "Innovative Living Steel" to promote new technology in steel for construction. Contestants can apply until Feb 28.

*Bangkok Post, February 3, 2010*

### **Sahaviriya may buy into smelter abroad**

With prospects dimming for building an upstream steel plant in Thailand, Sahaviriya Steel Industries Plc (SSI) is looking to acquire shares of a smelter in a neighbouring country.

Win Viriyaprapaikit, president of Thailand's largest hot-rolled steelmaker, said the company was talking with some upstream steel firms in Southeast Asian countries about securing raw material supplies.

"We have some negotiations going on. I think the current financial market is favourable for SSI to raise funds for overseas expansion, either by borrowing money from banks or issuing debentures," said Mr Win.

While Thailand still lacks an upstream steel operation, Malaysia and Indonesia have production facilities for sponge iron, a raw material for many types of steel. With low or zero tariffs under the expanded Asean Free Trade Area (Afta), these companies can penetrate other Asean markets at lower cost, he said.

"SSI, consequently, has been studying a plan to acquire shares of upstream steel plants and mines, or build our own

greenfield plants in other Asean countries," he added.

SSI expects its turnover will rise to 50 billion baht this year with coil production of 2.7 million tonnes. Last year, it earned revenue of 33 billion baht from output of 1.75 million tonnes. It booked a net profit of 1.27 billion baht, against a loss of 5.16 billion in 2008.

Sahaviriya Group, the parent of SET-listed SSI, has been attempting for seven years to develop a 500-billion-baht steel smelter. However, it has faced strong opposition from environmental activists and residents of Prachuap Khiri Khan, where it proposed to locate the smelter near the SSI plant. In February last year, it said it might abandon the plan altogether.

The current legal impasse over environmental and health impact regulations, highlighted by the suspension of 64 industrial projects at Map Ta Phut, has made the prospects of a large steel plant even more remote.

Sahaviriya has been working with academics to prepare a health assessment impact (HIA) for the facility as required under Section 67 of the 2007 Constitution.

"[Controversy over] Section 67 is not about the environmental issues but how to comply by the law, which has resulted in disruption of investment," said Mr Win. "Since we can not expand locally, it is the duty of the company's management to look for investment opportunities abroad to expand our business and secure the operations."

Mr Win said that producing 2.7 million tonnes of steel would require 70% capacity utilisation, up from 40% last year, at the SSI plant in Bang Saphan, Prachuap Khiri Khan. About 15% of the output will be exported, up from 10% last year, mainly to Asean and the Middle East.

Hot-rolled coil prices are expected to be little changed this year from about \$600 per tonne in the final quarter of 2009, given the slow pace of global economic recovery. Cold-rolled prospects look better as the automobile industry is improving.

Shares of SSI closed on Friday on the Stock Exchange of Thailand at 1.11 baht, down two satang, in trade worth 3.3 million baht.

*Bangkok Post, February 8, 2010*

### **Steelmakers expect expanded facilities**

When the government holds a public hearing on harmful industries in Chiang Mai on Friday, it needs to answer why it is so unprepared to deal with problems, says Wikrom Wajragupta, president of the Iron and Steel Institute of Thailand.

"The Map Ta Phut impasse occurred because the government had not completed its role. When industrial estates grow, all groups naturally compete for limited natural resources. If no one develops the living standards, the expansion of industries will result in a worse community environment," said Mr Wikrom.

"Issues concerning impact assessments are of lesser importance and should cause no problem since they need to be done anyway. The important thing is that a mediator is needed for industries and communities to coexist peacefully."

The government needs to set up a mechanism to develop infrastructure for industries and communities in order to support the growth of the economy and industrial estates, he said.

"If there is no infrastructure development to convince people of better living standards in the future, I don't see how we can move forward from here even with a four-party panel [on resolving Map ta Phut issues]. The government should provide adequate hospitals, schools, water supply and other facilities at estates," he said.

Facilities are also important for business operators, especially in Map Ta Phut. They have nowhere else to go because they need the seaports nearby.

The expansion of Map Ta Phut's infrastructure has failed to keep up with the fast pace of growth in the area.

