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FROM Secretary General

With China driving the recovery of the global steel industry and contributing to almost half of the world steel production and demand, all eyes are on the development scenario of the Chinese steel industry and its potential impact on the steel industry in the other parts of the world. Thus when CISA officials spoke at the 8th International Steel Market and Trade Conference held in Guangzhou, China from 24 to 26 March 2010, they attracted much of the attention of the delegates present at the event.

CISA officials expected China's crude steel production to expand by about 9% to reach 620 million tonnes in 2010. They seemed confident that the growth in domestic demand could be sustained to absorb the increased output. The growth in fixed asset investments (FAI) is crucial to steel demand. In this connection, the large-scale government investment in infrastructure projects which started in 2009 as part of the stimulus package is expected to continue into 2010 and beyond. High speed railway network, low cost housing, development of townships and construction of city clusters are expected to be the key drivers for steel demand. In addition, rapid development in the country's manufacturing sector especially in the production of automobile, machinery and electronic products will also help to boost the demand for steel. In the automotive sector, for example, China has overtaken the United States as the biggest producer of motor vehicles in the world, having attained an output of 13.8 million units in 2009. Its production in 2010 is expected to reach 15 to 16 million units.

While CISA officials stated that the priority of the Chinese steel industry is in meeting the domestic market demand, they also mentioned that they would want to maintain their global market share. However, the officials also indicated that they would be encouraging more indirect exports through the manufacture and export of high value added products made from steel such as machinery and electrical and electronic products.

Delegates to the 2010 SEAISI Conference & Exhibition (17 to 20 May in Ho Chi Minh City, Vietnam) will be able to get an update on the latest situation of the Chinese steel industry when Mr. Jim Jia, Vice President and Chief Analyst of Mysteel, speaks on "China Steel Market Developments and Outlook". We have also not forgotten the emerging steel powerhouse in Asia i.e. India. On this, Dr. Ahmed S. Firoz, Chief Economist of the Ministry of Steel, India will touch on "Indian Steel Industry: The Present and The Future".

The Conference promises to be a most interesting and informative event with many excellent speakers and presentations. The highlight would most certainly be the Keynote Session which features Mr. Johannes Greinacher, Managing Director, Badische Stahl-Engineering Gmbh, Germany, who will talk about "New Challenges for the Steel Industry After the Global Financial Crisis – Impact on Competitiveness of Asian Steel Manufacturers and How to Manage Them Successfully"; Mr. Dilip Oommen, CEO, Essar Steel Ltd. India, who will present "Strategic Initiatives to Meet the Challenges in a Competitive Market: An Indian Steel Manufacturer's Perspectives"; and Mr. Frank Debets, Partner, PricewaterhouseCoopers WMS Pte Ltd., Singapore, who will speak on "Free Trade Agreements – Making the Minefield into a Goldmine". In addition, we will also have Mr. Fazwar Bujang, Chairman, The Indonesian Iron and Steel Industry Association (IISIA), and Mr. Chow Chong Long, President, Malaysian Iron and Steel Industry Federation (MISIF), sitting in as panel members to share their views on the challenging issues confronting the iron and steel industry in the region.

There is still time to book your place and participate in the most important event of the year for the iron and steel industry professionals in Asia.

-Tan Ah Yong-

Events/ Activities

2010 SEAISI Conference & Exhibition
Theme: The ASEAN Steel Industry: A New Era of Global Competitiveness
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2010 SEAISI Travelling Seminar

22 - 31 March 2010 - Malaysia, Thailand, Philippines, Indonesia & Vietnam

The Institute would like to express its deepest appreciation to the following for their contribution to the success of the Seminar:

1. National Committees of Supporting Member countries i.e. Australia, Korea and Taiwan.
2. The Japan Iron and Steel Federation (JISF) and Kobe Steel Ltd.
3. National Committees of Regular Member countries i.e. Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
4. Speakers:
   - Mr. Andrea Fontana, OneSteel, Australia
   - Mr. Jung Seok-jun, POSCO, Korea
   - Dr. Dong-Yih Lin, National University of Kaohsiung, Taiwan
   - Mr. Atsuhiko Yoshida, Kobe Steel Ltd, Japan

AUSTRALIA

BHP Billiton signs short-term deals with Asian clients

A large number of Asian clients have agreed to sign short-term iron ore sales contracts with Australian mining conglomerate BHP Billiton, according to an announcement made by the company on March 30, 2010.

Previously sale price was determined on an annual basis, but frequent market fluctuations are pushing companies to adopt a new model. BHP Billiton said that these agreements represent a large part of the company's sales of iron ore.

The statement did not disclose the list of contracted clients in Asia, nor details such as price, contract duration or the amount of procurement.

In accordance with iron ore negotiation tradition, April 1 will be start date for ore prices of another year. After any ore company signs a contract with clients, all other contracts are determined using the first contract as a guideline. However, in 2009, negotiations were deadlocked until May. This year, customers in China still have not reached any agreement. This announcement represents a victory for the three major mining companies in the 2010 annual iron ore negotiations.

BHP Billiton has taken the lead to turn the pricing of commodities including iron ore and coking coal from an annual basis to a quarterly basis and spot price. Company representatives say they believe short-term pricing is more transparent. In previous negotiations on the coke, BHP Billiton reached a short-term contract with Japanese customers. This breaks with the tradition of an annual pricing model that has lasted for several decades.

Chinese steel enterprises oppose a short-term pricing model, saying that this leads to more uncertainty. However, after the three mining giants delayed reaching long-term agreement with China last year, and with the soaring iron ore spot prices this year, these mining giants insist on promoting the short-term pricing model. They also propose an average price increase of 90 to 100 percent, hoping the price to be able to close with the spot market.

People China's Daily, March 30, 2010

Iron ore exports up 12% at Port Hedland

Iron ore shipments from Port Hedland in Western Australia rose by 12% in March from the previous month, the Port Hedland Port Authority (PHPA) said.

A total of 14.8 million tonnes left the port in the last month compared with 13 million in February, it said in a report.

Demand from Asia has surged over the last couple of months along with spot prices.

Iron ore exports to China rose to 9.3 million tonnes from 8.7 million in the month of February, the PHPA said.

Korea received the second largest volume of iron ore in March at 2.3 million tonnes, while it imported 1.3 million tonnes in the previous month.

Cargoes leaving Port Hedland can expect an 11-day delay, Global Ports told MB at the end of March, attributing the wait to increased demand.

Normal delays for the port are 1-5 days.

Cargoes are leaving Dampier between 2 to 6 days while at Port Walcott, delays are up to nine days, the London-based company said.

Metal Bulletin, April 8, 2010

BHPB settles quarterly iron ore price with ArcelorMittal

ArcelorMittal has settled prices to buy iron ore from BHP Billiton during the April-June quarter, Steel Business Briefing has learned from informed market observers. Both BHPB and ArcelorMittal declined to comment on the matter. Rio Tinto also declined to comment on whether it had settled prices as yet.

The agreed price is based on average published prices in January-February for CFR China spot business, adjusted for freight.

An independent trader tells SBB that this deal appears to make sense in relation to the quarterly pricing that BHPB has agreed with Asian steelmakers, highlighting the continuing interdependence of the global iron ore market.

A number of analysts, both independent and those at investment banks, yesterday confirmed the ArcelorMittal/BHPB price settlement. Macquarie Bank also quoted Japanese steel industry sources, who indicated that BHPB had now settled with most of its Asian customers at a price of $120.08/tonne fob for 62% Fe fines.

One analyst said that the move to quarterly pricing marks the next step in the revolution of iron ore sales, allowing for an increased flexibility in price while retaining a stability not found in LME traded metals with their daily price changes.

Steel Business Briefing, April 9, 2010

INDONESIA

Steel price may rise by 50% due to high production costs

The average price of steel products in the international market may increase by about 50 percent to US$900 per ton in June from $600 in January due to higher production costs.

Irvan Kamil, the marketing director of state steel company PT Krakatau Steel said that steel producers had no choice but to pass the higher production costs on to consumers to cope with the sharp increase in the prices of raw materials.

