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FROM
Secretary
General

The 2010 SE AISI Conference and Exhibition, held in Ho Chi Minh City, Vietnam from 17 to 20 May, was a resounding success. With the theme "The ASEAN Steel Industry: A new Era of Global Competitiveness", the event attracted more than 400 delegates from 25 countries across the globe. All of the 34 exhibition booths plus two hospitality suites were fully taken up by a total of 28 companies. The event was officially opened by Mdm. Ho Thi Kim Thoa, Vice-Minister, Ministry of Industry and Trade of Vietnam, who also delivered the Ministerial Address.

This year's Keynote Session, focusing on "The Economic Challenges and Steel Industry", was unique in that it featured three keynote speakers and two specially invited panelists. The first keynote speaker was Mr. Johannes Greinacher, Managing Director, Badische Stahl-Engineering GmbH, Germany, who talked 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". He listed five major challenges for the steel industry viz. striving for operational efficiency through successful management of technology and equipment as well as people; securing sufficient raw materials at the right price; attracting and retaining qualified personnel; exploiting profit opportunities by aligning all departments to a common company goal; and complying with environmental regulations without sacrificing competitiveness.

The second keynote speaker, Mr. Dilip Oommen, CEO of Essar Steel Ltd. India, touched on "Strategic Initiatives to Meet the Challenges in a Competitive Market: An Indian Steel Manufacturer's Perspective". Mr. Oommen advocated the adoption of the PQRST principle which stands for Proactive, Quality, Reach, Service and Time. He further listed out three ingredients necessary for the successful implementation of the principle which are open minded management that responds to the genuine needs of all stakeholders; management that promotes creativity and innovation; and management with a firm belief on sustainable development.

Mr. Frank Debets, Partner, PricewaterhouseCoppers WMS Pte Ltd, Singapore, the third keynote speaker, examined the competitive challenges from a different angle when he spoke on "FTA Developments: Making the Minefield into a Goldmine". In his presentation, he outlined the key characteristics and benefits of FTA as well as provided a snapshot of the duty concessions for iron and steel products. He then elaborated on the ways in which companies can plan for advantage while avoiding the real or perceived pitfalls.

In the panel discussion following the keynote presentations, Mr. Chow Chong Long, President of the Malaysian Iron and Steel Industry Federation (MISIF), observed that ASEAN steel producers could be vulnerable with the onset of the many FTAs and that they could move into two different directions. One is to align themselves with the leading producers of the world who are interested in the growing ASEAN market. The other is to look for a niche market to serve which means that they will be competing with producers from countries like Japan and Korea. The other panel member, Mr. Fazwar Bujang, Chairman of the Indonesian Iron and Steel Industry Association (IISIA), was of the view that

ideally FTA should serve as a complementary factor for the development of the steel industry in the region. He further observed that the steel industry in ASEAN is characterized by the predominance of semi integrated plants and a lot of rerolling mills which resulted in the production of low value add products.

The opening day of the Conference also featured many other speakers who made presentations at the sessions on "Steel Industry and Market Development" and "Sustainability of the ASEAN Steel Industry". Besides getting an update on the development of the iron and steel industry in ASEAN, the delegates also had the opportunity to learn about the latest steel market development and outlook in China and India. Mr. Jim Jia, Vice-President and Chief Analyst of MySteel, mentioned that the biggest problem confronting the steel industry in China was high inventory brought about by the abundant monetary supply and speculation. However, he was confident that the market could be sustained due to continued capital investment especially in property and infrastructure. He projected that China's crude steel production could reach 620 million tonnes in 2010, an increase of 9% y-o-y. On the Indian Steel scenario, Dr. Ahmed S. Firoz, Chief Economist, Ministry of Steel of India, reported that the country's crude steel production for the period April 2009 to March 2010 increased 10.7% y-o-y to 64.6 million tonnes. For the same period, consumption grew by 7.6% to 56.3 million tonnes. He noted that India's steel consumption growth potential remained largely unrealized due to the slow pace of investment, especially in capital assets.

