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FROM Secretary General

Preliminary figures gathered by SEAISI show that the iron and steel industry in South East Asia recovered strongly in the second half of 2009. As a result, apparent steel consumption for the whole of 2009 is now estimated to have dropped by only 8 % year-on year as against the original projection of a 15 % decline.

Vietnam is the shining star of the iron and steel industry in the region in 2009. Its apparent steel consumption is estimated to have jumped by some 30 % in the year. The country is also expected to lead the region in economic growth in 2010 with a projected GDP growth rate of 6.5 %. It is therefore befitting that this year's SEAISI Conference and Exhibition be held in Vietnam, a country which is poised to see a rapid take-off in the development of its steel sector.

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 the Conference will be devoted to addressing various issues that have relevance on the competitiveness of the regional steel industry.

The Keynote Session will look at "The Economic Challenges and Steel Industry". Mr. Dilip Oommen, CEO of Essar Steel India, will share his thoughts on "Steel Development Scenario and Competitive Challenges" while another speaker will talk about "FTA Developments and Related Trade Issues". Two general sessions on Day One will examine "Steel Industry and Market Development" as well as "Sustainability of the ASEAN Steel Industry".

As usual, there will be the presentation of Country Reports which will provide an update of the status and outlook of the iron and steel industry in the respective SEAISI member countries.

The Technical Sessions will feature many excellent speakers covering such topics as Raw Materials, New Technologies, Plant Management, Operation Excellence, Product Development, Quality Improvement, New Steel Applications and Safety and Environmental Management. A sample of some interesting papers includes "Study on the Morphology and Heating Behaviour of Inclusions in Selected Continuously Cast Steel", "A Study on the New Approach for Refining Molten Steel Using Used Reductive Slag", "Pre-reduced Iron Produced from Low Grade Ore Using Waste Biomass" and "Advanced Material and Chemical Recycling System in Steel Mini-mill".

The Plant Tour following the Conference is one not to be missed. It will show-case some of the most prominent home-grown as well as foreign-owned steel companies in Vietnam. Route # 1 will cover long product producers. The companies are Southern Steel Corporation, a state-owned company producing reinforced bars, wire rods and sections; Thep Viet Steel Corporation, a leading producer of structural steel in Vietnam; and Vina-Kyoei Steel Ltd, a Japan-Vietnam joint venture company producing deformed bars, plain bars and wire rods. Route # 2 will feature flat product producers. Participants will be taken to see the flat steel metallic coating and painting facility of BlueScope Steel Vietnam; the cold rolling production plant of Phu My Flat Steel Company, a subsidiary of Vietnam Steel Corporation; and the newly commissioned plant of POSCO Vietnam which produces high-quality cold-rolled plates and strips for the automotive and construction industries.

Come and join us in Ho Chi Minh City, Vietnam from 17 to 20 May 2010 for the biggest annual gathering of 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. The registration form appears at the back of this newsletter.

-Tan Ah Yong-

Events/ Activities

2010 SEAISI Conference & Exhibition
Theme: The ASEAN Steel Industry: A New Era of Global Competitiveness
Venue: Hotel Equatorial, Ho Chi Minh City, Vietnam
Date: 17-20 May 2010

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AUSTRALIA

Australia's biggest carbon emitters

Australia's Climate Change Department has released a list of the country's biggest greenhouse gas emitters, pointing to companies which may be included in the government's carbon trade plans.

Power generators dominate the list, along with big mining companies and aluminium and steel smelters.

The government wants carbon trading to start in July 2011 covering the top 1,000 polluters and forcing them to buy or receive free permits for every tonne of carbon they emit.

But the plan is stalled in parliament's upper house Senate, where it has been rejected twice and faces a third defeat in May.

The figures, in million tonnes of CO2-equivalent, are based on Scope 1 emissions, for the year to June 30, 2009.

Scope 1 emissions are directly produced by an operation, such as a power plant or the making of cement.

COMPANY NAME (PARENT COMPANY)	Emissions
Macquarie Generation (State owned)	25.29
Delta Electricity (State owned)	22.23
Great Energy Alliance Corp Ltd (AGL Energy Tokyo Electric Power Co, private investors)	18.96
International Power (Australia) Holdings Ltd (International Power IP.L)	17.97
CS Energy Ltd (State owned)	16.63
TRUenergy Holdings Ltd (CLP Holdings	15.83
Eraring Energy (State owned)	13.25
Electricity Generation Corp (Stated-owned Verve Energy)	10.97
Loy Yang Holdings Ltd (International Power, IP.L)	10.14
Woodside Petroleum	8.20
Babcock and Brown Power Ltd (Alinta Energy)	8.04
NRG Victoria 1 Ltd (NRG Energy Inc)	8.02
BlueScope Steel	7.95
Rio Tinto Ltd	7.62
Stanwell Corp Ltd (State owned)	7.28
Alcoa Australian Holdings Ltd (Alcoa Inc, Alumina Ltd)	6.85
Tarong Energy Corp (State owned)	6.71
AZSA Holdings Ltd (Xstrata)	6.55
BHP Billiton Ltd	5.06
Qantas Airways Ltd	4.01

The list also includes scope 2 emissions for companies. These emissions are a direct result of one or more activities that generate electricity, heating, cooling or steam consumed by the plant but do not form part of the plant.

Alcoa, which operates its own coal-fired power plant south of Melbourne, has Scope 2 emissions of 10.66 million tonnes; Rio, which has a stake in a large power plant in Queensland, has Scope 2 emissions of 9.39 million tonnes.

But the climate change department cautions against using the figures individually or to add them together to calculate a company's potential liabilities under the government's carbon pollution reduction scheme (CPRS). Emissions subject to the CPRS apply only at certain thresholds.

Reuters, March 2, 2010

BHP to push spot iron ore pricing at conference

Sources said BHP Billiton iron ore division president Ian Ashby will use his opening address to the Global Iron Ore and Steel conference in Perth on Tuesday to admonish supporters of once-a-year price benchmarking as out of step with market forces.

He should find ready listeners among fellow miners, although a distinctly frosty reception from steel mills, which want certainty about cost when buying millions of tonnes of ore each year.

The next shipping year starts on April 1, when BHP hopes to begin pricing ore on a quarterly or even shorter term basis using an index based on the spot price.

Given spot prices are double last year's contract level, that would add billions of dollars in revenue to BHP as well as larger rivals Vale and Rio Tinto, the world's No. 1 and No. 2 producers respectively.

Goldman Sachs JBWere in a report this month estimated Rio, BHP and fellow Australian producer Fortescue Metals Group may be missing out on a combined $20 billion in annual sales revenue by not selling iron ore at cash prices.

The spot price of iron ore imported to China has risen 51 percent in the past three months and at $138.70 cost and freight is at a 12-month high, or around double the expiring contract price of $60.10 per tonne FOB.

"This is placing pressure on the 2010 contract price negotiations and in a broader sense on the contract system itself," said Research Capital Group sector analyst Allen Trent.

BHP Chairman Don Argus in an open letter to shareholders on Thursday said the firm would be "alert to take advantage of opportunities that are presented by market pricing of commodities, which included iron ore and metallurgical coal exported to China and the Asian region."

BHP and Rio, as well as other coal producers, have for the first time persuaded steelmakers to buy metallurgical coal based on quarterly prices, a move seen that could indicate a similar shift in iron ore.

Rio Tinto iron ore chief Sam Walsh in a separate address to the conference is expected to try and ease concerns that Rio Tinto's proposed merger with BHP's iron ore division will give the combined group too much power over supply out of Australia, the world's top exporter.

Both executives in the past have said a merger would benefit customers by lowering production costs and streamlining shipping in the Pilbara iron belt, citing estimates for $10 billion in savings.

If the merger, which still requires clearance from regulators in the European Union and elsewhere, goes through, BHP Billiton and Rio Tinto would mine more than 350 million tonnes a year, overtaking Vale, and handle a third of global seaborne trade in iron ore. Total supplies from all miners in the Pilbara should reach around 400 million tonnes this year.