According to him, the price of raw materials had increased by about 90 percent during the past several months although demand is still relatively stable.

"The price of steel products rose to $700 per ton in March from about $600 in January. It is expected to further increase to $900 per ton in June," he told reporters.

Although the steel market is quite promising, Krakatau Steel does not have any plan to increase its production target.

“To produce with full capacity, we need at least 137 mmcfd million standard cubic feet per day of gas supply. At the present we just have 87 mmcfd,” Irvan said, adding that to get additional gas supply of 50 mmcfd would be quite difficult right now.

At present, the steel company receives gas supply from state oil and gas producer PT Pertamina and state gas distributor PGN.

Krakatau Steel now aims to increase its production to about 2.8 million tons of steel products this year from last year’s 2.4 million tons to meet rising domestic demand which is expected to rise by 12 percent.

Until March, Krakatau has produced 600,000 tons of steel products. It was reported that Indonesia produced 4.5 million tons of steel last year. Krakatau expects to book a 29 percent increase in its total sales this year rising to Rp 21 trillion (US$2.2 billion).

Its sales dropped to about Rp 16 trillion due to the global economic slowdown last year. The company sold about 2.11 million tons of steel in 2009, slightly lower than the 2.21 million tons the previous year.

Lakshmi Mittal, chief executive officer of the world’s largest steel maker ArcelorMittal, earlier estimated that the benchmark hot-rolled coil price would increase by $150 per ton in the second quarter from about $700 per ton

“The cost of producing steel is going up and will be passed on to customers,” Mittal told Bloomberg on April 1.

Eurofer, a group representing steelmakers in Europe, accused major iron ore suppliers of “illicit coordination of prices.

The organization had said that it had notified the European Commission about possible anti-competitive pricing practices.

The Jakarta Post, April 8, 2010

JAPAN

Japan’s Kobe licensed to invest steel plants

Kobe Steel, Japan’s fourth-largest steel producer, has been licensed to construct a US$1 billion iron production facility in Vietnam, said the company.

The company said the project in Nghe An Province’s Hoang Mai Industrial Zone would include four plants to be built in two phrases. The entire facility would have a total capacity of 2.4 million metric tons per year. Iron produced at the plants would be for both import and export.

The company will use its ITmK3 iron-making process to produce iron nuggets from iron ore mined at the Thach Ke mine in central Vietnam’s Ha Tinh province, said the company.

It said the mine contains a relatively high amount of iron, but too much zinc, which makes it difficult to use in blast furnaces. But the ITmK3 process would enable Vietnam to make effective use of its mineral resources, and the use of relatively inexpensive raw materials would help improve the profitability of the project, said the company.

The company said plans for the facilities call for the early establishment of a locally incorporated company through which the project can be carried out and a detailed feasibility study be conducted. The firm said it aimed for the first phase of construction to begin in January 2011.

Vietnam is largely dependent on importing scrap and semi-finished steel products to meet its iron unit requirements.

Last year, the country consumed 5.3 million tons of steel and it forecast the local demand would grow by 10 percent to 5.5 million tons of the product this year, according to the Vietnam Steel Association.

Thanhnien News, April 3, 2010

Nippon Steel to strengthen upstream operations – from 2012

Just when troubles with its Oita furnace are presenting challenges, Nippon Steel has decided to reline the No.2 blast furnace at its Kimitsu works, near Tokyo, and replace an aging coke plant at its Nagoya works in central Japan.

The No.2 furnace – the company’s smallest and oldest – will be stopped for a reline in January-March 2012 during which its inner volume will be expanded to 4,500 cubic metres from 3,272 cu m currently. This will boost the works’ raw steel capacity by 700,000 tonnes/year, a Nippon Steel spokesman tells Steel Business Briefing.

Ongoing troubles with the newly restarted No.2 blast furnace at its Oita works in Kyushu have already lost Nippon Steel about 500,000 t of output and forced it to seek emergency slab and pig iron supplies from counterpart mills including Sumitomo Metal Industries, as SBB reported. Nippon Steel hopes the unit will be operating smoothly by end-April.

Meanwhile, Nippon Steel will add a No.5 coke plant of 1m t/y capacity at Nagoya from March 2013. It will halt Nagoya’s oldest battery, the No.3 of 750,000 t/y in operation since 1968.

Nippon Steel is allocating about ¥100bn ($1.07bn) for these facilities, saying the spend is needed to maintain raw steel production competitiveness. Tokyo analysts were surprised the plans were announced so far in advance but see nothing suspicious. “The capex is huge and will affect their balance sheet,” one said.

Steel Business Briefing, April 5, 2010

KOREA

Posco SS confident about Vietnam section mill approval

Korean specialty long products maker Posco Specialty Steel (Posco SS) expects to obtain Vietnamese government approval soon for its plans to build a 1m tonnes/year carbon steel sections mill in the country.

The Vietnamese authorities are processing the Posco subsidiary's investment licence application and have verbally given the company permission to proceed but formal approval remains pending, Steel Business Briefing learns from market sources.

The new facility would host a 120-t EAF and would produce medium- to large sections including I-beams, Hbeams and angles in sizes 150-300mm wide. It will be located on a 50-hectare site in Phu My 2 Industrial Zone, Tan Thanh district in Vietnam's southern province of Ba Ria-Vung Tau, as SBB reported.

In a bid to propel the project forward, Posco SS signed a memorandum of understanding with local steelmaker Vietnam Steel Corp (VNSteel) in May 2009. But since then no progress has been made, an industry source close to the Korean mill tells SBB. He believes that when Posco SS secures formal Vietnamese government approval, discussions will start with VNSteel regarding investment or equity participation.

"As Posco SS initially submitted this project alone to Vietnam, no agreement with VNSteel has been fixed at the moment," he says. "Talks on practical details are expected to begin after the government confirms this project."

Steel Business Breifing, April 8, 2010

Hyundai Steel starts commercial op of first-ever blast furnace

Hyundai Steel Co., South Korea's No. 2 steelmaker, on Thursday started full production of its first-ever integrated blast furnace in the southwestern coastal city of Dangjin after a three-year construction period.

The steelmaker began partial production at the blast furnace in January this year, allowing Hyundai Steel to produce higher value products such as plates used for ships and automotives as it competes with bigger rival POSCO.

Hyundai Steel, a unit of top automaker Hyundai Motor Group, has spent a total of 6.23 trillion won (US$5.55 billion) on the furnace with an annual production capacity of 4 million tons.

Once finished, the mill will churn out a total of 8 million tons of steel products annually, including 6.5 million tons of hot-rolled steel sheets.

Antara News, April 9, 2010

Steelmakers in Korea, Japan May Jointly Oppose Ore Price Gains

South Korea's steelmakers plan to ask their Japanese rivals today to join them in opposing price increases sought by global iron-ore and coal suppliers including BHP Billiton Ltd. and Vale SA.

The Korea Iron & Steel Association, whose members include Posco and Hyundai Steel Co., will hold talks in Tokyo with its Japanese counterpart to form a consensus, South Korea's Ministry of Knowledge Economy said today. The groups are also concerned about the suppliers' move to short-term contracts, according to the e-mailed statement.

Mining of iron ore, the key raw material for steel, is dominated by Vale, Rio Tinto Group and BHP, which together control about two-thirds of sea-borne trade. Brazil's Vale, the largest supplier, last month set a precedent by breaking a 40- year custom of selling ore at fixed annual contracts and won a 90 percent price increase from Japanese mills.

The talks, which are part of an annual gathering between the two groups and the governments, will also focus on the need to closely cooperate against BHP and Rio Tinto's plan to combine iron-ore assets in Australia because the venture may hinder competition, the statement said.

Bloomberg, April 13, 2010

MALAYSIA

Steel price on the rise

Domestic long and flat steel products will see substantial price increase at least for the next three months following an imminent shift in the annual iron ore contracts to quarterly pricing by the world's top three iron ore mining companies.

The cost of iron ore the major raw material for steel making to Asian steelmakers could now rise 80% to 100%, or US$110 to US$120 per tonne, under the new pricing mechanism, said industry players.