Presenting a paper on "Value Chain Development of ASEAN Steel Industry: Looking for Diamond Cutting Opportunities", Mr. John Johnson, CEO of CRU China, noted that with its average

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2010 SEASI Conference & Exhibition

annual economic growth rate back to over 5%, the ASEAN region should see opportunities to create value in its steel sector. Based on 2010 figures, CRU reported that greatest value was created at the HRC and CRC stages, with re-rollers creating more value than their integrated counterparts. Another interesting presentation was by Dr. M. Venkatraman, Senior Vice President of Essar Steel Ltd. India, who shared with the delegates Essar's foray into the production of new generation products for the automotive sector. Other presenters include Mr. Ghislain Desjardins, President, Asia Pacific DuPont Sustainable Solutions, who talked about driving sustainable operations through protecting people, property and assets in the steel industry while Mr. Terry Chuay of The Steel Index touched on the new pricing dynamic and opportunities in the Asian iron ore and steel market.

The two sessions on Country Reports were well attended as delegates were keen to know about the latest developments of the steel sector in the respective SEASI member countries. Besides the general sessions, a total of 74 technical papers covering such topics as raw materials, process improvement, operation excellence, plant management, quality improvement, technology development, new technology, cost & energy reduction and safety & environmental management were presented during the second and third day of the Conference.

After the Conference, about 140 delegates participated in the Plant Tour to visit some of the most prominent home-grown as well as foreign-owned steel companies in Vietnam. They were divided into two groups, one covering the long product producers and the other, the flat product producers.

Many organizations and individuals have contributed to the success of the event in Vietnam. We would like to thank the Vietnam Steel Association (VSA) for their excellent support and cooperation in hosting this year's conference. We would, in particular, wish to thank Mr. Dinh Huy Tam, the outgoing Chairman of SEASI and Secretary General of VSA, for his personal attention and untiring effort in ensuring the smooth running of the event. We would also like to thank all the speakers and chairpersons of conference sessions for a job well done. To all the exhibitors, sponsors and advertisers, our deepest appreciation for your support and contribution. Our thanks also go to the management and staff of Southern Steel Company, Thép Viet Steel Corporation, Vina-Kyoei Steel Ltd, BlueScope Steel Vietnam, Phu My Flat Steel Company and POSCO Vietnam for hosting the plant tour. Last but not least, a big thank you to all the delegates for their support and participation in the events of the Institute. We hope to see all of you again at next year's conference in Singapore, which also coincides with the Institute's 40th Anniversary.

-Tan Ah Yong-



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AUSTRALIA

Australian miners mull tax impact on iron ore projects

Australian miners are unlikely to ditch major expansion plans because of the new mining tax regime proposed by the Australian government, analysts said.

Plans for a 40% so-called super-tax have provoked an angry response from miners, who claim the proposals threaten future investment in Australia and mean the highest mining taxes in the world.

Some projects will be put on hold to study the potential impact of the tax changes.

But Rio Tinto was forced to clarify reports that it had "shelved" \$11 billion of spending in light of the tax proposals, instead suggesting it was "considering the impact" of the tax plans.

It is in the miners' interests to press ahead with major expansions before the tax regime comes into full effect, analysts said.

"Producers in the Pilbara should be looking at maximising ramp ups as quickly as possible before the tax is implemented," he said, noting that long-lead projects of three years or more should be seriously considered.

"Rio has the lowest cost for expansions. If they don't expand, no-one else will," he added.

The tax is a secondary issue when looking at expanding highly profitable projects in the Pilbara, Pengana Capital fund manager Tim Schroeders told MB.

"Tax is never a key driver but part of the decision making process. If a project is compelling an iron ore producer will continue with it," he said.

"The mining industry will lobby intensely and plan a number of scenarios but at the end of the day iron ore demand is growing and the leading market participants need to maintain their market share. "

The political landscape is likely to change considerably in the next two years which leaves uncertainty as to whether the tax will be executed, Schroeders noted.

BHP Billiton would not comment specifically about its investment plans but maintains its opposition to the 40% tax on profits.

Fortescue Metals Group is reviewing its expansion plans in the Pilbara, FMG executive chairman Andrew Forrest told a conference call on Thursday.

"All Australian projects that require substantial capital, including FMG, will be under review," Forrest said, adding that producers with foreign assets would make them a priority.

Australian prime minister Kevin Rudd met with iron ore producers in Western Australia earlier in the week to justify the tax, saying that the Australian people had not benefited from the large profits made by miners in the past.