Reuters, March 18, 2010

INDONESIA

Indonesian local HRC prices up $34/T

Hot rolled coil in Indonesia have gone up by 300,000 rupiah ($34) per tonne this week, tracking an increase in ex-works prices.

Indonesian traders were offering hot rolled coil at 7,600-7,900 rupiah per kg ($851-885 per tonne) on Monday, up from 7,400-7,600 rupiah per kg last week, said sources.

Transaction prices also rose to 7,600-7,900 rupiah per kg, up from 7,400-7,600 per kg last week.

"We try not to accept any prices below the quoted prices," said a trader in Jakarta. Traders raised prices this week after Krakatau Steel's price hike by the same amount for May delivery, said sources.

Krakatau Steel, the country's largest mill, is quoting hot rolled coil at 6,700-6,800 rupiah per kg for May delivery, up from 6,400-6,500 rupiah per kg for April, said sources.

A Krakatau Steel official declined to confirm its latest offers but admitted that there was a price hike. "Krakatau Steel raised prices because prices of raw materials such as scrap and slab have also gone up following the rumours of a sharp hike in iron ore prices", he said.

As in the past, other mills have also increased their prices on Krakatau Steel's cue, although their prices remain 200-500 rupiah lower, said sources.

Domestic demand however was still sluggish, said traders.

Many blame the ongoing political squabbles between lawmakers in Indonesia's legislative council following the debates on 2008's Century Bank bailout.

Vice-president Boediono and finance minister Sri Mulyani are under fire from the opposition for their roles in the bailout of the mid-sized bank, which was approved at 700 billion rupiah ($78 million) but ballooned to 6.7 trillion rupiah.

"Legislative council passes the bills and signs the expenditure budget in the country. And because of the ongoing squabbles, the government has not approved any new public projects. All these have an impact on steel demand," said the first trader.

"Market has been very slow-moving in the past one month. We also want to know when demand will pick up," said another trader in Jakarta.

Metal Bulletin, March 8, 2010

JAPAN

Nippon Steel to Source More Coking Coal, Ore Itself

Nippon Steel Corp., Japan's largest steelmaker, will pursue investments in iron ore and coal mines, joining rivals in a bid to curb costs and secure supplies of the steelmaking ingredients.

The company wants to supply 50 percent of its raw material needs by buying stakes in mines or developing new ones "as early as we can," Executive Vice President Shinichi Taniguchi said March 4 in an interview in Tokyo. Mines partly owned by the mill supply 35 percent of its iron ore and 25 percent of its coking coal needs.

Nippon Steel, ArcelorMittal and Posco are scouring the world for resources as prices rise. BHP Billiton Ltd., the world's largest coking-coal exporter, last week won a 55 percent price increase from Tokyo-based JFE Holdings Inc., Japan's second-biggest steelmaker, for a three-month contract from April 1.

"We have to defend ourselves by increasing the proportion of the materials we secure from our own sources," Taniguchi said. "If we see a good offer, we'll go for it."

Nippon Steel shares rose 2 percent to 350 yen at 12:37 p.m. on the Tokyo Stock Exchange.

Essar Group said at a weekend news conference its purchase of Trinity Coal Corp., the Indian company's first overseas coal mine acquisition, will help lock in raw materials.

Aggressive Pursuit

Posco, Asia's most profitable mill, will "aggressively" pursue investments in mines, Chief Executive Officer Chung Joon Yang said last month in Seoul. ArcelorMittal, the biggest steelmaker, supplies about half of its iron ore needs and plans to raise the share to between 75 percent and 85 percent by 2014, Bill Scotting, head of strategy, said last December.

"Global demand for steel products will expand in longer term as the population and personal incomes grow," Taniguchi said. "The significance of having our own sources will increase."

Nippon Steel, Japan's four other biggest blast furnace mills and Itochu Corp. in 2008 agreed with South Korea's Posco to buy 40 percent of Brazilian iron ore producer Nacional Minerios SA, known as Namisa, for about $3.12 billion.

Nippon Steel's investment in Namisa will boost the ratio of its ore procurement to more than 40 percent when the Brazilian company's expansion is completed in 2013, Taniguchi said.

Raising Output

The Brazilian miner is slated to raise annual iron ore output to 38 million tons from the 18 million tons forecast for 2009, according to an October 2008 statement by the Japanese steelmakers.

Nippon Steel's other investment in mines include the Rio Tinto-led Robe River iron ore venture and the Warkworth coal mine in Australia, as well as Vale's Nibrasco iron-ore project in Brazil.

JFE Holdings is spending 50 billion yen ($553 million) to buy a 20 percent stake in a mine in Queensland Australia, its biggest investment in coal, the company said on Dec. 17.

The cost of 62 percent iron-content ore delivered to the port near Tianjin in northeastern China, was $133.10 a ton on March 5, according to the Steel Index, up from $66.30 a year ago.

BHP agreed to sell coking coal on shorter term contracts to customers in Europe, China, India and Japan, breaking away from annual pricing. JFE said on March 5 it agreed to pay $200 a metric ton between April and June.

Nippon Yusen K.K., Japan's largest shipping line, forecast in October global sea trade of iron ore will probably reach 1.33 billion tons by 2019. The compares with an estimated 908 million tons for 2009, according to data compiled by Clarkson Research Services Ltd.

Iron ore contract prices may rise 70 percent this year as producers seek rates closer to cash levels, Nomura Holdings Inc. said on March 1.

Bloomberg, March 8, 2010

Kobeseiko proposes $1b steel billet mill project

Japanese investor, Kobeseiko has proposed Vietnam's functional authorities its new project of constructing a new steel billet mill in Hoang Mai Industrial Zone, under Southeast Nghe An Industrial Complex. The project's total investment capital was estimated at about $1 billion.

Ho Ngoc Bao, vice-chair of Southeast Nghe An Economic Complex management board affirmed that Nghe An province people's committee had submitted the project to the country's government and ministry of industry and trade for supplementing the project into general plan of steel mills. The ministry has already issued official document approving for Kobeseiko to conduct the project. However, the investor was required to clarify about the material sources for production.

Nghe An province people's committee has asked Kobeseiko to prepare investment procedures and to make report to functional authorities about the project's material source.

Intell Asia, March 15, 2010

Japan aims to cut emissions

Japan's basic climate bill approved by the Cabinet is facing opposition from the industrial sector.

The bill incorporates reductions first pledged by prime minister Yukio Hatoyama during his address to the United Nations last September when he said Japan would cut its greenhouse gas emissions by 25 percent from 1990 levels by 2020.

However, the 25 percent reduction aim is based on the precondition that all major greenhouse gas-emitting nations will agree on a fair and effective international framework and ambitious goals.

Although Japan's draft legislation doesn't stipulate which industries will be affected, the industrial sector has opposed

the bill, saying the emissions cuts will require companies to scale back industrial activities, adversely affecting earnings.

“We have been opposed to the stipulation of mid- and long-term reductions targets or other individual measures,” a statement expressing opposition to the legislation by nine industry organisations, including theJapan Iron and Steel Federation and the Petroleum Association of Japan, said, The Yomiuri Shimbun newspaper reports. “The Cabinet approval of the basic bill is extremely disappointing.”

Japan’s industrial sector emitted about 454 million tonnes of carbon dioxide in fiscal 2008, according to the Japan Business Federation. Although that figure represents a decrease of 10.5 percent from fiscal 1990, it is the global economic crisis that is responsible for the reduction, the federation notes.

While some Japanese polluters will face a flat ceiling on emissions, others will be subject to a limit per unit of production, according to a copy of the bill reporters received from the Environment Ministry, Bloomberg News reports.

The climate bill also calls for a possible carbon tax beginning in April 2011.