Iron ore from Australia is unloaded at Rizhao Port in China — Reuters. This compared with US$60 per tonne, the settled iron ore price for 2009/2010 annual contracts.

Vale SA of Brazil, BHP Billiton and Rio Tinto Group have considerable bargaining clout, controlling two-thirds of the US$88bil global seaborne iron ore trade.

AmResearch, in its latest steel report, said regional export prices of semi-finished and finished steel products were already on an uptrend after the Chinese New Year break.

Some Malaysian steel millers have also resumed their export orders for billets to Asean region at US$450 per tonne last December. Billet prices have since rebounded by about 33% to US$600 per tonne currently.

Malaysian Iron and Steel Industry Federation (Misif) president Chow Chong Long told StarBiz there was a huge potential for local steel bar prices to trade above the current RM2,300 to RM2,400 per tonne level.

"Local steel millers, like their international counterparts, will be affected by the shorter term iron ore contracts. There is no choice but to pass the higher iron ore cost to our customers," he added.

Chow said steel demand was also expected to accelerate in the coming months with rising orders from the Asean region, structurally weak US dollar and resurgence in domestic steel consumption.

Perwaja Holdings Bhd and Kinsteel Bhd chief executive officer Datuk Henry Pheng concurred that steel prices could experience substantial increases in the coming months.

In China, the current spot steel price had surged US$150 to US$155 per tonne compared with US$60 to US$80 per tonne last year, he said.

Pheng, however, was of the view that the new quarterly iron ore pricing mechanism had some advantages for local iron ore consumers like Perwaja and Kinsteel.

“While the traditional contracts stipulate a fixed rate annually, the quarterly pricing allows steel manufacturers like us to better manage our costs should there be drastic price adjustments during the year,” he added.

Pheng also said Kinsteel had not yet committed itself to the second-quarter 2010 iron ore contract.

Kinsteel, which has a three-month iron ore inventory, would not commit to the second-quarter iron ore contract, which was now 90% above the 2009 iron ore benchmark price of US$90 per tonne, said Maybank Investment Bank in its latest report.

The Star, April 8, 2010

TAIWAN

CSC Raises Export Wholesale Prices by US$100 per Metric Ton

China Steel Corporation (CSC), Taiwan‘s largest integrated producer of steel products, recently raised the export wholesale prices by over US$100 per metric ton for hot- and cold-rolled steel and hot-dipped galvanized steel coils to be delivered in May and June.

The products with rising prices include cold- and hot-rolled steel, hot-dipped galvanized steel coils, steel plates, steel bars and wire rods, electrical sheets, and electro-galvanized sheets. Of this, the prices for hot-rolled steel rose 16.6% on average, higher than market expectations and hitting the highest record in 18 months.

On April 9, the company will announce domestic prices for steel products to be shipped in June. Following global prices, the company is expected to broadly raise prices of steel products. So the market anticipates the company will hike domestic prices for various steel products by US$75.47 per metric ton, with domestic prices for hot-rolled steel to rise 12% on average.

An industry analyst said that CSC, due to price hikes and robust orders, will see sales in the second quarter grow at least 14% from the preceding quarter and cumulative sales to exceed US$3.14 billion in the first half of this year.

CSC is expected to score US$943.39 million in pretax earnings, or US$0.07 per share, in the first half of this year.

CENS, April 8, 2010

Taiwan stainless producers see strong demand

Revenue at Taiwan’s stainless coil centre and pipe maker Yuen Chyang Industrial Co, and stainless pipe producer Ta Chen Stainless Pipe Co, doubled in January-March on strong orders and demand, officials from the companies tell Steel Business Briefing.

Yuen Chyang’s revenue more than doubled year-on-year to TWD 4.92bn ($155m) in January-March, according to its stock exchange filings. The recent rise in nickel prices had encouraged customers to place orders relative to last year when nickel prices were volatile and customers were keeping inventory low, says Yuen Chyang’s spokesman.

Revenue at Ta Chen also doubled y-o-y to TWD 2.08bn ($66m) in January-March. The increase is due to improved demand in the US, where 70% of Ta Chen’s output is sent, says a company spokesman.

“Demand is better now compared to last year during the financial crisis. Our market share in the US has also increased after competitors exited the market,” says the official.

Yuen Chyang, which claims to be the largest stainless flat processing centre in Taiwan and Asia, has around 20,000 tonnes/month of processing capacity for 300- and 400-series hot and cold rolled sheet, coils and plates at its Douliou works in west Yunlin county and Shijou works in west Changhua county. It also has around 7,000 t/m of stainless welded pipe and tube production capacity at Shijou and its other Pusin works in Changhua.

Ta Chen’s Jeng-Teh works in Taiwan’s southern Tainan county has the capacity to produce 3,000 t/m of stainless welded pipe and 1,100 t/m of structural tubing.

Steel Business Briefing, April 13, 2010

THAILAND

Stainless steel industry seeks new laws

The Office of the Consumer Protection Board has been asked to consider new regulations requiring stainless steel products to be labelled according to the quality of the metal.

The move is part of an effort to curb the number of sub-standard products on the market.The request came from the Thai Stainless-Steel Development Association (TSSDA) and a group of 10 stainless-steel product manufacturers and users.

The existence of sub-standard products has recently been highlighted by increasing consumer complaints about stainless-steel products with “High Quality” labels that have rusted soon after commencing normal use.

The request for new quality labelling is expected to promote discussion among relevant parties to come up with a solution to the inferior-quality problem.

TSSDA president Jean-Paul Thevenin said stainless-steel products had increasingly gained in popularity in the household sector. However, consumers have begun questioning the association about the rust resistance of stainless-steel products in the market.

“It reduces consumers’ confidence, destroys Thai manufacturers and damages the image of Thai stainless-steel products,” Thevenin said.

The TSSDA recently made a random inspection of household appliances that will make up the sector directly affected if the labelling recommendation on stainless-steel products is implemented.

With collaborative support from the Thainox Research and Development Centre, the components and engineering properties of 13 stainless-steel products were tested.

All samples were found to be cheap imports with low anti-corrosion performance, which were regarded as unsuitable for cooking or household use.

Some were made of grade-409 stainless steel, which is good for the production of automobile exhaust pipes; others were made of grade 200, which is not recommended for prolonged use in corrosive environments, such as urban or coastal areas. They are not recommended for use with acidic foods. Yet most of these products were affixed with “High Quality” labels, providing misleading and inaccurate information to consumers, the association said.

The 10 companies joining the TSSDA in its request for new labelling regulations were Thainox Stainless, Satien Stainless Steel, Advanced Stainless Steel, VP Rangsee Industry, Stainless Steel Home Equipment Manufacturing, Jaguar Industries (Thailand), Thai Unique Coil Centre, Thai-German Products, Toyo Millennium and Thai Stainless Steel.

Thevenin said stainless steel - one of the most hygienic of materials - was widely used in medical equipment, the food and beverage industry and even in the nuclear-energy industry, the last of which required extremely high levels of safety.

However, most consumers are not aware there are many grades of stainless steel or that each grade is suitable for a specific application - particularly the one for cooking, which is the major concern of the Thai stainless-steel industry, he said.

As well as requesting the OCPD regulate all stainless-steel products, the TSSDA and the group of 10 Thai operators will join forces to disseminate information concerning stainless steel, its many different grades and appropriate consumer and industrial uses for the different grades.

The Nation, March 26, 2010

G Steel finalises debt plan

G Steel Plc, a financially troubled hot-rolled coil maker, will float 8.85 billion new shares in a debt-for-equity swap with creditors as part of its $534-million debt restructuring plan.

Chief executive Ahab Garas, appointed the head of G Steel in early February, said bond holders and trade creditors would ultimately hold 40% of the company’s stock. The company currently has 13.9 billion shares outstanding.

Under the restructuring plan, 3.2 billion shares will be allocated to investors in the company’s $170-million senior bond due Oct 4. Another 5.6 billion shares will be offered to trade creditors holding debt of $300 million.