Analysts have in general struck a less apocalyptic tone than the mining industry or the opposition Liberal party in their response to the Henry tax review.

Although major low-cost projects may not be threatened, producers may be reluctant to go ahead with more marginal expansions, and they interest may tilt towards overseas projects.

"We feel this super-tax news will cancel or at least delay many new projects on the table in Australian mining, thereby tightening up supply/demand dynamics for key Oz commodities such as steam and thermal coal and iron ore," said analysts at Liberum Capital in a research note.

They said there is a wider danger that Australia's plans could encourage other countries to adopt a tougher tax regime

"Our big fear is that because this resource tax has been promulgated by Australia, a supposed 'safe' resources economy; it will become open season to bring in similar policies in other jurisdictions," Liberum said.

Metal Bulletin, May 6, 2010

INDONESIA

China plans to invest US\$618m in Batam

At least 15 companies from China have planned to enter power generation business in Batam, Riau Islands, with combined investment commitments amounting to US\$618 million.

"The investors also look for other fields," Batam Mayor Ahmad Dahlan said Monday after receiving a visit from China Ambassador to Indonesia Zhang Qi Yue in his mayoral office as quoted by tempointeraktif.com.

Ahmad said that 12 other Chinese companies, including concrete steel producer PT Sempurna Wahyu Metalindo with US\$4 million in investment and metal-based tools producer PT Sky Global Fasteners with US\$2 million, have been operating in Batam so far.

Chinese businessmen said a recent clash, sparked by disputes between local and expatriate workers in a shipbuilding company in the city, did not hamper them from continuing their investment plans in Batam, Ahmad added.

The Jakarta Post, May 3, 2010

Indonesian wire rod prices expected to slide

Wire rod prices in Indonesia are expected to slide in coming few weeks on sluggish demand and economic concerns following the resignation of finance minister Sri Mulyani Indrawati.

Wire rod prices were trading at 7,500-7,600 rupiah per kg (\$804-815 per tonne) this week, compared with their peak of 7,500-7,800 per kg a month ago.

State-owned mill Krakatau Steel's ex-works prices remain at 7,500-7,600 per kg, excluding 10% goods and service tax, unchanged for a month, according to sources.

Krakatau Steel declined to confirm or comment on this.

"Wire rod prices have peaked. Demand in the market has been very slow in the past month," said a mill official in Surabaya.

Restocking, which pushed prices up in March and early April, has stopped, said Ario Setiantoro, cluster head of wire rod and nail at the Indonesian Iron and Steel Industry Assn (Iisia).

"Prices are stagnant now. Many wire rod mills have cut back their production to 50% from about 70% as they know it will be slow season ahead," he told MB.

Many in the market expect wire rod prices to slide further in the next few weeks.

"When sales are slow, stocks will accumulate. Meanwhile, the mills keep producing. Some traders may be forced to let go of goods at below prevalent market prices," said the first mill official.

"End users are not buying either. There is a renewed worry about the future of the Indonesian economy with the upcoming departure of the Indonesian finance minister. Some projects may be scaling down on their expansion, and thus recalculating their wire rod needs," said Setiantoro.

The departure of widely-respected finance minister Indrawati in June for the World Bank has also sparked concerns that Indonesia will return to the era of bureaucracy and red tape that she helped to reform.

"Fortunately, cheap imports of wire rod from China have not been a problem recently. We did hear about containers of wire rod of as much as 450,000 tonnes waiting to unload in Tanjung Priok port. But they are not circulating in the market now," said Setiantoro.

Metal Bulletin, May 7, 2010

JAPAN

JFE to Spend \$2.2 Billion on Iron Ore, Coal Mines

JFE Holdings Inc., Japan's second-largest steelmaker, plans to spend as much as 200 billion yen (\$2.2 billion) to invest in iron ore and coal mines in Australia and Brazil to double self sufficiency in materials as costs jump.

"We have two to three candidates" each for the iron ore and coal investments, Eiji Hayashida, the president of Tokyo-based JFE Steel Corp., said in an interview. The steelmaking unit of JFE plans to raise export prices by 20 percent to 30 percent in the July quarter from April to offset costs, he said. JFE, Nippon Steel Corp. and Posco are seeking mine investments after Vale SA and BHP Billiton Ltd. took advantage of the economic recovery to put up the prices of iron ore and coal by as much as 90 percent for the April 1 quarter. Mills have to raise prices to pass on the higher costs, the World Steel Association said yesterday.