A cement industry trade group estimates the proposed “green” tax will cost the industry $331 million annually, or about 6 percent of the industry’s current domestic annual sales and would deal “a huge blow to the industry,” an industry official told the Shimbun newspaper.

The bill also calls for an expansion of nuclear generation and boosting the feed-in tariff so that it covers all renewable energy, including biofuels, as well as hydro, solar, wind and geothermal power.

Japan’s feed-in tariff, introduced in November, requires utilities to purchase surplus solar power supplied to the grid by homes and businesses, paying as much as double the normal rate. The additional cost is reflected in higher power bills for consumers.

The legislation also calls for Japan to supply 10 percent of primary energy from renewable sources by 2020.

Intell Asia, March 17, 2010

KOREA

Posco Begins Building Galvanized Steel Sheet Plant in India

Posco, South Korea’s largest steelmaker, began building a $240 million plant in India to produce galvanized steel sheet to supply automakers.

The plant will have capacity of 450,000 metric tons a year starting in May 2012, the Pohang, South Korea-based company said today in an e-mailed statement.

India’s consumption of steel plates will increase as automobile production is expected to more than double by 2015, according to Posco. Galvanized steel sheets are coated with zinc to delay the rate at which they corrode.

Posco shares dropped 1.4 percent to 550,000 won as of 1:59 p.m. Seoul time, compared with a 1.1 percent decline in the benchmark Kospi index.

Bloomberg, March 15, 2010

Posco May Invest $200 Million in Vietnam Plant on Thainox Delay

Posco, Asia’s biggest stainless- steel maker, will likely bring forward a $200 million expansion of a Vietnam plant after talks to acquire Thailand’s Thainox Stainless Pcl stalled.

The South-Korean steelmaker may boost capacity at the Vietnam plant, acquired last year, by 200,000 metric tons from 85,000 tons, Suh Young Sea, senior vice president for stainless- steel marketing, said in an interview. “Southeast Asia is very important strategically,” he said.

Southeast Asia is the world’s biggest net importing steel market with demand expected to grow 9.2 percent a year, according to the research arm of the Korean mill. Chief Executive Officer Chung Joon Yang, planning a record $8.2 billion in capital spending this year, said Jan. 14 he wanted to complete talks to buy Thainox by the end of January.

“Stainless steel demand in the Southeast Asian market will increase this year,” Suh said yesterday in his office in Seoul. “It is highly likely that we’re going to make the alternative investment” in Vietnam because of prolonged talks with Thaniox, he said, without elaborating on the delay.

Posco, based in Pohang, rose 0.6 percent to 548,000 won at 11:08 a.m. Seoul time on the Kospi index. Thainox Stainless closed at 1.5 baht yesterday in Bangkok trading, giving it a market value of $361 million.

The Korean mill was preparing to make an offer for the 85 percent of shares it doesn’t own in Thainox at 2.10 baht to 2.20 baht a share, the Bangkok Post said Oct. 14, citing an unidentified person.

Southeast Asia

“Our main target markets are Thailand, Singapore, Malaysia, Vietnam, the Philippines and some Middle East countries such as Turkey,” Suh said.

Stainless steel production may climb as much as 15 percent to 29 million tons in 2010 from 25.2 million tons last year, London-based research group CRU estimated. Global output may rebound this year to the 2007 level last seen before the global recession, the Bureau of International Recycling said last month.

“We had a good start this year,” Suh said. “We expect stainless steel demand and prices to turn to an upward trend after March and actually we’re seeing more of those signs.”

Posco is monitoring the market before deciding on April prices, Suh said. Posco would need to raise prices “if only” recent gains in raw materials are taken into account, he said.

The steelmaker increased stainless steel prices in March for a second month because of gains in the costs of nickel, used to make the alloy.

Nickel has doubled in the past year on surging demand in China. Nickel for delivery in three months rose 1.9 percent to $21,900 a ton yesterday on the London Metal Exchange.

Posco is the world's third-biggest and Asia's biggest stainless-steel maker by 2008 output, company spokeswoman Choi Youn Joung said Feb. 9. Stainless-steel companies are the world's biggest users of nickel.

Bloomberg, March 17, 2010

MALAYSIA

Stamford moves into steel making. Education group seeks to broaden earnings base

After 60 years in the education industry, Stamford College Bhd is venturing into steelmaking to broaden its earnings base.

The group currently provides academic, tertiary and professional courses as well as trades in assorted steel products.

Last week, the company said as part of its business diversification plans, it proposed to build a steel mill costing RM29.79mil, of which RM28.9mil would be internally generated funds and RM883,579 sourced from leasing.

Stamford and its subsidiaries propose to manufacture low alloyed, alloyed and long steel products.

"With the increasingly competitive higher education industry, the group seeks to mitigate the risk of overdependency on such business through the diversification," it said in a filing with Bursa Malaysia.

By moving upstream into steel manufacturing, it hoped to position itself as a steel producer and have better profit contribution than from steel trading activities.

Stamford subsidiary Sang Cahaya Sdn Bhd has commenced commercial testing of a steel mill after launching a manufacturing project to make steel products used in domestic construction, engineering, manufacturing and steel fabrication industries.

It added that the rental for the 2-ha land leased (inclusive of a factory building) from Spring Bond Sdn Bhd in Beranang industrial estate, Selangor would be RM12,500 per month.

"The plant's annual production capacity is 48,000 tonnes. For the financial year (ending Dec 31) 2010 (FY10) and FY11, output is budgeted at 50% and 70% of production capacity respectively," it said.

Stamford will seek the shareholders' approval at an EGM to comply with listing rules. However, the group has yet to specify the date, time or venue for the meeting.

Although the company has been involved in the trading of assorted steel products since 2004, the recent announcement raised eyebrows among some investors and analysts who viewed it as a drastic diversification from an educator to a steelmaker.

Analysts said they were not sure what Stamford's plan was as generally, no analyst tracked the counter. They were also unsure if the group would eventually divest its education arm and focus on steel.

"In today's competitive market, it's better to carve out a niche and try to become the best in that area rather than be a jack of all trades," an analyst said, adding that Stamford needed to pull up its socks and get out of its current financially distressed situation.

Another local analyst said the RM30mil Stamford proposed to spend for the steel mill was "insufficient" as a typical steel mill would cost several hundred million ringgit.

Based on the small capital expenditure (capex) involved, he felt the company was more likely to set up a steel service centre instead.

Steel service centres generally buy steel products in large quantities from producing mills and sell pre-processed steel to customer requests.

When contacted, a Stamford spokesman had no comments.

Stamford, which is celebrating its 60th anniversary this year, has not been in top form in recent years. It started as a small institute and has grown into a multi-disciplinary college today. However, the group seems to be content with its current status while many of its competitors have moved up to become university colleges.

The education provider suffered a run of poor results in the beginning of 2004, and subsequently fell into PN 17 status because its auditors had expressed a modified opinion for the FY08 accounts, with emphasis on Stamford's shrinking shareholders' equity.

For the fourth quarter ended Dec 31, Stamford widened its net loss to RM2.3mil, or 5.71 sen loss per share, from RM892,000, or 2.23 sen loss per share. Revenue for the period stood at RM4.3mil.

For the full year, Stamford posted a net profit of RM2.2mil against a net loss of RM1.2mil in FY08.

"The improvement in pre-tax profit was mainly due to more students were registered for degree programmes, more efficient use and deployment of resources through rationalisation of centres and programmes, a gain of RM824,000 on the disposal of 20% interest in an associate company, reversal of accruals over-provided and deposits write-back," it said in the notes accompanying its quarterly results recently.

As part of its regularisation plan on its financial condition, the group proposed to reduce its issued and paid-up share capital by cancelling 50 sen par value of each existing RM1 share.

The proposed par value reduction would give rise to a credit of about RM20mil, which would be utilised to offset its accumulated losses, giving it a chance to remove itself out of the PN17 status, Stamford said.