Based on G Steel’s market price of 0.37 baht per share on Mar 25, the swap represents a recovery rate of 20% for creditors. The plan is subject to final approval from G Steel shareholders later this year.

The restructuring plan would impose a 30-month silent period on the creditholders accepting the equity swap. Equity would be in the form of non-voting depository receipts, with the company projecting a recovery value for creditors ranging from 20% to 100%, depending on the appreciation of share values post-restructuring.

G Steel missed an interest payment on the senior bonds last October, following a missed payment on a bank loan last April.

The firm, founded in 1995 by Somsak Leeswadtrakul, reported a loss of 8.58 billion baht last year on revenues of 25.1 billion, compared with a 2008 loss of 1.23 billion on revenues of 41.7 billion.

Mr Garas said the plan would be critical for the successful restructuring of an additional $64 million in secured loans owed by Oriental Access, a wholly owned subsidiary of G Steel.

G Steel chief financial officer Ari Levy said the Oriental Access debt would be paid in cash received from new strategic partners. He said G Steel is in talks with a number of potential partners, including Japan’s Mitsui & Co.

G Steel and its subsidiary G J Steel Plc have a capacity of 3 million tonnes of hot-rolled coils per year, but limited working capital and the economic crisis forced the firm to cut production. Production would be raised within 90 days following the recapitalisation.

Shares of G Steel closed yesterday on the SET at 0.38 baht, unchanged, in trade worth 19 million baht.

Bangkok Post, March 30, 2010

Tata studying local high-value steel production

Tata Steel (Thailand), a unit of India-based Tata Group, will complete within two years a study of mini-blast furnace utilisation by manufacturers of high-quality steel for the automotive industry, before making a decision on its next investment project.

If the study predicts success, the firm will have an opportunity to expand to a new area of Thai industry, securing a source of long-term revenue.

Newly appointed president Laptawee Senavonge last week said the mini blast furnace was a new technology for Tata Steel (Thailand). It is gradually co-researching and studying the field with experts from the parent company.

The company is approaching carmakers in Thailand to assess their demands in terms of the high value-added steel. At present, carmakers must import such steel. Demand has been estimated in Thailand at around 300,000-500,000 tonnes per year.

Tata Steel would be the first steel maker to distribute the product from a Thai operations base, replacing imports, Laptawee said.

Laptawee added that if it wants to replace imports, Tata's steel must be of the same quality, but cheaper and easier to deliver.

"I believe that delivery is our advantage because it will take us less time than imported steel. Meanwhile, as part of Tata Steel Group, we can purchase the raw material at a lower cost. Hence, we will try to produce high quality steel, which is expected to generate higher gross profit margin, in order to replace imports," he said.

Tata Steel invested Bt4 billion in a mini-blast furnace at the Bo Win Industrial Estate in Chon Buri province. If it is successful, this will lead to a new investment by the company to increase production, added Laptawee.

The mini-blast furnace has reduced the company's electricity consumption from 400 kilowatt-hours per tonne to 250. However, the new president could not predict the company's revenue and profit for the 2011 fiscal year (April 2010-March 2011) as Tata has to study how to utilise the furnace to obtain the best outcome. However, he said the company expects to produce 1.4 million tonnes of steel this fiscal year (ends March 2011), up from Bt1.2 million in 2010.

Tata Steel has a maximum production capacity of 1.7 million tonnes per year. The production target of 1.4 million tonnes accounts for a utilisation rate of 82 per cent, higher than 70 per cent last fiscal year (ended March 2010).

"Government projects and the global economic recovery are expected to be the major factors to boost steel demand this year," Laptawee said.

Ninety per cent of the company's production serves the domestic market. It is expanding more to the export market in order to diversify risk from the fluctuating Thai market, which has been disrupted by the country's political turbulence.

The company exports to neighbouring countries such as Vietnam, Cambodia and Laos. It was recently granted certification to export long steel products to Australia and India.

Tata Steel is the leading steel maker for long steel products with market share of 30 per cent of total annual consumption. The country's steel demand is 11 million to 13 million tonnes per year, of which 40 per cent is long steel products, the remainder is steel flat bar.

The Nation, April 5, 2010

SINGAPORE

Singapore rebar prices up $72-86/T

Prices of rebar in Singapore have jumped by S$100-120 ($72-86) per tonne in the past two weeks, tracking the rise in international prices and raw material costs.

Rebar was trading at S$950-960 per tonne this week, up from S$840-850 per tonne two weeks ago, said sources.

"Rebar prices have jumped so much. We have to adjust our prices every week. Two weeks ago, it was at $840-850 per tonne. Last week, it was $880 per tonne. This week, it's approaching $1,000 per tonne," said a trading source.

"Iron ore, coking coal, scrap and billet are all going up. Looking at the way these prices are going, S$1,000 per tonne for rebar in a month's time is not farfetched," said another market source.

As a comparison, rebar imports from Turkey stand at $670-700 per tonne cfr, up from $630 cfr two weeks ago.

"This is not panic buying. But I think there is a large element of speculation, as people start taking positions in the market," he said.

While many cheer the market upswing and brisk sales, some are worried about the long term effects of such quick gains. "Whether the price gains are sustainable is anybody's guess," said the second source.

"Singapore's economy is very open, and thus susceptible to whatever happens outside the country. Today's situation is similar to mid- 2008 when Singapore's rebar was as high as S$1,500 per tonne, also partly because of speculation. Once something happened in USA, stockists immediately dumped goods and prices plunged," he said.

"There is no use for rebar prices to keep going up, if nobody can buy them. We hope that the real demand side will catch up soon," said the first source.

Metal Bulletin, April 7, 2010

VIETNAM

Vietnam real estate investors frozen by steel supplier scam

Vietnamese property developers and constructors worry they'll have to halt or delay projects as they fear raised steel prices could render them bankrupt.

Steel makers have blamed their hikes on more expensive global steel billet, but in reality they're actually using cheaper billet they imported sometime ago. So far, they've made out like bandits.

An expert in the field who asked not to be named said steel producers normally raised their prices according to higher dollar-to-dong ratios, and more expensive steel billet on the world market.

But the "shocking" increases this year will not benefit producers, the expert said. "They will suffer the consequences when contractors and investors delay or cancel their projects."

Le Tan Hoa, general director of Hanoi-based Lilama Construction Investment Company, said steel accounts for 20-25 percent of construction costs and a 25-percent increase in steel prices since early this year has raised construction costs by 5-7 percent.

The company is investing in four houses and now needs around 15,000 tons of steel. As the metal went up another VND2 million per ton this March, the houses will cost another VND30 billion, Hoa said.

Many house project investors have tried to offer low prices to sell their products more easily, but their profits have slumped accordingly.

Higher steel prices are now forcing them to reconsider the plan, said Ngo Van Hieu, general director of Eximland, a real estate joint stock company set up by Vietnam Export-Import Commercial Joint Stock Bank (Eximbank) and four other firms.

An investor in a high-end house project in District 7, HCMC, said the company had not decided whether or not it would continue the project after pouring hundreds of billions of dong to lay the foundation.

The investor who requested anonymity said that if he raised house prices, no one would buy.

Real estate developer Eximland late last year planned to launch four housing projects in HCMC. But Hieu said the company had delayed the projects in light of the soaring steel prices.

Contractors are even more worried. Most of them only agree to work on a project once the investors give them 50-60 percent of the construction cost in advance.

The Vietnam Steel Association said there were two reasons steel should be cheaper. First, it said that there was no steel shortage and that suppliers were still making products from local billet, which is tens of dollars cheaper per ton than imports that sell at surging world prices.

Second, the association said that while local producers were selling at world steel billet prices, which increased to $530-540 a ton from early March and will surge to $610 a ton in late April, many were in fact still using the billet they imported previously at $500 a ton.

By raising their prices according to world prices, no matter how much it actually costs them, steel producers last year profited many times more than planned, the association said.

The Vietnam-Italy Steel Joint Stock Company in 2009 sold 25 percent more than planned but their profit after tax was 10.4 times more.

VIS said it had raised prices when world steel billet prices climbed from $300 to $500 a ton from late 2008 to the first quarter 2009, even though it was using cheaper billet to make its products.