In a related development, Kosol Jairungsee, the deputy permanent secretary for the Industry Ministry, said that for an industrial estate to be classified as harmful, all plants must be considered case by case. Whether the estate supports heavy industries must also be considered.

Mr Kosol, who also heads a working committee on Section 67 of the 2007 Constitution, said there were certain groups that want all industrial estates to be classified harmful.

However, in the recent list of 19 harmful industrial activities, only industrial estates with petrochemical plants with capacities of at least 100 tonnes per day and mineral processing plants or smelters with capacities of at least 50 tonnes a day are classified as harmful.

Mr Wikrom said that since steel mills had capacities of tens of thousands of tonnes, they have to conduct assessments anyway and a classification is irrelevant.

"I don't expect things will get worse. Investors are only worried about unclear rules," he said.

*Bangkok Post, February 17, 2010*

## SINGAPORE

### Singapore rebar prices weaken

Domestic prices of rebar in Singapore have gone down by S\$10 (\$7) in the past two weeks on weak demand.

Rebar was trading at S\$750-770 per tonne, down from S\$760-780 per tonne two weeks ago, said market participants.

However, rebar offers have risen to S\$770-800 per tonne, from \$760-780 per tonne two weeks ago, sources said.

"Prices have to go up as the current rebar stocks were produced when scrap prices were very expensive at around \$380 per tonne in January," said a market source in Singapore.

Scrap prices of HMS 1&2 (80:20 mix) from the US have since gone down to \$350-360 per tonne cfr.

"Traders continue giving small discounts [to push sales] given the weak demand in the market," he said.

"The government's mega projects such as the MRT are not executed yet. [When it starts] it can boost demand," he added.

Singapore has plans to expand the MRT or Mass Rapid Transit subway network.

"The Chinese New Year holiday also made many buyers postpone purchases," said a trader in Singapore.

At the prevalent domestic market prices, Singapore's rebar was competitive compared to offers from Turkey at \$535-540 per tonne cfr, said sources.

*Metal Bulletin, February 18, 2010*

## VIETNAM

### Steel sector set for difficult year

Although steel manufacturers saw good results in production and business last year, the steel sector would still face many difficulties in 2010, deputy minister of Trade and Industry, Do Huu Hao said at the steel sector's conference on Monday.

In 2009, despite the global economic crisis and difficulties due to low-priced imported steel and rising production costs, the steel industry is one of the industrial sectors that achieved high growth with an output increase of 25 per cent and consumption up 30 per cent over the previous year.

Most members of the Viet Nam Steel Association (VSA) achieved high growth compared with 2008, including the Viet Nam Steel Corporation (VNSteel) which managed an increase of 14 per cent to VND11.66 trillion (US\$648 million) in industrial production value and steel output of more than 2,382 million tonnes.

However, this year, the steel sector still faces many difficulties, of which the price hike of materials for steel production such as coal, electricity, oil and iron ore is a big one. Cheap imported steel is also still a large obstacle standing in the way of sustainable development of the steel sector. As a result, the price of steel is forecast to increase in 2010.

On top of this, the competitive pressure from imported steel has increased, especially from China and South Korea, because of tax reductions in line with WTO commitments, and the Government has ceased the stimulus packages and increased basic interest rates.

Additionally, there would be harsh competition in domestic construction steel markets in 2010 due to a surplus, predicted Pham Chi Cuong, chairman of the association.

To overcome these difficulties, the VSA has asked relevant agencies to protect the domestic market by stopping illegal steel import.

The association has also asked agencies to enforce customs regulations to avoid the import of large volumes of steel, especially products that are in a surplus and prevent trade fraud.

Meanwhile, VNSteel general director Dau Van Hung said that the sector needed the Government's support in stimulating the domestic market, maintaining stable forex rates and

offering sufficient foreign currency for the import of raw materials for production purposes.

For the corporation, it will continue the implementation of key, strategic development projects and focus on research and analysis, strengthening trade promotion, trademark development and the search for new export markets.

However, according to the association, the country's economy will be strong this year and the steel sector will see high growth.