The Star, March 15, 2010

Malaysian local rebar prices up $30/T

Malaysian rebar prices have gone up by 100 ringgit ($30) per tonne over the fortnight as mills and traders push up prices in response to higher scrap costs.

Rebar was trading in the market at 2,100-2,200 ringgit per tonne, up from 2,000-2,100 ringgit per tonne two weeks ago, in line with ex-works prices, said sources.

“Of course, we try to increase rebar prices more. But market demand is not very strong yet,” said a mill official.

Mills last changed prices in early February, cuttting them to 2,000-2,100 ringgit per tonne from 2,100-2,200 per tonne in response to sluggish demand.

Scrap prices have increased to $420 per tonne cfr, from $380-390 cfr two weeks ago while domestic billet prices have jumped to $550 per tonne, from $525 per tonne last week.

“There is an absence of mega-projects in Malaysia, thus demand remains so-so. We are depending on the small to mid-scale projects such as government housing projects and the bridge construction in Penang,” said another mill official.

“We hope that demand will pick up by June, when iron ore price negotiation is [likely to be] settled. By then, we should know the magnitude of the price increase, and hope to lock in orders,” he added.

Metal Bulletin, March 16, 2010

TAIWAN

CSC of Taiwan to Post US$0.071 in EPS in H1

Thanks to rising steel prices, China Steel Corporation (CSC), Taiwan‘s largest integrated producer of steel products, will likely challenge US$937.5 million in pretax earnings, or US$0.071 per share, in the first half of this year.

CSC posted US$479.53 million in February sales, US$116.93 million in pretax earnings, or US$0.008 in EPS, up 210.59% year-on-year.

The company scored US$247.62 million in pretax earnings and US$0.018 per share in the first two months of this year, meeting the market expectations.

An institutional investor believes CSC will see substantial growth in sales and earnings in March as downstream firms are expected to deliver orders in the wake of CSC‘s move to raise wholesale prices on steel products to be shipped in April and May.

With low-priced raw materials in inventory, CSC is expected to see earnings grow each month beginning from March as it won‘t use high-priced raw materials until July. Accordingly, the expected price increase of raw materials will not affect CSC earnings the first half of this year.

In other front, CSC‘s affiliate—Chung Hung Steel Corp. said it registered US$93.59 million in February sales, down 18.46% from the preceding month and down 16.77% year-on-year. The company registered NT$6.667 billion (US$208.34 million) in cumulative sales in the first two months of this year, up 15.54% from a year earlier.

CENS, March 10, 2010

Progress resumes on Taiwanese steel plant

Taiwanese-invested Guang Lian Steel Viet Nam Co Ltd will resume construction this month on a multi-billion-dollar steel plant in the central province of Quang Ngai, the company’s general director, Hsueh Hung Yi, said in a recent meeting with provincial authorities.

The project in the Dung Quat Economic Zone had been put on hold for over 18 months due to the global recession.

The deputy director of the Dung Quat Economic Zone Authority, Le Van Dung, confirmed that Guang Lian Steel had solved its financing problems and was preparing to relaunch the project at a budget enlarged from the previous US$3 billion to $4.5 billion.

Guang Lian, established by Taiwanese steel giants Tycoons and E-United, has already begun work on the plant and a workers residence.

With first-phase land clearance nearing completion, 223ha of the eventual 455-ha site has been handed over to Guang Lian.

The plant, when completed, would have a capacity of 3 million tonnes in the first phase and 5 million tonnes in the second phase. It would use blast-furnace technology and would be one of the two largest projects in the economic zone. The first phase was expected to reach full capacity in 2013.

The project was originally licensed to Tycoons in 2006 with a budget of over $1 billion. The project costs rose to $3 billion in 2007, when Tycoons teamed up with E-United to upgrade the project technology.

Vietnam News, March 15, 2010

THAILAND

Siam Yamato’s No.2 section mill starts commercial production

Japanese-invested long products maker Siam Yamato Steel formally started commercial operations at its No.2 sections mill in eastern Thailand on 1 March, parent company Yamato Kogyo has announced.

The 400,000 tonnes/year capacity plant in Map Ta Phut in eastern Thailand’s Rayong province had been caught up in changes the Thai government was making to environmental protection guidelines, as Steel Business Briefing reported.

Bangkok had suspended 65 projects where new environmental approvals had to be applied for. Among these was the No.2 mill where production was to have started during last October-December. Thailand’s central administrative court gave its approval last December for Siam Yamato to start operations.

The Rayong No.2 plant has been under trial production since, and with the recent provision of Thai Industry Standards approval for most of its products, the company decided to start commercial production, a Yamato Kogyo spokesman tells SBB.

The Himeji-based company refuses to give a production target for the No.2 mill this year; however, Thai market sources estimate 200,000t. The spokesman admitted that demand for sections in Thailand and neighbouring countries dropped largely due to the global economic crisis, but has been recovering.

Siam Yamato's No.1 sections mill with 600,000 t/y capacity – located 5km from the new No.2 mill – is said to be gradually increasing production but the spokesman admits output is still not close to full capacity. "It may take some time for Siam Yamato to produce at full capacity, but demand is surely recovering," he added.

Steel Business Briefing, March 3, 2010

Thai steel demand set to bounce back

Thailand's steel demand this year will increase by 13 to 20 per cent thanks to an expected recovery in the automobile, electrical-appliance and property sectors, as well as the government's investment projects, according to the Iron and Steel Institute of Thailand.

Institute director Wikrom Vajraragupta recently said that if the Map Ta Phut problem could be solved this year, which would allow construction work at many petrochemical projects to proceed, demand is likely to rise to the maximum forecast of 12 million tonnes, up from 10 million tonnes in 2009.

But if the crisis remains unsolved this year, Wikrom said, minimum steel demand should be 11.5 million tonnes, an increase of 13 per cent from last year's steel consumption.

About 60 per cent of steel demand is for the construction of property projects and government-planned infrastructure projects such as roads and rail lines. The remaining 40 per cent will be used in the automotive, electrical appliance and other industries.

The forecast is based on an assumption that Thailand's auto production this year will hit a record high of 1.4 million units, and on the government's planned spending under its Thai Khemkhaeng stimulus programmes.

"Typically, annual steel demand growth is roughly 2 percentage points higher than the country's gross-domestic-product growth. For example, if Thailand's GDP grows by 6 per cent, steel demand will grow around 8 per cent. So, the forecast for steel demand this year is unusually high because of the economic recovery and the government's economic stimulus programmes through the Thai Khemkhaeng scheme," he said.

However, the forecast for steel demand is lower than the record high of 13.6 million tonnes recorded in 2008, when steelmakers stocked inventories due to high prices, added Wikrom.

Steel prices this year should be fairly stable, remaining between US$400 and $600 (about Bt13,000 and Bt19,600) per tonne, an increase of 5 to 10 per cent from last year, he said.

In February, the price of hot-rolled steel coil was $580 per tonne, up from $523 in January. This month, the price of cold-rolled steel coil is $650 per tonne, a slight increase from January, while steel bar currently fetches $500 per tonne.

If prices stayed at these levels, Wikrom said, steelmakers would likely enjoy profits this year.

Kasikorn Research Centre recently said in a report that steel prices this year were expected to increase over last year due to domestic and international economic growth, the government's investment projects and rising manufacturing costs.

The country's government this year set aside a Bt1.4-trillion budget for the second phase of the Thai Khemkhaeng programme (2010-2012). The bulk of the funds is to be spent on infrastructure projects.

Coal, slab and iron-ore prices are expected to continue their rise, which began late last year when a decline in global iron-ore volume was forecast. The main reason for the decline was a move by India, the third-largest exporter of iron ore, to adjust its export tax by 5 per cent in order to prevent a shortage in the domestic market.

However, a Chinese government measure to rein in lending this year - aimed at preventing a bubble in the property sector - will put pressure on steel prices.