"Steelmakers will need to cooperate on securing the raw materials to maintain competitiveness over the small number of miners," Yasuhiro Matsumoto, an analyst at Shinsei Securities Co., said in Tokyo.

JFE shares, which have fallen 11 percent this year, rose 0.9 percent to 3,250 yen as of 2:10 p.m. on the Tokyo Stock Exchange.

"We intend to make a decision within a year or two to bring our self sufficiency to 30 percent by 2013" from 15 percent to 16 percent, Hayashida, 59, said May 7 in Tokyo.

Overseas Investments

The Japanese steelmaker said Dec. 17 it will invest 50 billion yen in the Byerwen coal mine in Queensland, Australia, including an acquisition of a 20 percent stake, its biggest investment in coal. JFE, with four other Japanese mills and Posco, in 2008 agreed to buy 40 percent of Brazilian iron ore producer Nacional Minerios SA for about \$3.12 billion.

Prices of iron ore, trading near a two-year high, may continue to climb in the second and third quarter, Deng Qilin, chairman of the China Iron & Steel Association, said yesterday. Coal prices may jump 50 percent in the second half, Citigroup Inc. said last month.

The move by iron ore exporters this year to abandon the 40-year custom of setting annual prices in favor of quarterly contracts is a "very negative trend," World Steel Association Chairman Paolo Rocca said. The higher costs and the change "will affect our customers," he said.

JFE prefers to secure supplies through investments than use futures to hedge against price volatility, said Hayashida. The mill "strongly opposes" the derivatives because it "would cause speculative funds to flow into the markets," he said.

Deutsche Bank AG and Credit Suisse Group AG started offering so-called iron-ore swaps in 2008.

Domestic Talks

JFE is asking domestic customers for an increase in prices of 15,000 yen to 20,000 yen per metric ton, or about 20 percent higher than last year, to cover the higher costs in the April quarter, Hayashida said. Toyota Motor Corp. and Mitsubishi Heavy Industries Ltd. buy steel from JFE.

Crude steel production in Japan, the world's second-largest after China, may reach 105 million tons for the fiscal year started April 1, Hayashida said. That's 9 percent higher than the 96.5 million tons a year earlier, as domestic mills raise exports to China, India and Southeast Asia, he said.

Exports for JFE will account for more than 50 percent this fiscal year from a record 46 percent a year earlier.

JFE, which last year agreed to collaborate with JSW Steel Ltd. on automobile steel production, will make a decision on whether it plans to take a stake in the Indian company, or invest in a factory in the nation in the next six months, Hayashida said. The two companies will consider buying stakes in each other, JFE said Nov. 19, when they announced the tie up.

"We're under discussion with a wide range of possibilities," Hayashida said. Any planned purchase of JSW won't exceed a 15 percent holding, he said.

Bloomberg, May 10, 2010

Nippon Steel, Ternium agree Mexico steel joint venture

Nippon Steel Corp, the world's No.2 steelmaker, said it and Latin America's Ternium have agreed to form a joint venture in Mexico mainly to supply Japanese car makers in the country.

Nippon Steel has decided to switch to local production due to the rapid expansion of Mexico's car market, a company spokesman said.

It currently supplies high-end galvanised sheet steel to Japanese automakers operating in Mexico, including Toyota Motor Corp, Nissan Motor Co and Honda Motor Co, through exports.

The two firms will spend US\$350 million over two and a half years on the JV, which will have a capacity of 400,000 tonnes a year, Nippon Steel said.

The JV's capital ratio is yet to be decided.

The new plant will be Nippon Steel's sixth overseas joint venture for automotive sheet steel after the U.S., Brazil, China, India and Thailand.

Ternium, based in Luxembourg and listed on the New York Stock Exchange, is part of privately held Argentine conglomerate Techint and its main operations are in Argentina and Mexico.

The company recently said it planned to buy a controlling stake in steelmakers in Colombia and Panama to expand its presence in growing markets.