VNSteel is optimistic and targets an increase of 9.7 per cent to VND12.4 trillion (\$689 million) in production value in 2010.  
*Vietnam News, January 28, 2010*

### **Steel industry questions Vinashin's competence**

The Vietnam Steel Association has requested the government to conduct an inspection into steel projects of state-owned shipbuilder Vinashin, saying they are out of its area of expertise and therefore ineffective.

Vinashin has expanded its business to the steel sector for many years, but its projects have not been implemented successfully despite looking promising on paper, Vietnam Steel Association Chairman Pham Chi Cuong was quoted by online news service VietNamNet as saying Friday.

"Vinashin is a shipbuilding company and steel manufacturing requires expertise that it doesn't have. As a result, its steel projects have not been effective," Cuong said.

A steel plant project in the northern province of Yen Bai, for instance, began construction in 2007 but is still to start production. Vinashin also broke ground for another project in Ninh Thuan Province in 2007 and the project has not made any progress since.

The inspection proposal came after Vinashin, or Vietnam Shipbuilding Industry Group, asked for government's consent to nearly triple the design capacity for a hot-rolled steel plant to 1 million tons per year.

Vinashin said it's necessary to raise the capacity of the plant in Quang Ninh Province as the demand for hot-rolled steel plates in the local shipbuilding industry would surge.

Cuong said the project was started in 2002 and should have been completed two years later, but has been constantly delayed since then.

"And now Vinashin wants to raise its capacity," he said. "It will cost a billion dollars to do so. After looking at their other projects, I don't think Vinashin is capable."

*ThanhNien News, January 30, 2010*

### **Mining giant vows healthy competition in coal supplies**

The Vinacomin Group was recently accused of controlling coal supplies. The group's deputy director, Le Minh Chuan, spoke with Dai Doan Ket (Great Solidarity) about the issue

*How do you respond to accusations made by cement companies that the group is artificially inflating freight charges for the supply of coal?*

Customers normally take time to study and negotiate before signing contracts. Over a year it often takes one or two meetings to conclude negotiations. Diverging opinions are thus inevitable.

The State entrusts the group with coal exploitation activities to serve the national economy and secure national energy security. The group takes full responsibility for managing and exploiting coal nation-wide. During contract negotiations there are always some customers who are not satisfied and think the group is controlling supply and inflating freight charges.

*Cement companies complained there were no negotiations when coal supply contracts were signed. Could you explain if this was the case?*

Signing of coal transport contracts were based on agreements between the two sides. Under existing rules, the group signed coal supply contracts at a quantity of 50,000 tonnes per year. Contracts for smaller quantities remain the responsibility of the group's affiliated companies. So, if customers complained that the group had not reached an agreement with them or fixed freight charges were above the market price, perhaps affiliated companies did not fulfil their responsibilities.

I should add the group's transport capacity only covers 10 per cent of coal supply contracts, private companies transport the rest.

*Could you explain why freight costs offered by transport companies associated with your group were much higher than market prices?*

Transport companies requested the group to raise freight costs several times last year but in fact we asked them to reduce prices instead.

Freight charged on coal supply contracts is usually very high. Why doesn't the group open the contracts to tender instead of appointing transport companies to regulate freight?

The decision to choose transport companies was made by the group and its customers. Presently, no documents regulate the transport of coal. Any transport company is eligible to participate. All transport contracts have been made by both two sides, not imposed by the group .

Many people have said the group holds a monopoly over the sale and transport of coal but I want to stress we don't monopolise the supply of coal.

The Viet Nam Coal and Mineral Industries Group decided not to allow cement enterprises to freely transport coal out of fear it would be re-sold to unlicensed traders. Is there evidence of these activities?

Investigations show coal leakage persists even when the group continuously updates information for customers about sales quantities. Strengthening management control should be considered a priority for customers.

*The Viet Nam Cement Association said it sent a report to the group to complain about the unreasonable price of coal following reports of high prices last year. Why has the group failed to respond?*

The group has not received any reports concerning this issue since last year. I think cement companies should hold further negotiations with the group to reach a consensus.