China is the world's biggest steel consumer, accounting for one-third of global consumption.

The Kasikorn report suggested Thai steelmakers cautiously plan to stock inventories and closely monitor factors affecting global steel prices, such as interest-rate moves in China and the progress of economic recovery in certain markets, particularly the US and Europe.

The Nation, March 8, 2010

Upstream steel complex plans delayed

Long-held plans to develop a national upstream steel complex hit a snag, as economic ministers yesterday directed the Industry Ministry to reconsider its development venue and study its impact.

The Industry Ministry selected the Laem Sing district of Chanthaburi, Ranot district of Songkhla, Sai Buri of Pattani and Muang of Rayong for the economic ministers to choose from as a new site for Thailand's first upstream steel complex. But Putthipong Punnakan, vice-minister to the Prime Minister's Office, said the premier needed relevant ministries to conduct more in-depth study on the possible impacts on tourism, the service industry, the environment and local people.

The proposed plan costs 100 billion baht and covers 4,000-5,000 rai of land.

Bangkok Post, March 9, 2010

VIETNAM

VNSteel transfers capital contribution in Southern Steel Sheet Co

Vietnam Steel Corp (VNSteel) has decided to transfer 19.5 percent out of 84 percent of shares that the corporation has owned in Southern Steel Sheet Joint Stock Co to Industrielle Betelligung SA, under Italy-based Danieli Steel Group.

Previously, the Southern Steel Sheet Joint Stock Co was established with the purposes of supplying the market the hot-scrolled steel products. The steel mill is located in Phu My 1 Industrial Park, Tan Thanh Dist, Ba Ria-Vung Tau province with designed capacity of 2 million tonnes per year and investment capital of about $550 million. The main shareholders of the company included VNSteel, Vietnam Rubber Industry Group (15 percent) and Da Nang Steel Joint Stock Co (1 percent).

In May 2009, VNSteel had purchased holdings of India-based Essar Group in this project when the investor withdrew from this project due to bad effects from global economic recession.

As planned, the construction works on the steel mill is supposed to be started in late 2010 and put into operation in 2013.

Intell Asia, March 12, 2010

Vietnam turns to strip as HRC offers hit $700 cfr

Some hot rolled coil importers in Vietnam are booking strip instead as offers continue to rise on cost pressure, hitting $700 per tonne cfr this week.

Taiwan returned to the market this week to offer 2-3mm thick hot rolled coil at as high as $700 per tonne cfr Ho Chi Minh but only managed to clinch bookings at $655-665 cfr.

This was largely in line with bookings of Chinese material at $650-660 cfr, up from $580-600 cfr last week.

Face with fast-rising prices, some importers in Vietnam have started booking hot rolled strip instead, at $600-620 per tonne cfr.

“Some end users can substitute the hot rolled coil with strip, so traders took the initiative and banded together to order hot rolled strip from China at $600-620 per tonne cfr,” said a trader in Ho Chi Minh.
Demand for hot rolled coil in Vietnam this week remained weak and bookings were thin.

“Mills cannot delay purchases for too long. After some time, they just have to buy. Some mills buy in smaller quantities while waiting for prices to drop,” said the trader.

Traders in the market believe hot rolled coil prices will peak soon.

“It will be hard for Chinese traders to push prices up further, because they also have high stocks. With prices so high, local buyers will also look for alternative offers from Russia, Brazil, South Africa and Egypt,” said another trader in Ho Chi Minh.

In the domestic market, 2-3mm hot rolled coil was trading at $550-590 per tonne, after holding at around $570 per tonne in the previous two weeks.

Metal Bulletin, March 12, 2010

Sheet steel plant stake sold to Italian equipment supplier

Italian Danieli Group has bought a 19.5 per cent stake in Viet Nam Steel Corporation’s sheet steel plant being built in the Phu My area, 100km southern of HCM City.

The Danieli Group is one of the world’s largest suppliers of equipment for steel production projects. It has been in Viet Nam for 10 years.

According to media reports, VN Steel chairman Dau Xuan Hung said Danieli would be in charge of the plant’s equipment and will help finance the completion of the plant.

Danieli Executive Vice President Antonello Mordeglia said the investment reflected his group’s confidence in the country’s business environment and the capacity of its Vietnamese partners.

The US$550 million sheet steel plant, located in the Phu My area, will have a capacity of 2 million tonnes a year when completed at the end of next year.

The four major investors are Viet Nam Steel Corporation, Danieli Group, Viet Nam Rubber Group and Da Nang Steel Company.

Deputy Minister of Industry and Trade Le Duong Quang said the project would meet domestic demand and thus cut imports.

It would also help boost political and economic co-operation between Viet Nam and Italy.

Vietnam News, March 13, 2010

BRAZIL

Brazil’s MMX to invest R$200m in 2010 iron ore projects

Brazilian miner MMX, owned by EBX holding group, announced an investment of R$200m (US$114m) in 2010 to develop and improve existing projects and logistics systems, Steel Business Briefing learns from company CEO Roger Downey. However, the company’s US$1.2bn investment plan is still on hold.

MMX increased its iron ore output by 4% in 2009, producing 5.2m tonnes against 5m t in 2008. Currently, the company is under an expansion plan to reach 45m t of output in the next few years, which also includes production in Chile through its ongoing iron ore project there.

According to Downey, the partnership with Chinese mill Wisco will strengthen MMX’s capabilities and open new opportunities. “The global iron ore market recovery has been so strong and

now we have higher demand than our supply capacity," explains the CEO.

SBB notes that MMX and Wisco had signed a partnership, which says 50% of MMX's iron ore output will go to the Chinese steelmaker.

Steel Business Briefing, March 16, 2010

RUSSIA

CIS billet producers increase export offers on ferrous scrap gains

CIS billet producers have increased their cfr Turkey offers in line with higher prices for ferrous scrap originating in the US and Europe, market participants said.

Exporters quoted March deliveries at $530-540 per tonne cfr Turkey, although MB heard of no confirmed bookings at this level.

The last reported transaction was at $500-510 cfr for material produced in March, up from $480-490 last week, market participants said.

"I've had offers from several Ukrainian mills at $530-540 cfr but I cannot afford to buy at that price when the rebar is being sold at $520-530 fob," a source at a Turkish rebar re-roller said.

"We've had to increase our rebar offer prices to $580 fob because of high scrap and billet costs but we haven't had any bookings yet," he added.

Most Turkish re-rollers are rejecting offers from CIS billet producers in favour of buying small tonnages from domestic suppliers, such as Çolakoglu, Isdemir and Kardemir, which can supply billet with short lead times, they said.

Several Turkish re-rollers have been forced to slash production by as much as 40% due to weak domestic and export demand for rebar. They are only buying material to serve their immediate rolling needs.

Rebar producers have struggled to secure domestic and export orders due to lacklustre demand. Turkish producers are dependent on the export market for sales due to insufficient domestic consumption.

It is estimated that Turkish producers need to export a minimum of 50% of their rebar production.

Their main market has been the Middle East and north Africa (Mena) region due to the large scale government-backed infrastructure and housing projects, which has boosted steel demand and consumption.

But buyers in the Mena region are now rejecting higher Turkish rebar offers in favour of purchasing small tonnages from local suppliers, Turkish market sources told MB.

Metal Bulletin, March 12, 2010

Russian mills set to raise local CRC prices on better demand

Russian flats producers will likely increase their local cold rolled coil offer prices by as much as 5% in April to take advantage of improving demand from galvanizers and end-users in heavy engineering, market participants told MB.

Severstal, MMK and Novoliptesk Steel (NLMK) have left their prices unchanged over the past two weeks, and buyers have continued making purchases at around $710-725 per tonne ex-works (exw), sources said.

Greater demand for Russian-made cars has helped to boost demand from galvanizers, one source said.

"The auto sectors are starting to gradually grow," he told MB.

And demand from overseas remains good, which has limited domestic market availability, according to reports.