Reuters, May 18, 2010

K O R E A

Korea starts AD probe into Japanese stainless plate

Responding to a complaint lodged by a processor of stainless plate for heavy plant applications, the Korean government's Korea Trade Commission (KTC) is to conduct a preliminary anti-dumping investigation into imports of Japanese plate.

The complainant, Pohang-based DKC Steel, says in its submission filed early last month that stainless plate imports last year from nine Japanese makers including Nippon Steel & Sumikin Stainless Steel, Nippon Yakin Kogyo and JFE Steel damaged its business.

DKC, established in 1996 and owned 15% by Posco's trading arm Posteel, insists that low export offer prices from the Japanese caused it to suffer from reduced production and sales.

The company claims to be Korea's only processor of these special grade plates and boasts a capacity of 70-80,000 tonnes/year. It sources all stainless mother plate from Posco and claims a domestic market 70-80,000 tonnes/year. It sources all stainless mother plate from Posco and claims a domestic market share of 60%. DKC officials were reluctant to discuss the case with Steel Business Briefing.

MALAYSIA

Malaysia's steel demand to reach 8.3-8.4m tonnes in 2010

Malaysia's steel consumption will rise 10-12% this year, helped by a resurgent manufacturing sector and continued government spending, said Chow Chong Long, president of the Malaysian Iron and Steel Federation (Misif).

Steel demand could reach 8.3-8.4 million tonnes, compared to 7.5 million tonnes last year, he told delegates at the Southeast Asia Iron and Steel Institute's annual conference in Vietnam.

Malaysia's important manufacturing sector should swing back to 6.5% growth this year, after declining 9.3% last year, he said, but also warned that economic turbulence in developed economies could hurt local steelmakers.

"Europe and the US are a big market for finished manufacturing goods produced in Malaysia, and when global demand falls, local industries [will cut purchases] and this could affect local demand for steel," he said.

Consumption of flat products is likely to be higher than long products this year, which was the case for five years until 2009, he said.

Steel demand has been "good" so far in 2010, but much of the steel purchasing has been speculative.

"The real demand is still there. But I would say 50% of the demand is because of speculation," he said.

"We are still waiting for private sector to come back. The growth in Malaysia's steel demand this year will be slow but steady," said Chow.

Malaysia's government is still releasing stimulus spending to support domestic demand.

The construction sector will also expand this year as "not all of the government's [\$19.7 billion] stimulus money has been disbursed", he said.

Malaysia's relatively stable political situation has also helped its industry through the global economic slowdown. This has supported private and foreign investment in construction and manufacturing, Chow said.

Neighbouring Thailand has been rattled in the last week by deadly clashes between the army and anti-government protestors in Bangkok. Several delegates from Thailand said yesterday that the political crisis could damage prospects for Thailand's steel industry this year.

Metal Bulletin, May 18, 2010

SINGAPORE

Singapore rebar prices fall as scrap costs ease

Rebar prices in Singapore have fallen S\$20 (\$14) per tonne this week, decreasing for the first time in a month due to cheaper scrap, trading sources told MB.

Korea's Ministry of Knowledge Economy that administers the KTC announced on 29 April that the commission's preliminary examination will take 3-5 months and that should it decide dumping has occurred, another 3-5 months will be needed to determine the anti-dumping duties to be imposed.

Steel Business Briefing, April 30, 2010

US withdraw duty review of two korean mills

US DOC has accepted the requests made by Dongkuk Steel Mill (DSM) & Hyosung Corp to withdraw the anti-dumping review on carbon steel plate imports from these two companies.

USCD will officially inform U.S. Custom and Border Protection about the withdrawal of review by May 14.

Yieh, May 3, 2010

Posco eyes stronger global business with Daewoo Intl

Posco's hopes of improving its business in emerging markets in the Middle East, North Africa, Southeast Asia and elsewhere have received a boost following its selection as preferred bidder for control of Daewoo International.

Daewoo, Korea's largest steel trading company, is currently controlled by a consortium led by state-owned Korea Asset Management Corp (Kamco) that wants to sell a controlling 68.15% stake in the trader.

Posco was told on 14 May that its recent bid for Daewoo of KRW 3.4 trillion (\$3bn) – reportedly some KRW 20bn more than was offered by rival bidder Korean retail giant Lotte Group meant that negotiations could now begin to finalize a deal.