*Vietnam News, February 8, 2010*

## BRAZIL

### Brazil's Usiminas may revive mill plan on recovery

Usiminas, Brazil's largest producer of flat steel, said on Tuesday it will boost investment by 33 percent this year to ramp up output and may revive plans to build a mill in Minas Gerais state as demand for steel recovers in Latin America's biggest economy.

The Belo Horizonte, Brazil-based steelmaker plans to spend 3.2 billion reais (\$1.7 billion) in expansion projects this year, compared with 2.4 billion reais during 2009, according to a statement distributed by the company.

The investment budget for 2010 underscores the company's belief that demand for steel will grow significantly in the coming years.

Usiminas will probably resume the Santana do Paraiso mill project, which was suspended as the world plunged into recession last year, the statement said. The company's board will discuss the viability of the project by June.

The cost of the steel slab mill, with expected capacity of 5 million tonnes, is about \$6.1 billion, O Estado de S. Paulo reported earlier on Tuesday.

Other investments included in the plan are revamping production lines at the Ipatinga mill for thick slabs, expanding the Cubatao hot rolled unit and increasing iron ore extraction at the Itatiaiuçu mining compound.

Usiminas' nonvoting shares, the most widely traded class of company stock, jumped 1.7 percent to 47.79 reais on Tuesday. The shares gained 62 percent in the past twelve months. (\$1=1.86 reais)

*Reuters, February 9, 2010*

### Brazil unlikely to impose iron ore export tax

It is unlikely Brazil will impose a tax on iron ore exports, analysts and traders told MB.

The government announced last week it was considering an iron ore export tax as an indirect way of stimulating domestic steel production (MB Feb 11).

But this is only another attempt by the state to pressure the major Brazilian iron ore producer Vale, market insiders said.

"This is [part of] a huge power struggle between the government and Vale," an iron ore trader told MB. "It is a way for the

government to say 'we still have a certain weight' but I would be surprised if a tax was to be imposed."

A source close to Vale concurred. The announcement was only made to put Vale under greater pressure, he told MB.

"This year there will be a presidential election and many say it is a move to garner sympathy with the people," he said.

"The opposition appears to be leading, so the rules for the next year will only be decided then," he told MB.

"It sounds unlikely that Brazil will impose any duty or export tax on iron ore," a second analyst said. "Our [economic] policy is based on the export model and raw materials are very important for the country's revenue."

"If we had a developed steel industry it could be a possibility, but we do not have it in place yet," he added.

*Metal Bulletin, February 15, 2010*

### Northern Brazil pig iron maker resuming output

Major Brazilian pig iron maker Queiroz Galvão will resume operations at the No 2 furnace at its Vale do Pindaré subsidiary, in the northern state of Maranhão, in late-February, Steel Business Briefing learns from company president Paulo Afonso. This unit is able to produce 120,000 tonnes/year.

Currently, the plant is only operating its No 1 furnace, also with 120,000 t/y of output capacity. The executive also said that the company plans to resume its No 3 furnace in June or July, reaching a 360,000 t/y of total output capacity.

Afonso says steel markets have been reporting a gradual recovery, and pig iron export prices have been increasing. As SBB previously reported, Brazilian pig iron export deals have been made at US\$400/t fob in February, against US\$370/t in January.

Besides the Vale do Pindaré unit, the Queiroz Galvão group also controls two other subsidiaries in Maranhão state, Cosima and Simasa.

*Steel Business Briefing, February 11, 2010*

## RUSSIA

### Russia's OMK gets 347 mln euro credit for new mill

Russian steel pipe maker OMK said on Thursday its Vyksa Steel Works had received a 347 million euro syndicated loan to finance a 5,000 mm plate mill scheduled to begin operations in 2011.

OMK will use the credit to purchase equipment from Germany's SMS Demag, it said in a statement.

The German plant builder also supplied equipment for Russia's Magnitogorsk Iron & Steel Works' 5,000 mm plate mill which began operations in July, 2009.

Russian steelmakers are investing in new equipment that will allow them to produce a greater percentage of higher value added steel for the export and domestic markets.