Thanhnien News, April 3, 2010

Vietnam steel producers manipulating prices

Recent inspections into steel prices, which have surged nearly US$137 per ton over the last month, have found signs of manipulation on the part of metal producers.

Nguyen Tien Thoa, head of the Price Management Department at the Ministry of Finance, said steel is an important good that affects construction costs and prices in other industries. The price of the metal in Vietnam has shot up six times in just four weeks.

The government has long had steel on a list of products in need of price stabilization, said Thoa.
"If there're sudden changes to the price, government agencies totally have the power to stabilize it."

Finance inspectors said investigations at some steel producers found that the firms could easily cut many unnecessary input expenditures in order to keep prices down.

There are rules about how many tons of ore, steel billet, coal and how many kilowatt-hours of power are to be used for making a ton of steel, Thao said.

Several steel makers have used more than the permitted levels, which are high already, he said. Though he admitted that the prices of steel billet on the world market, and ores, petrol and power on local market had increased recently, Thao said steel makers shouldn't make use of those hike to raise their prices "excessively."

He said after the inspections are wrapped up, his department will take action against steel makers, especially those who have raised their prices by 20 percent over the last 15 days. The department will first send notes to the businesses asking them to reduce input costs, he said.

Pham Chi Cuong, chairman of Vietnam Steel Association, also said that the world steel billet prices had affected local steel prices somewhat.

But Cuong said there's also the possibility that steel makers are creating a fake shortage of steel. "They are holding back a large amount of steel in anticipation that world steel prices will continue to increase."

Steel consumption in March reached 600,000 tons, at least 100,000 tons more than expected. But Cuong said an inspection is needed to find out if that consumption caused any difficulties to suppliers. A steel expert who requested anonymity said the increase in steel prices had been "unacceptable, if not to say rude".

The expert said steel makers should be criticized because they just waited for material prices to rise in order to hike their own prices. Steel makers should at least have raised prices little by little, instead of all at once, he said.

Thanhnien News, April 9, 2010

Steel producers allay shortages

The Viet Nam Steel Corporation (Vnsteel) has assured that there will be no shortage of steel in the market and prices will remain stable in the coming time.

Vnsteel leaders said at a press conference held in HCM City last Friday that the entire country's production capacity of rolled steel for construction purposes was more than seven million tonnes a year including four million tonnes generated by the corporation.

This productivity was more than enough to meet the domestic market's demand which was estimated at five million tonnes per year, the corporation said.

According to the Viet Nam Steel Association (VSA), reserves with steel producers were still at a safe level, at about 200,000 tonnes of finished products and nearly 530,000 tonnes of steel ingots.

These volumes coupled with imported steel will satisfy customers'needs in coming months, the association said.

In anticipation of market fluctuations this year, Vnsteel, now responsible for providing up to 50 per cent of total construction steel to the market, is preparing plans to keep supply and prices stable.

The corporation has prepared enough material to meet production plans for the second quarter of the year, it said.

Sufficient reserves, increasing competition among 30 domestic producers, and steel import tariffs that will be reduced or removed this year under ASEAN Free Trade Agreement (AFTA) and World Trade Organisation (WTO) commitments would help ease steel prices in the domestic market, Vnsteel said.

At the event, Vnsteel representatives also explained reasons that made market steel prices increase sharply in March, saying that speculation was a major factor.

Vietnam News, April 12, 2010

BRAZIL

Brazilian automotive output hit record in March; sales up

The Brazilian automotive sector hit an output record in March, producing 330,980 units – a 20.3% increase over the 275,100 vehicles in the same month last year, Steel Business Briefing learns from the domestic carmakers group Anfavea.

Last month's production was also 32.5% higher than February's, when the volume reached 249,800 vehicles. According to Anfavea's president Jackson Schneider, the gains in output and sales are due to a better economy, a sales tax reduction program and more credit availability.

Domestic sales hit 353,738 units, against 220,957 cars in February and 271,442 vehicles in March 2009, representing hikes of 60.1% and 30.3%, respectively.

Carmakers also improved March exports, from 52,933 in February to 57,929 units in March. In a y-o-y comparison, the volume climbed 66.6%, from 34,761 vehicles shipped to foreign markets, SBB notes.

Steel Business Briefing, April 8, 2010

Brazilian construction sector fears steel price increases

Brazilian construction bureau Sinduscon believes domestic steelmakers are able to absorb higher raw materials prices, but it is not likely to happen. Therefore, higher steel prices will impact construction sector prices, Steel Business Briefing learns.

According to the group, this scenario could compromise demand from government infrastructure projects such as "Minha Casa, Minha Vida" and PAC. "Unless large longs makers nicely surprise the market and decide to absorb raw materials adjustments, there will be a huge cost increase to the construction industry," it says.

Sinduscon emphasizes that Brazilian rebar is much more expensive than overseas product. January's price for domestic rebar was at US$1,670/tonne - a 12.2% reduction from 2008's rates - while North American rebar was at US$866/t, Indian at US$667/t and Chinese at US$502/t, according to bureau estimates.

Studies from Luiz Henrique Ceotto published by the bureau also suggests that the construction industry might intensify importing activity if steelmakers keep passing through their input cost increases, SBB notes.

Steel Business Briefing, April 8, 2010

China, Brazil sign deals at shortened BRIC summit

China and Brazil bolstered their growing ties with trade and investment agreements on Thursday before a summit of the world's top four emerging markets that was cut back after China's leader decided to return home to deal with a major earthquake.

President Hu Jintao canceled visits to Venezuela and Chile because of the quake that killed more than 600 people, and his early return forced the so-called BRIC summit with Brazil, Russia and India to move forward by a day to Thursday evening.

The increasingly influential countries, which account for about 40 percent of the world's population, are expected to use their second leaders' summit to push demands that developing countries be given more say in global financial institutions.

Hu oversaw the signing of deals with Brazilian President Luiz Inacio Lula da Silva aimed at boosting trade and energy cooperation between the two emerging giants, which have grown closer in recent years amid a surge in trade flows.

Lula said a Chinese pledge to build a steel plant at a Brazilian port was also likely and that it would be China's biggest investment ever in Latin America's largest economy.

The leaders gave no details, but Brazilian media reported that China's Wuhan Iron and Steel will build a plant in a port in Rio de Janeiro state with Brazilian logistics firm LLX Logistica, controlled by billionaire Eike Batista.

Lula also said China had expressed interest in bidding to construct a high-speed train line that is planned to connect Rio de Janeiro and Sao Paulo.

"The possibility for Chinese companies to participate in the modernization of Brazil's infrastructure is exceptional," Lula said, citing Brazil's preparations for the 2014 soccer World Cup and the 2016 Olympics.

China's Sinopec and the country's development bank signed a strategic development agreement with Brazil's state-run oil giant Petrobras, Sinopec Chairman Su Shulin told Reuters.

Su said the deal will cover the development of Brazilian oil resources and trade with China.

Brazil's recent discovery of vast offshore oil reserves has opened a new area of potential cooperation with resource-hungry China, which last year agreed to lend $10 billion to Petrobras in return for guaranteed oil supply over the next decade.

Reuters, April 15, 2010

RUSSIA

CIS mills boost local rebar prices as demand picks up

CIS mills have hiked their domestic rebar prices by up to $40 per tonne, thanks in part to rising construction demand in Russia, market participants said told MB.

Recent deals from Russian and Ukrainian mills took place last week at $565-605 per tonne exw, up from previous sales of $525-565, sources said. The prices do not include VAT.

One Ukrainian based analyst said that, besides sides of improving construction activity within the country, rising raw materials costs and exports have also boosted rebar.

But the analyst also expressed concern that prices would have to correct themselves in the coming months as prices continue to rise.

The Moscow-based trader was more optimistic in his outlook, however, due to Russia's construction demand.

Metal Bulletin, April 8, 2010

CIS steel industry tipped to see more consolidation

Further consolidation is expected in the Russian and Ukrainian mining and steel industries this year, although the emphasis will lie within the steel sector, a senior Russian iron ore executive tells Steel Business Briefing.