Posco will conduct due diligence until June and should the progress be smooth, Kamco will make its final decision by August, Posco says.

Daewoo would bring Posco an expanded global steel trading network to help boost exports at a time when the domestic market is becoming more competitive as other major steelmakers such as Hyundai Steel and Dongbu Steel expand capacity.

"Our current export market is focussed on limited areas such as Southeast Asia," a Posco spokesman tells Steel Business Briefing. "Daewoo International will support us in expanding our steel exports as well as to identify and progress natural resources investments."

Daewoo's core business covers the trading of steel flats, longs and stainless into and out of Korea, as well as third country trading. It is also involved in resources development and importing iron ore. Daewoo is handling about 20% of Posco's total annual exports.

Steel Business Briefing, May 17, 2010

Rebar was trading at S\$940-960 per tonne on Monday, from S\$960-980 per tonne two weeks ago.

"Rebar prices have softened slightly as scrap costs had gone down too to \$450 per tonne level, down from \$460-480 a month ago," said an official at Natsteel, Singapore's sole producer.

"Goods are still moving, but some in the market are waiting for prices to fall further," said a trader in Singapore.

Before this, Singapore's rebar prices had risen by as much as S\$150 per tonne in a month due to higher scrap costs and positive market sentiment about Singapore's economic growth (MB April 16 & 7).

"Prices are stabilising now. We believe that demand will continue picking up in the next few months with the second-stage construction of MRT [subway] downtown line. More private residential projects are expected to take off too," said the mill official.

Further price falls are not expected as many believe the fall in scrap costs is temporary.

"Many in the market believe that there will be an upward correction in end May or June. Now that the economy is better almost everywhere in the world, there will be more demand for steel products. China that has been on holiday since end of last week and will come back too with stronger demand," said a market source.

"The talks for iron ore prices for next quarter will start soon too. It's only a matter of time before scrap prices rebound, and when that happens, rebar prices in Singapore will get a boost too," he said.

Metal Bulletin, May 3, 2010

TAIWAN

CSC of Taiwan to Invest in Mining with Foreign Partnerships

Seeing continual and unabated rise in prices of coal and iron worldwide, China Steel Corporation (CSC), Taiwan's largest integrated producer of steel products, aims to work with foreign counterparts to invest as much as necessary in coal and iron mines.

CSC has publicized its plans to invest in mining with major steelmakers in China and Japan, including BaoSteel Corporation, Shougang Group, Angang Steel Corp., and Sumitomo Metal Industries.

Unwillingness of owners of coal and iron mines to sign yearly contracts with steelmakers since the beginning of this year is making production cost control tough for steelmakers.

An industry analyst says skewed concentration of iron mines dampens sound development of steel manufacturing. So many leading steelmakers with blast furnaces in China, India, Japan and South Korea and Taiwan have been partnering to invest in iron mines to offset such scenario.

CSC chairman Chang Chia-juch says the huge investment needed for coal and iron mines makes such business difficult, while the key aim is to stabilize material sources without concern for size of investment.

Chang says the CSC is also open to the possibility of investing in upstream steel industry given viable options.

CSC executive vice president L.M. Chung says the CSC has invested US\$12.61 million for 5% of the QCoal coal mine in Australia, as well as budgeting US\$94.63 million for 1% of NAMISA iron mine in Brazil.

CENS, May 18, 2010

THAILAND

SSI targets rising demand in Asia

Sahaviriya Steel Industries (SSI), the country's largest hot-rolled coil steel maker, expects to raise its output to 3.1 million tonnes in 2012, up from 1.75 million at the end of last year, to tap into high demand growth in Asia, says president Win Viriyaprapaikit.

The SET-listed steelmaker said it would lift capacity gradually to 2.7 million tonnes by the end of this year and to 2.9 million next year.

Rising demand in the automobile sector and the rapid revival of Asian economies has been spurring demand for steel sheets, he said.

"Therefore, we are hoping that our sales volume will be rising too," Mr Win said after a shareholders' meeting yesterday in Bangkok.

The company expects its revenue to rise by 50% this year to 50 billion baht, up from 33.1 billion last year. Exports would account for 15% of sales, up from 10% last year, and domestic sales the rest.

"We are penetrating new export market such as East Africa and the United States. Our existing export market in Southeast Asia and the Middle East will be maintained," he said.