Thick plate steel is used in shipbuilding, bridge construction as well as pipe manufacture, and MMK already supplies output to Russian pipe maker TMK and other manufacturers.

Germany's Commerzbank AG acted as the coordinator for the lending syndicate, which also included Bayerische Landesbank, BNP Paribas, Landesbank Baden-Wuerttemberg, Landesbank Hessen-Thuringen, Societe Generale and WestLB.

OMK had a 19 percent share of the Russian steel pipe market last year.

The company already supplies pipes for the first link of the Nord Stream Baltic gas pipeline, and last week it was awarded a contract to supply 25 percent of the pipes for the second link.

*Reuters, January 28, 2010*

## INDIA

### **India will become 2nd largest steel maker by 2012: Virbhadra Singh**

India will become the world's second-largest steel producer by 2012, more than doubling its capacity of 57 million tonnes as part of push being given to assist overall infrastructure development, Steel Minister Virbhadra Singh has said.

"I have set a target of 124 million tonnes by 2012. We will become the world's second-largest steel producer. But more importantly, India has a vast capacity to consume that kind of output. It is necessary for our infrastructure development," the minister said.

"Here, I am only talking about the capacity expansion of existing steel companies. If I also take greenfield projects into account, we have expression of interest for projects worth over \$80 billion," Singh told IANS in an interview.

At present China is the largest steel maker in the world with a capacity of over 600 million tonnes, followed by Japan and South Korea. India ranks fourth.

A five-term chief minister of Himachal Pradesh, the veteran Congress party leader said the state-run Steel Authority of India (SAIL) alone has targeted to virtually double its capacity to nearly 30 million tonnes.

"These expansion projects will sail through. Both at Bokharo and Bhilai, the company has enough land to take up the projects," said Singh, an alumnus of Bishop Cotton School in Shimla and St. Stephens College in the national capital.

The soft-spoken minister said that the state-run steel company will also go for a public issue and partial divestment of equity during the early part of next fiscal and that a decision has already been taken in this regard.

"We have plans for 10 percent offer. Half of that will be in the form of government's own equity will go back to the government. The other half will be in the form of fresh equity offer and this will go to SAIL," the minister explained.

*The Economic Times, February 10, 2010*

### **Indian iron ore miner ventures into steel making**

Indian iron ore miner H.L. Nathurmal, headquartered in Goa, is planning to build an integrated steelworks in the southern state of Karnataka by 2012-13. It plans to make 1m t/y of bars and wire rods in equal quantities, for sale in the local construction market and export to Africa.

"We have acquired 40 hectares of land in Bagalkot, Karnataka, near our existing iron ore mines and the acquisition of the remaining 81 hectares is under way," a company official tells Steel Business Briefing.

"We will mostly be making alloy steel via the DRI-EAF route, but we will take another four months to finalize the details." A new company to undertake the venture, Doddanavar Iron & Steels Ltd, has already been formed.

Nathurmal produces 50% Fe iron ore fines and lumps at its two mines in Arvalem and Vantem, Karnataka. This is beneficiated to 58-58.5% Fe to produce 2m tonnes/year of saleable ore.

The mined ore with an Fe content of less than 50% is dumped, and Nathurmal has accumulated a large quantity of such material which it plans to beneficiate to 62% Fe for use at its prospective steelworks.

The construction of the 1m t/y beneficiation plant is due to begin later this year and commissioned by April 011.

*Steel Business Briefing, February 18, 2010*

## CHINA

### **China's iron-ore imports from S Africa, Ukraine, Canada up in 2009**

Australia, Brazil and India remained the largest iron ore suppliers to China in 2009, but China's imports from South Africa, Ukraine and Canada more than doubled last year from a year earlier, according to the General Administration of Customs (GAC).

China imported 34.13 million tonnes of iron ores from South Africa in 2009, a rise of 140 percent year on year, said a document posted at the GAC's website.

Last year, China's imports of iron ores from Ukraine and Canada stood at 11.58 millions tonnes and 8.65 million tonnes, up 150 percent and 130 percent, respectively.

Australia, Brazil and India remained the three largest iron ores suppliers to China last year.