Severstal predicted earlier this month that 50% of its production in 2010 would be sold on the domestic market, up from 40% in late 2009 (MB, March 9).

Metal Bulletin, March 16, 2010

INDIA

Steel cos see double-digit growth

India's top private steelmakers including Essar and JSW posted double-digit growth in sales volume with Ispat Industries' sales rocketing 70% in February 2010, over the year ago period, backed by robust demand from automobile and infrastructure sectors.

The rise in housing construction activities, too, lifted volume growth for the metal as did the low base effect as companies were producing less the previous year due to low demand.

Indian steel industry has witnessed a sharp decline in demand since the second half of 2008, a period that saw most steel companies cut production with some units running at half their normal capacity. But demand started gathering pace post April 2009 and steel consumption grew 8% in the first nine months of the fiscal ending March'10.

JSW, the country's second largest private steel maker, posted robust growth in sales during the month but declined to divulge the growth figures. "We ramped up production capacity to 7.8 million tonne in the second half of last year from 3.8 million tonne early last year. So, monthly sales have moved up in line with production," JSW director (sales) Jayant Acharya said.

The company produced 5.42 million tonnes of crude or basic steel in February 2010, 61% higher than the corresponding period last year. Ispat Industries witnessed significant double digit growth in sales over February 2009 as the company was operating at a low production capacity last year.

Meanwhile, Ruias-owned Essar Steel posted 10% growth in sales volume in February 2010. Unlike other firms we had

resumed normal production by February last year, the company spokesman said.

Steel demand will continue to rise going forward because a lot of emphasis has been laid on infrastructure development in the budget, say industry watchers. The government has proposed to invest Rs 1,73,000 crore in infrastructure in 2010-11, which will increase demand for metals and commodities like steel and cement.

"Robust demand absorbed the capacity addition that took place during the year and is reflecting in last month's steel sales volume growth. More capacity addition is likely to happen in the next two years," Ernst & Young partner Navin Vohra said. He said steel demand is improving globally, but overcapacity still exists in some markets of China, Europe and the US.

Rise in demand has started reflecting in increase in metal prices. Most steel companies increased product prices by up to Rs 2,000/tonne to Rs 33,000-35,000/tonne in the domestic spot market in January this year.

They further increased prices by up to Rs 1,000/tonne early this month as the government increased excise duty to 10% from 8%. Steel production is likely to reach 65 million tonnes in the FY11 compared to 60 million tonne for the fiscal year ending March'09, as per steel ministry's estimates.

The Economic Times, March 6, 2010

Steel Authority Seeks Japanese Technology Partner

Steel Authority of India Ltd., the nation's second-biggest producer, wants to follow its local rivals in forging a technology joint venture with a Japanese partner to make higher value products amid surging demand.

State-run Steel Authority is in talks with a Japanese company to set up a factory in eastern India, Steel Minister Virbhadra Singh said in an interview in New Delhi. The plant may be located in the cities of Bokaro or Bhilai where Steel Authority operates plants and has large areas of spare land, Singh said, without identifying the partner.

India's steel consumption in the 10 months ended Jan. 31 rose 8.5 percent from a year earlier, boosted by demand from power projects, construction companies and makers of cars and appliances. India's vehicle sales may reach 3 million units annually by 2015, helped by higher incomes among a middle class of about 50 million people, according to a 2006 government forecast.

"Japanese companies are trying to get into India as it is a growing market," said Paresh Jain, who has a "hold" rating for Steel Authority shares at Angel Broking Ltd. in Mumbai. "Steel Authority is already expanding its capacity and like other steelmakers is keen to get technology. It makes sense as it will give the company long-term technology."

Shares Gain

Steel Authority shares, which more than tripled last year, rose as much as 2.3 percent to 239.95 rupees and traded at 237.55 rupees as of 9:35 a.m. in Mumbai. The benchmark Sensitive Index of the Bombay Stock Exchange rose 1 percent.

"A Japanese company has approached us for a joint venture with Steel Authority," Singh said at his residence late on March 5. "We are interested to set up steel mills jointly with companies that will bring in new technology."

Nippon Steel Corp., the world's second-largest steelmaker, plans to invest as much as 35 billion yen ($388 million) with Tata Steel Ltd. to make auto-grade steel in India by March 2013. JFE Holdings Inc., Japan's No. 2 steelmaker, said in November it will cooperate with Mumbai based JSW Steel Ltd., while Sumitomo Metal Industries Ltd. has said it may buy a stake in Bhushan Steel Ltd.'s proposed mill in eastern India.

Bloomberg, March 8, 2010

SAIL to increase capacity to 26 mtpa by 2014

State-owned steel maker SAIL on Wednesday said it will increase its annual production capacity in a phased manner, taking it to 26 million tonnes by 2014.

"At present, the company produces about 13.82 million tonnes of hot metal every year. In the first phase of expansion, by the end of 2012, it will be taken up to 23.46 mtpa and in the second phase it will be increased further to 26.18 mtpa by 2014," SAIL General Manager (Materials Management) R N Rawat said at a conference organised by mjunction here.

The second phase of expansion programme is likely to cost the steel maker about Rs 10,000 crore.

At present, SAIL is undertaking a Rs 70,000-crore expansion programme to raise its annual production capacity to about 23 million tonnes by 2012 from around 13 million tonnes, now.

The PSU had earlier envisaged to double its annual production capacity to 26 million tonnes by 2012, but later revised the target downwards to 23 million tonnes due to global economic slowdown.

It had, however, said that the remaining capacity would be added in the second phase of the expansion project.
Share

The Economic Times, March 10, 2010

Indian stainless bar imports face 5.54% Commerce duty

The U.S. Commerce Department has issued preliminary results following an administrative review of the anti-dumping duty order on stainless steel bar from India after finding sales were made at below normal market value.

The review covers imports of stainless steel bar from two producers/exporters, Ambica Steels Ltd., New Delhi, India; and Venus Wire Industries Pvt. Ltd., Mumbai, India, made between Feb. 1, 2008, and Jan. 31, 2009.

Commerce has preliminarily placed a 5.54-percent margin on Venus Wire, but no margin on Ambica.

Commerce will issue its final results no later than 120 days from March 15, it said.

The Commerce review was requested in February 2009 by domestic bar producers Carpenter Technology Corp., Wyomissing, Pa.; the former Crucible Specialty Metals, a division of the now-defunct Crucible Materials Corp.; Electralloy Co., Oil City, Pa.; and Valbruna Slater Stainless Inc.

Metal Bulletin, March 16, 2010

CHINA

Chinese exchange to offer coke futures contracts

The Dalian Commodities Exchange (DCE) is planning to start trading a Chinese domestic coke futures contract in the second half of this year, Steel Business Briefing learns from the exchange.

An officer from the DCE tells SBB that the exchange only plans to trade a Chinese domestic metallurgical coke futures contract at this time and may consider other types of contracts in future.

The contract period will be one year, the lot size will be 10 tonnes and delivery ports will be available in the Tianjin municipality as well as Hebei, Shandong and Jiangsu provinces. The exact launch date for the futures contract is unknown at this point as the officer says the DCE is still waiting for approval from the China Securities Regulatory Commission (CSRC).

As SBB has reported, the Bohai Commodity Exchange (BCE) began trading a long-term spot coke contract at the end of last year. The DCE officer explains that there are some major differences between the two.

For example, futures contracts require only a 5-8% deposit and are targeting a China-wide market while BCE's long-term spot contract requires a 20% deposit and is aimed at the northern Chinese market.

A trader from Shanxi comments that steel companies may like the DCE's futures contract because it allows them to hedge against coke price fluctuations.

Steel Business Briefing, March 15, 2010

China's iron ore imports rose 41% in 2009

China's iron ore imports reached 628 million tonnes in 2009, 41% more than 2008 and 128% higher than 2005, the Iron and Steel Statistics Bureau (ISSB) said. China's steel production also grew to 568 million tonnes in 2009, up 13% from 2008 and 61% from 2005, ISSB added.