"Coal and iron ore mining industries are pretty much set now – but there are still some steel assets that are ripe for mergers and acquisitions in Russia and Ukraine," he says.

As access to borrowing capital is improving somewhat and considering some steel producers' profitable 2009, there are players who might want to expand their steel making, or add it to the existing mining portfolio.

"It makes more sense to develop the existing steel making facilities, not to create new ones, and to do it with general world steel overcapacity in mind," the executive says.

Vertical integration continues to be the most sustainable model of steel making – which is especially poignant today, when raw materials producers are dictating the market, he says. Companies such as Metalloinvest, Mechel, Evraz and Metinvest are the ones to watch, he concludes.

Steel Business Briefing, April 16, 2010

INDIA

Steel consumption up 8% on high infra, auto demand

Steel consumption grew 8% in the fiscal year ended March 2010 after shrinking a little a year ago, due to strong demand from automobile, infrastructure and housing sectors, as per the steel ministry. Demand for the metal is a key indicator of industrial activity and steel consumption had shrunk 0.5% in the year ended March 2009 as economic slowdown hit domestic demand.

"The growing demand as well as the low-base factor made it a staggering year for steel companies," said a steel ministry official, requesting anonymity.

The country's steel consumption increased to 56.3 mt in the twelve months to March 2010 from 52.3 mt in the previous year. Production in the world's fifth-largest steel producing nation rose 4.2% to 60 mt.

Domestic demand fuelled 23% growth in steel imports to 7.2 mt for the fiscal even as exports declined by almost a third as global demand is yet to see a strong recovery. The government's planned investments for the infrastructure sector will continue to boost domestic steel demand this year, steel analysts said.

Navin Vohra partner at advisory firm Ernst & Young said demand is robust and India's steel production is expected to post 8-10% growth in the current year, partly due to new capacities which will become operational.

Global steel prices have started moving up on the back of improving demand. Top Indian steelmakers including SAIL, Tata Steel, JSW and Essar hiked prices by up to Rs 3,000/tonne effective April 1.

The Economic Times, April 6, 2010

Steel majors see 15% rise in sales in March

Top Indian steel makers including Steel Authority of India (SAIL), Tata Steel and Essar saw up to 15% increase in sales in March from a year ago owing to robust demand from automobile and infrastructure sectors.

The growth in steel demand is a key indicator of industrial activity, which had slumped early last year due to the economic downturn. Most steel companies were then operating at less than 60% of their production capacity.

"Recent hike in steel prices is a clear indication of the increase in demand. Anticipating further spurt in the metal price, consumers have started stocking up steel," said a person close to Sail, requesting anonymity.

Top Indian steelmakers including Sail, Tata Steel, JSW and Essar hiked prices by up to Rs 3,000/tonne, effective April 1. The metal prices are expected to move up further due to rise in raw material prices, particularly iron ore.

India's largest steel maker Sail posted 8% sales growth at 1.4 million tonne in March from a year ago. While Tata Steel's sales growth was marginal last month, for the fiscal ending March 2010 its sales grew 18% to around 6.2 million tonne.

Mumbai-based Ispat almost tripled sales to over 0.25 million tonne last month helped by strong demand from the auto sector and a low base effect. “Our plant was partially shut for maintenance in March last year, so the sales figure are not comparable,” Ispat Industries director (finance) Anil Surekha said.

The Economic Times, April 7, 2010

Govt for SAIL-Posco deal by May-end

SAIL and South Korea’s Posco may seal a deal by the end of next month to set up an estimated Rs 15,000 crore steel plant in Jharkhand with the government offering all support to expedite the project.

“This is my desire that a deal between SAIL and Posco is finalised before SAIL Chairman S K Roongta retires on May 31,” Steel Secretary Atul Chaturvedi said, adding “even we are ready to offer whatever support SAIL seeks for the purpose.”

Chaturvedi was scheduled to lead a delegation to South Korea last week, but the trip was later cancelled.

“If it does not happen during the tenure of the present Chairman, there is a likelihood that it could get delayed as a new person would take charge of SAIL,” he added.

Steel Authority of India and Posco are in talks for setting up a steel unit likely in Bokaro, Jharkhand, where the PSU operates a 4.5-million tonnes per annum (MTPA) plant and is expanding its capacity to 7.5 MTPA, part of the domestic firm’s Rs 70,000 crore programme.

“Both the firms are keen on the venture. ...Bokaro can be an ideal location for the plant which is likely to be built using Posco’s FINEX technology,” he said.

The FINEX technology uses iron ore fines and low quality coal to produce high-grade steel, which could be further processed by SAIL to make specialised steel. Steel Ministry sources said the JV could set up a capacity to produce 1.5 MTPA of steel, entailing an investment of Rs 15,000 crore.

The Steel Secretary further said the deal may also see Posco providing other technology to SAIL for making high- grade steel, which could be used in making turbine. Currently such products are imported in India.

Posco and SAIL are already in pact for supply of technology and technical know-how.

Last month, a Posco team, led by its CEO Chung Jun-Yang, met top the brass of SAIL and the steel ministry and had gone for a recce in Bokaro.

Posco’s proposed Rs 54,000-crore plant in Orissa has failed to take off for the past over four years mainly due to problems in acquiring land.

Faced with the inordinate delays, it had started looking for opportunities in states like Jharkhand, Karnataka and Maharashtra and is also actively pursuing a proposed JV plant with SAIL.

The Economic Times, April 11, 2010

CHINA

CISA seeks ban on imports of ‘low grade’ iron ore

The China Iron & Steel Association (CISA) has informed Chinese steel mills and traders that imported iron ore with Fe content of less than 60% will be banned from China, Steel Business Briefing learns from market sources. CISA has not given a reason for the ban and was unavailable for comment. This is the association’s second call for an imported iron ore boycott in a week.

A Shanghai trader tells SBB that CISA told mills and traders by phone on Thursday that licences to import iron ore with Fe below 60% will no longer be issued. Iron ore that is already sitting at Chinese ports is exempt from the ban. The Fe content examination procedure will be carried out by the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC).

The trader regards the latest move by CISA as an unwise decision because iron ore from Australia and Brazil has a high Fe content and limiting imports of low-grade iron ore to China will only increase steel mill’s reliance on the big three international iron ore miners, Australia’s BHP Billiton and Rio Tinto and Brazil’s Vale.

As SBB reported earlier this week, CISA called for Chinese steel mills and traders to boycott iron ore from the Big Three for the next two months to show the mills’ displeasure with the miners’ demand for quarterly contracts.

Steel Business Briefing, April 9, 2010

US slaps import duties on Chinese steel pipe

The United States has slapped trade sanctions on a billion dollars worth of Chinese pipes, the Commerce Department said Friday just days before Chinese President Hu Jintao visits Washington.

The United States has slapped trade sanctions on a billion dollars worth of Chinese pipes, according to the Commerce Department, just days before Chinese President Hu Jintao visits Washington.

The department said it had made its “final determination” in the antidumping duty investigation on imports of tubes from China used in oil and gas wells.

China has sold the goods in the United States at 29.94 percent to 99.14 percent less than fair value, the department said in a statement.

“As a result of this final determination, Commerce will instruct US Customs and Border Protection to collect a cash deposit or bond equal to the weighted-average dumping margins,” it said.

The tubular goods are either carbon or alloy tubular steel products used in oil and gas wells. In 2009, imports of those products from China were valued at an estimated 1.1 billion dollars, the department said.

Tianjin Pipe International Economic and Trading Corp. received a final dumping rate of 29.94 percent, as did 37 other Chinese respondents. All other Chinese exporters, including Jiangsu Changbao Steel Tube Co., are subject to the final dumping rate of 99.14 percent.

In addition to the Commerce Department, the US petitioners for the investigation included Maverick Tube Corp, United States Steel Corp. and a major industry union.

The US International Trade Commission is scheduled to issue its final determination of injury in the case on or before May 24.

Bangkok Post, April 10, 2010

China May Be Net Importer of Coal for Second Year

China, the world's biggest consumer and producer of coal, may be a net importer of the resource for a second year as the government shuts unsafe mines while the economy surges.