Imports from Australia rose 42.9 percent to 260 million tonnes. Brazil exported 140 million tonnes to China, up 41.5 percent.

Imports from the two nations accounted for 64.4 percent of China's total iron ore imports in 2009, said the GAC document.

China's imports from India rose 18 percent to 110 million tonnes last year, accounting for 17.1 percent of China's total iron ore imports.

China's imports of iron ores in 2009 rose 41.6 percent year on year to hit 630 million tonnes, a record high. The average price was 79.9 U.S. dollars per tonne, down 41.7 percent from the previous year.

The iron ore imports cost the world's third largest economy 50.14 billion U.S. dollars last year, down 17.4 percent.

The document attributed rising ore imports in 2009 to quick recovery of China's steel production, insufficient domestic supply and increasing iron ore stockpiles by importers.

In 2009, China's iron and steel output rose 18.5 percent to 692.4 million tonnes. Crude steel output increased 13.5 percent to 567.8 million tonnes.

A total of 235 China-based companies imported iron ores in 2009, a drop of 28 in comparison with that of 2008.

State-owned enterprises imported about 400 million tonnes of iron ores in 2009, an increase of 14.3 percent from year on year, which accounted for 64.4 percent of the nation's total iron ore imports.

Privately-owned and foreign-funded enterprises imported 87.44 million tonnes and 70.61 million tonnes, soaring 99.7 percent and 95.8 percent from the previous year, respectively.

*People's Daily, February 16, 2010*

## WORLD

### **Billet imports into SE Asia up \$10-25**

Billet import prices into Southeast Asia have gone up another \$10-25 cfr in the past week, despite signs of scrap prices weakening.

Offers into Vietnam are the highest, with material from Russia, Taiwan, and Turkey, touted at \$520-535 per tonne cfr, up from \$510 cfr last week, market sources say.

Transaction prices remain lower at \$520-530 per tonne cfr.

"There are regular buyers for this billet at these prices. But [with tight financing], many traders are not buying billet for now, preferring to buy and stock up on scrap instead," said a trading source in Ho Chi Minh.

In Malaysia, billet imports from the USA and Russia are slightly lower at \$520 per tonne cfr, already an increase from last week's average of \$510 per tonne cfr.

"The market is quite quiet now, since it's near the Chinese New Year," said a Singapore-based trader with operations in Malaysia.

Softening domestic demand has not prevented Malaysian mills from raising their mills' offer prices to the level of import prices.

Malaysian mills are offering at \$520 per tonne fob, up from \$505-510 fob last week, said market participants.

Mills might have bought scrap when it's quite expensive, and now they have to increase their billet prices.

If Malaysian mills want to maintain their normal profit margin based on scrap prices of \$370-390 per tonne cfr, billet prices should be at \$530-550 per tonne fob level, another mill official said (MB Jan 26).

The latest scrap offers and prices of HMS 1&2 (80:20 mix) offered by Australia and USA into Malaysia remained at \$350-370 per tonne cfr this week, up down from 370-385 per tonne cfr last week.

*Metal Bulletin, February 3, 2010*

### **Iron ore output fell 21% in '09, but Vale 'was still the world's largest producer'**

Brazilian iron ore giant Vale saw its iron ore output fall by 21% in 2009 from 301.7 to 237.9 million tonnes, mainly due to lower demand during the first half of that year as a result of the global economic crisis.

"Despite the sharp fall, Vale was still the largest producer in the world, with 96.4% of output generated from wholly-owned and operated facilities," the company said in its production report.

Currently taking the final steps to return to full capacity operation, the miner pointed out that output increased 21% in H2 2009 in comparison with H1, to 130.2 from 107.7 million tonnes.

Pellet production reached 23.8 million tonnes last year, 46.7% down 2008's 44.7 million tonnes.

But Vale said that with the recovery in global demand, its Fábrica plant, in Minas Gerais state, was back to operation at the end of January, while its São Luís plant, located in Brazil's northeastern state of Maranhão, is expected to return until the end of March.