In 2009, China's steel production accounted for 47% of the global steel output, according to the World Steel Assn (worldsteel). The steep rise in China's iron ore imports offset the noticeable reduction in uptake from other major importers. Total iron ore exports were at 965-970 million tpy, up 8% from 2008, according to ISSB estimates.

In 2008, iron ore exports peaked in the second quarter at 247 million tonnes but then slumped to 193 million tonnes in the last quarter of the year. The first half of 2009 witnessed a recovery and the level of exports jumped, reaching 265 million tonnes in the third quarter and 263 million tonnes in the fourth quarter of the year.

Australian producers seem to have benefited from the increased appetite for iron ore from Chinese customers; Australian exports rose 23% to 380 million tonnes. Meanwhile, Brazil's exports slipped 6% to 266 million tonnes. Indian exports rose 12% year-on-year to 114 million tonnes in 2009. South Africa was also able to push its exports up 41% to 45 million tonnes, the ISSB said.

Most developed countries saw their imports fall in 2009. Japan reduced its uptake by 25%, while EU recorded an even sharper fall in inbound tonnage of 44% down to 88 million tonnes.South Korea's imports slipped by 15% to 42 million tonnes and Taiwan imported 12 million tonnes, 23% less than in 2008. Russian and US imports fell 29% and 58% respectively.

Metal Bulletin, March 16, 2010

Baosteel wins line pipe order for Australian LNG project

Eastern China's Baosteel has won an order to exclusively supply 200,000 tonnes of high-grade line pipes for a 380 kms-long pipeline for the Queensland Curtis liquefied natural gas (LNG) project in Australia, the company announced on 16 March. The financial value of the contract was not disclosed.

According to the contract, Baosteel will supply 200,000 t of X70 grade UOE forming longitudinal submerged arc welded (LSAW) pipes. The contract is Baosteel's first large order for its UOE plant since this was commissioned in late 2008.

Operated by Queensland Gas Co (QGC), the project will expand QGC's coal seam gas production in the Surat Basin in southern Queensland and transport the gas via the380kms underground pipeline to an LNG processing plant and export facility on Curtis Island, near Gladstone. Pipes for the pipeline will have a diameter of 1,050mm and a thickness of 15.66mm, according to QGC.

Baosteel says some major UOE pipe makers were participating in the bid, including Nippon Steel, Sumitomo Metal Industries and JFE Steel from Japan and Europipe Group. QGC sent technical experts to Baosteel earlier this year when Baosteel submitted a tender to verify the steelmaker's production capabilities.

Baosteel's UOE plant, located at its pipe works in Shanghai, has a total capacity of 500,000 t/y. This includes 400,000 t/y of line pipes for steel grades up to X100 for oil/gas transportation, and 100,000 t/y of structural pipes and pipes for low-pressure fluid transmission.

Steel Business Briefing, March 17, 2010

China to Support Steel Makers in Iron-Ore Discussions

China, the world's biggest iron ore buyer, will stick with an annual pricing system and may take action to support the country's steelmakers in negotiations with suppliers, the Ministry of Commerce said.

"We hope that suppliers, the steel association and Japanese and Korean steelmakers can together maintain the mechanism and prevent price volatility," ministry spokesman Yao Jian told

reporters today in Beijing. Government support may include “trade actions,” he said, without elaborating.

BHP Billiton Ltd., the world’s biggest mining company, Rio Tinto Group and Vale SA are seeking pricing that covers shorter periods after spot market rates soared to more than double last year’s contract agreement. Vale is seeking to raise contract iron-ore prices by more than 90 percent in negotiations with Japanese steelmakers, Nikkei English News reported March 10.

More than 10 of China’s largest steelmakers, including Baosteel Group Corp. and Wuhan Iron & Steel Group, have appealed to Chinese Premier Wen Jiabao to help represent them in the iron ore negotiations, the China Securities Journal reported today.

Policy Threat

“As the world’s biggest iron ore consumers, Chinese steelmakers’ interests should be appropriately reflected in the price talks,” Yao said today. “Before the price is decided, it’s hard to say what measures will be taken, but we do have policies in reserve.”

Iron ore suppliers traditionally hold annual negotiations with steelmakers to fix benchmark prices that take effect from April 1, the start of the Japanese fiscal year. Baosteel is leading the Chinese mills in the talks with the miners.

Chinese steelmakers oppose a request by suppliers to increase annual prices for iron ore by as much as 90 percent, the China Iron & Steel Association said in a statement on its Web site today. The association agreed with an earlier rebuttal of the fee hike proposal by Eurofer, a European steel lobby group, it said.

Talks for contract iron ore prices are unlikely to finish soon as the mills can’t accept a price that would force them to incur losses, Deng Qilin, general manager of Wuhan Iron & Steel Group, said on March 7.

Deng called on the government to regulate the iron ore market because smaller steelmakers have reached private agreements with the suppliers before a benchmark price agreement is reached, he said then.

The Chinese government has detained four Rio executives since July for allegedly stealing commercial secrets.

Bloomberg, March 16, 2010

WORLD

<u>WSA sees steel demand up, Asia to profit most</u>

European steel demand will bounce some 20 percent in 2010 as the global industry recovers, but much of the West’s business has been irrevocably lost to the East, the World Steel Association said on Monday.

Director General Ian Christmas said the outlook for the world steel industry was brightening and the association would likely nudge its global demand growth forecast to around 10 percent from nine percent, due to the improving global economy.

“The industry is in a positive mood,” he told Reuters in an interview. “But still cautious about the recovery.”

“China will continue to grow around 10 percent and you’ll find double digit increases in demand in the old industrialized countries,” he said, adding that this followed hefty losses in Western demand last year.

He said demand could grow 27 percent in Germany and 30 percent in France in 2010 as Europe’s major economies recover.

But he added the crisis had done permanent damage to the Western steel industry as business thrived in fast-growing Eastern economies like China and India.

“Europe has permanently lost some businesses to other parts of the world and it will never come back,” he said.

“The emerging economies are putting on steam and therefore we’ve seen a permanent shift in the dynamics of our industry.”

Christmas said BRIC countries Brazil, Russia, India and China will account for some 60 percent of the global steel demand this year, compared to 58 percent in 2009 and 50 percent in 2008.

Global steel demand in 2010 would return to 2008 levels, but that demand in “old industrialized countries” this year would only be half way back to 2007 levels.

Christmas added that restarts of blast furnaces across Europe signaled a return of confidence in the industry, but that there were also concerns about too much production being restarted prematurely.

Domestic Drive

Further growth in China and India would be domestically driven, he said.

“Rising income levels in these countries will drive domestic consumption, therefore the engine of growth is no longer in the old world, it is now permanently switching to the new world.”

And the autos sector was going to be key to the industry’s recovery, he said.

“Automotives clearly are going to be a positive dynamic in China and India,” he said, adding that there was more uncertainty about where disposable income would go in the West.

Christmas said improving Western auto sales in 2009 may have been the result of government-backed scrappage schemes encouraging people to bring forward sales that would otherwise have occurred in 2010. But he attributed rising car sales in China and India to real demand.

In January China’s passenger car sales jumped 115.5 percent on the year and Indian monthly car sales hit a record high.

“That’s driven not by cash for clunkers but by rising incomes in the population,” he said of China’s auto demand.

Reuters, March 8, 2010

Severstal eyes entrance into Asia, remains upbeat about overseas assets

Severstal is looking to enter the Asian market in the next five years because of the growth potential within the continent, group ceo Alexei Mordashov said.

"We'd definitely like to participate in this market," Mordashov told reporters during a news conference, following the group's release of full-year and fourth-quarter financial results for 2009.

Mordashov declined to say what form any Severstal projects in Asia would take.

"It could be a wide variety of projects," he said.