Inbound shipments in 2010 may be similar to last year's levels, Fang Junshi, director general of the coal department at the National Energy Administration, told reporters at a conference in Beijing today. Net imports reached 103.4 million metric tons last year, customs data show.

Imports surged after a nationwide crackdown on mine safety closed about 1,000 small pits last year while the economy grew at the fastest pace in the fourth quarter since 2007. Net coal imports may reach 100 million tons this year, the official Xinhua News Agency reported last month, citing Huang Li, a deputy director at the energy administration.

Output may exceed 3 billion metric tons in 2010, according to Fang, in line with official estimates. China may produce 3.15 billion tons this year, the National development and Reform Commission, the top economic planner, said last month.

Coal consumption may rise to 3.4 billion tons this year, Wei Jianguo, the general manager of State Grid Energy Development Co., a unit of the larger of two grid operators in the country, said at the conference.

In the long term, China must control coal production growth and increase the use of alternative fuels to generate electricity, Fang said. Coal is used as a fuel to produce about 80 percent of the country's electricity and to make steel.

Bloomberg, April 12, 2010

China slaps duties on U.S., Russian silicon steel

China has imposed countervailing duties on grain-oriented electrical steel produced in the United States, as well as anti-dumping duties against Russian and U.S. steel, its customs administration said.

U.S. producers will be assessed for anti-dumping duties of up to 64.8 percent, and anti-subsidy duties of up to 44.6 percent, it said on its website on Monday.

The state-backed China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters hailed the Ministry of Commerce's April 10 ruling, which the Ministry has not yet publicly announced, state news agency Xinhua said.

"During the investigation the Ministry found that U.S. producers had received subsidies by the U.S. government, and their unfair competition hurt Chinese producers," Xinhua said, quoting an unnamed person at the chamber of commerce.

On Friday, the U.S. announced a final decision to impose stiff duties on Chinese-made oil country tubular goods, which are steel pipe used in the oil industry. [ID:nN09121864]

China has not yet formally responded to that decision, which was announced days before a trip by Chinese president Hu Jintao to Washington. Deputy U.S. Trade Representative Demetrios Marantis is also in Beijing this week, to hold meetings on trade with Chinese counterparts.

China is encouraging its steel industry to move up the value chain and produce more high-tech steel, but its increased exports of those products threaten lucrative markets for American producers. The steel used for petroleum pipes, for instance, must be particularly resistant to corrosive oil and gas.

Grain-oriented electrical steel, also known as grain-oriented silicon steel, is used for the cores of high-efficiency transformers, electric motors and generators.

Anti-Dumping Duties

China will impose anti-dumping duties of 7.8 percent on AK Steel Corp. and 19.9 percent on Allegheny Ludlum Corp., the two American producers that responded to its request for information. AK Steel faces anti-subsidy duties of 11.7 percent and Ludlum faces 12 percent.

It said Russian silicon steel producers OJSC Novolipetsk Steel and VIZ-Stal Ltd face anti-dumping duties of 6.3 percent, while others face duties of 25 percent.

The investigation was prompted by China's two largest silicon steel producers: Baosteel Group, the state-owned parent of Baoshan Iron and Steel (600019.SS), and Wuhan Iron and Steel Group, parent of Wuhan Steel (600005.SS).

Probes into imports of U.S. grain-oriented electrical steel focused on six issues, including subsidised electricity, gas and coal, and incentives for steel sales and funding in the state of Pennsylvania, the ministry said last summer.

Reuters, April 12, 2010

EU to extend duties on Chinese steel ropes, cables

The European Union's executive has proposed extending definitive antidumping duties on Chinese steel ropes and cables that are shipped through South Korea to evade punitive EU import tariffs.

The European Commission, in charge of the 27-nation bloc's trade policy, said an investigation had revealed that steel ropes and cables from China were being shipped to the EU via South Korea, avoiding duties in the process.

Steel ropes and cables are used in machinery such as cranes and elevators as well as in cable cars and suspension bridges.

"It was concluded that the definitive anti-dumping duty imposed on imports of SWR (Steel Wire Rope) originating in China was circumvented by transhipment via the Republic of Korea," the EU's executive said in a document, urging member states to back the extension of the duties.

The Commission slapped punitive tariffs of up to 60.4 percent on steel ropes and cables originating from China in 1999 after the European wire rope industry body EWRIS complained the products were being dumped on the EU market.

The Commission said the current duties on Chinese steel ropes and cables "should be extended to imports of the same product consigned from the Republic of Korea, whether declared as originating in the Republic of Korea or not."

The Commission said that while imports of the product from China fell almost to zero after it imposed the duties in 1999, total annual imports from South Korea had increased between 1999 and 2008 from 11,123 tonnes to 48,214 tonnes.

The EU took a similar step in 2004 to impose duties on imports from Morocco after discovering that importers had tried to evade duties by shipping Chinese-made steel ropes and cables via the north African country.

Reuters, April 13, 2010

WORLD

Rio Tinto joins BHP and Vale to end annual ore pricing

Rio Tinto has followed rival mining firms and says it is negotiating new iron ore supply contracts priced for three months rather than a year.

The move ends years of tradition and is seen as a demonstration of the power the miners have over their customers. Demand is at record levels, especially from China, whose appetite for ore and other commodities continues to grow.

Last month, BHP Billiton and Vale agreed quarterly contracts with some Asian steel mills. Japan and South Korea seem to have accepted the change, but China's position is less certain.

China has been strongly opposed to a move to shorter-term pricing, which exposes it to price rises over the year.

However, Brian Redican, chief economist at Macquarie bank in Australia, said: "The shortage of iron ore means if the Chinese won't sign up to fixed prices at the quarterly rate they will be forced to buy it on the open market where prices are about 15%-20% higher.

"It would be cutting off its nose to spite its face."

The old yearly pricing system caused huge friction. When the spot - open market - price fell significantly below the annual price, customers complained, and when it rose above the set price, it was the miners that were unhappy.
The most recently struck contracts are, on average, priced 100% higher than last year's prices.

Last month, four Rio Tinto executives were jailed after being found guilty of bribery and stealing secrets by a Chinese court. One of the four - Australian national Stern Hu - had been Rio Tinto's lead negotiator in talks with Chinese steel mills to try to settle a price for China to buy iron ore from Australian mining companies.

BBC, April 12, 2010

Sales of iron ore surge, but copper production drops

Between January and March, Rio produced 43.4 million metric tons of iron ore, up 39% on the 31.2 million tons mined in the same quarter of 2009.

This growth was driven largely by demand from Chinese steelmakers, and by heavy rains disrupting its output in the first quarter of 2009. However, output of iron ore was down 8% on the 47.2m tons mined in the final quarter of last year.

Thanks to rising prices and improving demand, Rio expects to produce 8% more iron ore this year, at around 234 million metric tons. Likewise, the world's second-largest miner reported higher production of bauxite (used to make aluminium), gold and hard coking coal.

Then again, the Chinese economy grew by a staggering 11.9% in the first quarter of 2010, its fastest rate in almost three years. This raised fears that the world's third-largest economy may be in danger of overheating, leading to higher inflation, interest rates and exchange rates.

Another problem for the Anglo-Australian miner is that its copper output dropped by a sixth (16%) and uranium output dived 20% over the quarter. Nevertheless, Rio raised its 2010 production forecast and said that its long-term outlook was very strong.

One big positive for Rio's future is its recent negotiations to end forty years of pricing iron ore on yearly contracts.

Steelmakers in China and Japan have already agreed to move to quarterly pricing with Rio's mega-rivals BHP Billiton and Vale. When Rio's new quarterly contracts kick in, they should boost returns for the world's third-largest miner.

However, Rio recently suffered a setback when four of its employees in China were found guilty of industrial espionage and sentenced to between seven and 14 years in jail. In addition, the miner faces EU regulatory hurdles as it attempts to merge its iron-ore mining operations in Pilbara, Western Australia with those of BHP Billiton.