"With São Luis and Fábrica back in operation in the first quarter, we expect to run at full capacity during 2010," it said, adding that it expects to start-up its new 9 million tpy plant in Oman in the second half this year.

*Metal Bulletin, February 11, 2010*

### **ArcelorMittal raises capacity-use on growing global demand**

"2010 is expected to be significantly better than 2009, but there will still be challenges," Lakshmi Mittal, head of global steelmaker ArcelorMittal, said at its annual results meeting attended by Steel Business Briefing. "The recovery is underway, but it remains slow and progressive in the developed world. Government deficits and unemployment are high, corporate investment is still low and construction markets remain depressed," he commented.

ArcelorMittal expects world apparent steel demand to increase by 10% in 2010. This breaks down into growth of 5% in China,

15% in the other emerging markets and 15-18% in the developed markets (notably Europe and the US).

World growth of 10% is similar to 2008, but the developed markets will still be 23% below 2008 levels, "so only the growth of the emerging markets is compensating for the loss," Mittal observed.

Despite slowing down, real steel demand remains strong in China, he noted. The government has taken measures to further slow its economy, but ArcelorMittal expects real demand in China to continue to grow by 10% in 2010.

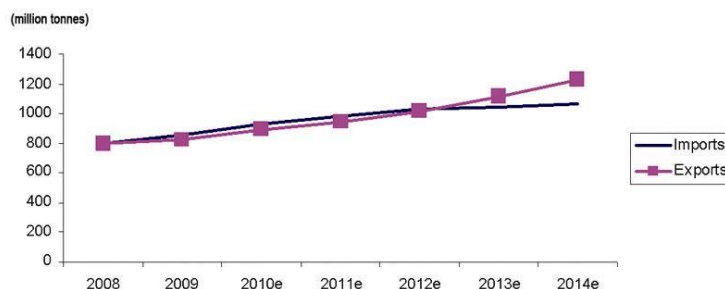
Improving demand generally and restocking in the developed world have allowed ArcelorMittal to gradually increase its steel production in the past few quarters. It raised its capacity utilisation to 70% in the fourth quarter of 2009, up from 61% in Q3, and expects this to increase to 75% in Q1 2010. "Going forward for this year our capacity utilisation should be in the range of 80-85%," Mittal added.

ArcelorMittal increased its steel shipments by 10% quarter-on-quarter to 20m tonnes in Q4, and shipped 71.1m t in full year 2009 against 101.7m t in 2008.

*Steel Business Briefing, February 11, 2010*

increase at a robust level. With China's iron ore import share expected to increase up to 80%, the supply side will have to boost their capacity to serve the growing demand. In this connection, Australia and Brazil, the world's largest iron ore suppliers, are expected to boost up their capacity utilization to meet the increased demand. Nevertheless, it is expected that there will be a shortage of iron ore from 2009 to 2012. However, iron ore demand will slow down in 2013 and there will be sufficient supply of iron ore from 2013 onwards.

Global Demand and Supply of Iron Ore



## HEADLINES

### Global steel demand and iron ore supply and demand balance prospective

The global economic outlook continues to improve in 2010. Global steel demand also seems to pick up accordingly. The World Steel Association has remarked that the recovery was possible, as a result of massive government stimulus packages and the recovery in emerging Asian economies, especially China. Additionally, many mills have started to rebuild inventory which will result in more demand in the market. In terms of GDP growth, the World Steel Association noted that the recovery, which started in the second half of 2009, will follow a stable path with the world GDP growing at around 3-4% per annum up to 2020. Industrial production is expected to follow the same pace as GDP growth. Construction sector will pick up significantly in the long run, especially in China, South Asia and Middle East. Meanwhile, the construction sector in North America will only start to recover in 2012. The European Union, however, will experience a stable pace in construction sector growth up to 2020.

However, there are signs of uncertainties regarding the outlook for iron ore production. Talks of consolidations among the steel manufacturers as well as iron ore suppliers are the current hot issues. In the last issue of SE AISI newsletter, we mentioned about the increasing iron ore price trend in China. The outlook for domestic iron ore production in China is one of the main uncertainties in the iron ore market. According to Citigroup Global Markets, China's iron ore import share has increased from 60% in 2008 to 73% in 2009.