Mordashov did not say what regions within Asia the group would consider, but indicated that the group is eyeing the southeast.

"Many countries like Indonesia and [elsewhere in] Southeast Asia are very promising," he told MB during the teleconference.

Mordashov was also upbeat on most of its other assets outside Russia.

The group remains committed to North America and is prepared for financial growth in the region, he said. Assets there are now running at 70% of utilisation capacity, Mordashov said.

Sevestal also plans to restart steelmaking and rolling at its Warren works, although Mordashov earlier declined to indicate at what percentage of capacity the mill's single blast furnace would operate (MB Mar 9).

Severstal is not currently planning any new projects in Ukraine, where the group has a service centre in Dnipropetrovsk, Mordashov said. But he expressed hope that political stabilisation in the country would improve market demand.

"Of course, we can't expect full growth because of the government structures, but it is promising," he said.

Mordashov did not elaborate on what Severstal's plans would be for its Lucchini asset in Italy, after it acquired the remaining 20.2% from the mill's original owners, raising its stake to 100% (MB Mar 4).

"We are definitely contemplating different options available for us," he said.

Severstal confirmed speculation in February that it is looking to sell its stake in Lucchini, and up to nine companies have confirmed an interest (MB Feb 18 & Feb 15).

Metal Bulletin, March 9, 2010

Billet prices into SE Asia rise by up to $45 cfr

Billet prices into Southeast Asia have risen by up by $45 per tonne cfr in the past week due to higher scrap costs.

Prices have risen to $500-545 per tonne cfr, from $490-500 per tonne cfr last week.

Offers from Turkey, Russia and US contine to jump, reaching $540-550 per tonne cfr, from $520-530 cfr last week, said sources in Malaysia, Singapore, Vietnam and Indonesia.

Malaysian billet offers have also gone up to $520-540 per tonne fob from $500-535 fob last week, said sources.

Billet offers are highest in Vietnam at $540-550 per tonne cfr but the "highest bid is only at $520 per tonne", said a Vietnamese mill official.

"We are still waiting to see if the traders from Turkey and Russia will accept the bids," he said.

Turkish and Russian billet are cheaper than Malaysian material and so are more popular in Vietnam.

Billet transaction prices are highest in Indonesia when some mills are buying Malaysian billet at $545 per tonne cfr.

Most Indonesian buyers however are staying away from the market.

"Many buyers are delaying purchases because prices moved up too quickly. Prices of finished products are not exactly very strong now. Unless they are very desperate, they are not buying now," said a mill official in Indonesia.

Meanwhile, billet prices in the Malaysian market have risen to touch $525 per tonne, the highest in any domestic market in the region, said sources.

"Many Malaysian buyers are a bit caught up now. They do not know what to do, because prices are too high," said a Singapore-based trader with operations in Malaysia.

Scrap offers hit $400 per tonne cfr Southeast Asia last week (MB Mar 4).

Metal Bulletin, March 10, 2010

Scrap offer prices shoot up in E. Asia, buyers bid lower

Suppliers of scrap continue to hike their offer prices to east Asia despite importers' bid prices trailing below these high levels. Offers of bulk scrap remain limited. Offers of containerised scrap have thinned recently due to increased container freight rates, trading sources tell Steel Business Briefing. This has led to offers of lower-priced containerised scrap from the Middle East, Central America and West Africa drying up.
New offers of containerised 80:20 HMS 1&2 from USA are at $400-405/tonne cfr Taiwan and $420-430/t cfr Southeast Asia. Traders report hearing that the highest price that Taiwanese importers paid for 80:20 was around $390. "Those buying now have no choice but to pay these high levels if they need scrap," a regional trader notes. "Finished steel prices are still weak. It is hard for the regional mills to accept these prices," a trader in Singapore tells SBB.

Bulk scrap from USA is being offered at $440-460/t cfr Malaysia/Singapore for 80:20 and at $440-450/t cfr Korea for HMS 1. Bulk scrap offers of mixed 80:20/shredded were at $420-430/t cfr 1-2 weeks ago. "No Korean mill can accept this price level," a Korean trader says. Korean mills are now more focused on booking Japanese scrap, he adds.

"Chinese mills prefer to source local scrap," a Chinese trader says. Chinese importers are only bidding bulk 80:20 at $370-375/t cfr. The prevailing local delivered price for 80:20 HMS including 17% VAT is RMB 2,800- 2,900/t ($410-425/t). But local scrap prices are firming due to rising international prices, he tells SBB.

Steel Business Briefing, March 15, 2010

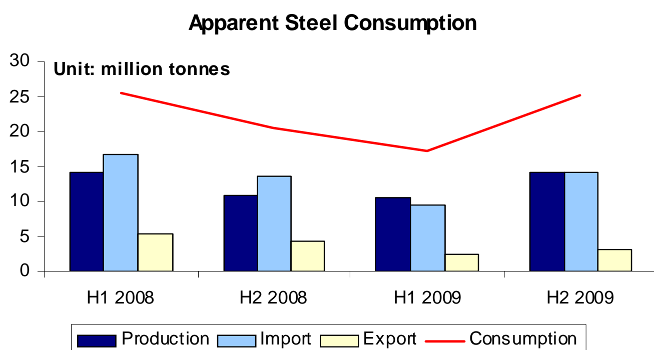
HEADLINES

ASEAN: steel consumption recovered in the second half of 2009 but total consumption down for the whole year

Preliminary figures compiled by SEAISI revealed that apparent steel consumption in ASEAN picked up significantly in the second half of 2009. Nevertheless, the increase was not sufficient to offset the sharp drop in consumption in the first half of the year. As a result, ASEAN's apparent steel consumption for the whole year of 2009 is estimated to have declined by 8% y-o-y to 42.32 million tonnes.

Production was somewhat stable at 24.4 million tonnes. However, import and export volume dropped significantly. Total import of steel products into the region declined from 30 million tonnes in 2008 to 19.7 million tonnes in 2009. Export dipped by more than half to nearly 4 million tonnes.

Among the six countries in the region, Vietnam is the only country that saw an increase in steel demand. In fact, apparent steel consumption in the country grew by more than 30% in 2009. On the other hand, Indonesia encountered the highest negative growth rate of 27%, followed by Singapore and Thailand with a decline of 23% and 20%, respectively. Malaysia and Philippines experienced single digit decline in steel consumption of 9% and 3%, respectively.



Demand for long product seemed to pick up fast at 11.8 milion tonnes in the second quarter of 2009, slightly higher than the pre-crisis level in the first quarter of 2008. Domestic long product producers benefited from the demand growth, with a significant improvement in domestic production of 45% q-o-q to 9.7 million tonnes in the second quarter of 2009. Import and export increased to the same level as recorded in the first half of 2008, to 3.4 million tonnes and 1.25 million tonnes, respectively.

Total long product consumption in 2009, however, reduced by 4% to 20.1 million tonnes. Production declined slightly to 16.4 million tonnes. Import dropped moderately to 5.9 million tonnes. On the other hand, export registered an increase of 9% y-o-y to 2.2 million tonnes.

Meanwhile, flat product consumption in the second half of 2009 was significantly lower than the pre-crisis level in the first half of 2008. Total consumption of 13.3 million tonnes was a decline of 15% when compared to the demand in the first half of 2008. Production dropped markedly from 5 million tonnes in the first half of 2008 to 4.3 million tonnes in the second half of 2009. Import registered 10.7 million tonnes, a decline from 13 million tonnes in the first half of 2008. Export at 1.7 million tonnes was a significant decline from the 4.4 million tonnes recorded in the first half of 2008.

Total flat steel consumption registered 22.3 million tonnes in 2009, a decrease of 11% y-o-y. Production remained relatively stable at 8 million tonnes. However, import and export showed a significant deceleration of 27% and 54% to 17.5 million tonnes and 3.3 mllion tonnes, respectively.

SEAISI, March 2010

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