To me, Rio is a pure bet on two trends: a continued boom in China, and the restoration of growth in OECD markets. If industrial output in the developing world continues to recover post-recession, then higher commodity prices will mean bumper profits for Rio's owners.

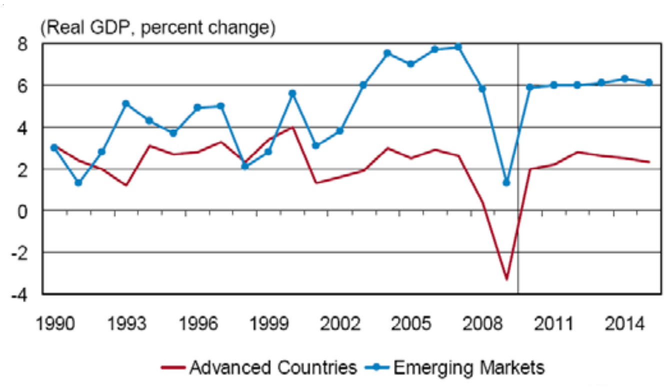
At present, Rio has a market cap of £60 billion, with its shares trading on a price-earnings ratio of 14.7 and yielding a tiny 0.9%. For me, that's too high price to pay for a binary bet on China and world growth, even for a bellwether mining stock. With Rio, a lot of growth is already baked in.

The Motley Fool, April 15, 2010

HEADLINES

Economic and Steel Industry Outlook in ASEAN

Global economy showed a significant improvement across regions. Asia's emerging markets will lead the global expansion. In the long run, World Steel Association predicted in March 2010 that global GDP growth would continue to pick up till 2012 and maintain its momentum till 2014.



Source: World Steel Association

The US economy is projected to grow by 3.0% in 2010 and marginally improve further in 2012. Western Europe will remain under downward pressure while emerging Europe will face a slow recovery. On the other hand, Asia's economy is growing at a healthy pace. China has strong momentum entering 2010 with the growth rate of above 8% per annum. India will enjoy an increasing growth rate annually to above 8% in 2011. South Korea's GDP growth will pick up significantly in 2010 to nearly 4% and will remain at the same pace in 2011. Taiwan will follow the same growth pattern with expected growth rates of between 5-6% in 2010 and 2011.

Overall the ASEAN economy was strongly affected by the global recession, with average GDP growth rate of 1.2% in 2009, down from 6.5% in 2007. However, the global downturn had only a moderate impact on Indonesia's economy. The country's growth rate in 2009 was 4.5%, down from 6.3% in 2007. This was due to the slowdown in the first half of the year. However, its economy picked up in the third quarter and the growth accelerated in the fourth quarter, assisted by a pickup in exports and prices of export commodities, as well as by stimulatory fiscal and monetary policies. The Asian Development Bank predicted that Indonesia's GDP will rise to 5.5% in 2010 and about 6.0% in 2011. This is due to the national medium-term development plan implemented by the government. Growth may exceed this if the government can accelerate its budget on infrastructure investment.

Malaysia is one of the countries that has a trade-sensitive economy. Therefore, the economy dropped significantly by 6.2% in the first quarter of 2009 and maintained the pace of contraction before it registered a positive growth in the fourth quarter. For the full year, GDP contracted by 1.7% compared to a growth of 6.2% in 2007. It is predicted that the economy will rebound in 2010 as a result of growth in exports, driven by strong regional demand, particularly from China and inventory restocking by industrial countries. GDP growth is forecast to rebound to 5.3% in 2010 and to 5.0% in 2011.

Philippines' economy responded significantly to the economic meltdown. Its GDP growth in the first three quarters of 2009 declined substantially to register less than 1% per quarter. The growth picked up in the fourth quarter due to a rebound in industrial output. Significant government consumption spending and a fiscal stimulus package helped to support the country's economic growth in 2009. Remittances from overseas workers and private consumption remained the biggest contributor to GDP growth and registered an increase of 5.6% and 3.8%, respectively in 2009. However, investment and exports declined and dragged down GDP growth significantly. It is, nevertheless, predicted all factors will recover in 2010. GDP is forecast to increase by 3.8% in 2010 and further increase to 4.6% in 2011.

The world financial crisis has impacted deeply on an open economy country like Singapore. Its GDP growth began to decline since the first quarter of 2008 to the first quarter of 2009. Total trade in goods and services in volume terms fell by 12% in 2009, the sharpest fall in at least 3 decades. The recovery in the fourth quarter was due to a rebound in exports. The full year GDP contracted by 2.0%. However, it is predicted that Singapore will benefit from the V-shaped recovery in Asia, which accounted for about 60% of Singapore's total exports in 2008. GDP is forecast to increase to 6.3% in 2010 and to 5.0% in 2011.

In light of political tensions together with the impact from the global economic recession, Thailand's economy contracted steeply in 2009 and is expected to recover moderately in 2010. GDP growth in 2009 registered a deceleration of 2.3%. ADB forecast that Thailand's economy will recover in 2010 at a mild pace of 4.0% and pick up to 4.5% in 2011. However, this is based on the assumption that there will be no severe political disruptions in the next two years and that the problem in Map Ta Phut industrial estate on Thailand's eastern seaboard will be resolved soon.

Vietnam's economy faced a sharp deceleration in the first quarter of 2009, but the economy picked up rapidly over the rest of the year. Its GDP growth was 5.3% in 2009, down from 8.5% in 2007. ADB has projected Vietnam's GDP growth to accelerate to 6.5% in 2010 and to 6.8% in 2011. However, this is based on the assumption that the government will do the following: tighten monetary and fiscal policies further during 2010 to limit inflation and devaluation pressures, and keep the policies moderately tight in 2011.

ASEAN's apparent steel consumption is estimated at 42 million tonnes in 2009. Vietnam is the only country in the region that enjoyed a positive growth in steel demand with a significant increase in domestic output and import. Philippines's domestic steel demand registered a single digit deceleration in 2009 while the other ASEAN countries experienced steep double-digit declines in steel demand. World Steel Association forecast that the regional steel consumption will increase to 45 million tonnes in 2010 and expand to 49 million tonnes in 2011.

For a clearer picture of ASEAN steel industry and market development, join the 2010 SEAISI Conference & Exhibition in Ho Chi Minh City, Vietnam from 17 to 20 May 2010.

SEAISI, April 2010

2010 SEAISI Conference & Exhibition
May 17-20 Hotel Equatorial Ho Chi Minh City, Vietnam

SESSION HIGHLIGHTS

Keynote Session & Panel Discussion – The Economic Challenges and Steel Industry
Monday 10:10 – 12:10

Steel Industry and Market Development
Monday 13:10 – 14:50

Sustainability of the ASEAN Steel Industry
Monday 14:50 – 16:30

Country Reports
Monday 16:50 – 18:10
Tuesday 09:00 – 10:40

Raw Materials
Session 5A – Saigon I
Tuesday 11:20 – 13:00

Process Improvement I&II
Session 5B & 6B – Saigon II
Tuesday 11:20 – 13:00 & 14:00-16:00

Operation Excellence

Steel Making I&II
Session 6A & 7A – Saigon I
Tuesday 14:00 – 16:00 & 16:20-18:00

Flat Products I&II
Session 9B & 12B – Saigon II
Wednesday 11:20 – 12:40 & 16:40-18:00

Plant Management
Session 7B – Saigon II
Tuesday 16:20 – 18:00

Safety & Environmental Management
Session 8B – Saigon II
Wednesday 09:00 – 11:00

Product Development
Session 11B – Saigon II
Wednesday 15:00 – 16:20

Quality Improvement

Flat Products
Session 8A – Saigon I
Wednesday 09:00 – 11:00

Long Products
Session 10B – Saigon II
Wednesday 13:40 – 15:00

Technology Development - Rolling
Session 9A – Saigon I
Wednesday 11:20 – 12:40

New Technology – Steel Making & Rolling
Session 10A – Saigon I
Wednesday 13:40 – 15:00

Cost & Energy Reduction I & II
Session 11A & 12A – Saigon I
Wednesday 15:00 – 16:20 & 16:40 – 18:00