The question is whether or not the China iron ore import trend will persist. China's crude steel production is expected to grow by about 10% per annum. Citigroup has predicted that in the longer term, Chinese imports of iron ore will continue to

Imports	2008	2009	2010e	2011e	2012e	2013e	2014e
Japan	140	103	108	109	110	111	113
Korea	50	42	51	53	52	41	41
Taiwan	15	12	13	13	13	14	14
China	444	628	663	674	718	742	767
EEC	125	49	52	96	91	92	93
USA	13	8	12	12	11	11	12
Minor markets	10	9	30	30	31	32	30
<b>Total</b>	<b>797</b>	<b>851</b>	<b>929</b>	<b>987</b>	<b>1026</b>	<b>1043</b>	<b>1070</b>
Exports	2008	2009	2010e	2011e	2012e	2013e	2014e
Australia	308	367	413	441	467	536	610
Brazil	282	266	310	338	382	404	447
India	85	75	70	65	65	65	65
Canada	23	26	15	20	20	20	20
S.Africa	32	35	35	35	35	44	44
Other	67	51	51	45	45	45	45
<b>Total</b>	<b>797</b>	<b>820</b>	<b>894</b>	<b>944</b>	<b>1014</b>	<b>1114</b>	<b>1231</b>

Source: Citigroup Global Markets

SE AISI, February 2010

### Map of Iron and Steel Industry in ASEAN



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# 2010 SEAISI CONFERENCE & EXHIBITION



## REASONS TO ATTEND

- Get the latest updates on market and technology developments. This event offers you a great opportunity to learn and discuss key issues that could contribute to greater efficiency and profitability of your business.
- Hear from the region's top experts on the challenges and outlook for the steel industry.
- Networking Opportunities- with over 400 international and regional delegates expected in this year's event, you will be able to network and interact with many key industry players to explore business opportunities.

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## VENUE

**Hotel Equatorial**  
**Ho Chi Minh City, Vietnam**  
17 - 20 May 2010

## THEME

### **The ASEAN Steel Industry: A New Era of Global Competitiveness**

The steel industry is slowly but steadily emerging from the severe impact of the worst global recession since World War II. Thanks to the infrastructure oriented stimulus measures implemented by the governments in many different countries, the global steel market is coming back on track with demand and prices improving.

The economies of the Association of South East Asian Nations (ASEAN) are also returning to healthy growth paths. Steelmakers in ASEAN are looking forward to a better year in 2010. Some of them have started to reactivate their investment projects, which were put on hold last year in the wake of the global economic crisis.

The region will be moving towards vertical integration to achieve larger scale of operation, stronger supply chain and lower cost of operation. In this connection, various integrated steel mills, blast furnaces, direct reduction plants and downstream facilities will be initiated. The march towards making the regional steel industry a competitive force in the global market will be forged with renewed vigour. Thus the theme for this year's Conference is "The ASEAN Steel Industry: A New Era of Global Competitiveness".

In line with the theme, the opening day of this year's Conference will be devoted to addressing various issues that have relevance on the competitiveness of the regional steel industry. These include FTA developments and their impact on the industry, steel development scenario and competitive challenges, value chain development for sustainability as well as steel industry status and market developments.

The Conference will also have the usual Country Report presentations by the SEAISI member countries as well as presentations of various informative technical papers covering such topics as New Technologies, Plant Management, Quality Management, Safety and Environmental Management, New Steel Applications and Operation Excellence. There will also be a special session on Raw Materials.

Come and join us in the biggest and most important event for iron and steel industry professionals in Asia. Do not miss out on the opportunity to hear from the industry experts as well as to network with the many key industry players from the region and around the world!

## PLANT TOUR

**Route #1 (Long Product)** – Southern Steel Corporation (Vietnam Steel Corporation), Thep Viet Steel & Vina-Kyoei Steel Ltd.

**Route #2 (Flat Product)** – BlueScope Steel Vietnam, POSCO Vietnam & Phu My Flat Steel Company (Vietnam Steel Corporation)