SSI will also move forward with more cost reductions, with a target this year of 250 million baht. Last year it saved 423 million baht mainly through improved energy use.

To prevent stock losses, after 5 billion baht in inventory losses because of highly volatile steel prices in 2008, the company has cut raw material and finished product inventories to two months' worth of stock from three.

Prices of raw materials, mainly slab steel, may fluctuate this year, while prices of imported coal, the main fuel used in production, are also rising along with crude prices, said Mr Win.

Slab is now trading at US\$600 per tonne, up from \$400 at the end of last year. Hot-rolled coil prices have risen to \$800 a tonne from \$600 in the first quarter.

SSI in the first quarter earned a net profit of 1.44 billion baht, up 26% from the previous quarter and reversing a loss last year of 1.87 billion.

SSI booked extraordinary gains of 123 million baht from foreign exchange and inventory reversal, with record sales volume of 683,840 tonnes, up 95% year-on-year, as competitors suffered from tight liquidity and higher coil prices.

Kim Eng forecast sales volume in the second quarter would drop slightly to 650,000 tonnes, while prices would rise by 10% to \$670 a tonne. Slab costs are likely to rise by around 10% to \$520 a tonne.

SSI hopes to maintain the spread from slab to final product at around \$150 a tonne from \$140 in the previous quarter.

Kim Eng also forecast full-year net profit to remain strong at between 1.3 billion and 1.5 billion baht.

Bangkok Post, May 1, 2010

Thainox calls on TISI to upgrade standards

Thainox Stainless has proposed that the Thai Industrial Standards Institute (TISI) revise the standards set for stainless steel used in appliance production so that they emphasize more on consumer safety and health rather than product appearance. These standards have been followed for more than two decades.

Assoc Prof Dr Chatchai Somsiri, metallurgy director for Thainox as well as the technical board director for the Thai Stainless Steel Development Association, said the firm had recently submitted a letter requesting TISI to review the industrial standards for stainless steel. The issue is currently being considered by the TISI technical committee, which should come up with guidelines on the regulation of standards soon.

"Stainless steel is commonly recognised as one of the safest and most hygienic materials - especially in the food and health industries. The idea is to start with something that is close to us, but has a large impact on consumers on a wide scale," Chatchai said.

The proposal would allow consumers to concentrate more on quality rather than appearance when they purchase stainless steel products.

As one of the leading stainless-steel manufacturers, Thainox's proposal aims to encourage stainless-steel producers and suppliers in various industries, both inside and outside Thailand, to upgrade consumers' quality of life, particularly in terms of health and safety. This is gaining increased significance in countries with high Human Development Index (HDI).

Local consumers face the problem of cheap and sub-standard stainless-steel products. Due to the lack of effective controls, the distributors are at an advantage, but at the expense of the consumer. That is why, safety and health deserves the most attention.

Led by the Thai Stainless Steel Development Association, Thainox, along with 10 other manufacturers, including Satien

Stainless Steel, Thai Unique Coil Centre and Thai Stainless Steel, also recently submitted a letter to the Office of the Consumer Protection Board (OCPB) demanding that stainless-steel products specify the grade of materials used.

The move aims to curb the use of low-grade stainless steel in the production of appliances, such as exhaust pipes used in the production of kitchenware with the 'High Quality' label. The request is pending OCPB's consideration.

The Nation, May 10, 2010

G Steel production picking up

Capacity utilisation at G Steel Plc was back to 50% the first time in several months in April as demand has bounced back from a slump, but the steelmaker still faces a big challenge in restructuring its huge debts.

SET-listed G Steel produced 50,000 tonnes of hot-rolled coil last month, the highest volume in many months, and close to its break-even level, said chief operating officer Nakun Sakunchotikarote.

About 20% of the output is exported, he said, adding that steel prices were on the rise, with hot-rolled coil now quoted at \$700 per tonne and 23-24 baht per kilogramme locally.

"We have also focused on cost reduction by managing inventories efficiently and so far have lowered cost by 10%," he said. "Our break-even point is slightly over half of the total capacity and we are now close to that level."

Chief executive Ahab Garas said that following the completion of special audit report for the Stock Exchange of Thailand (SET) on Friday, G Steel would be able to encourage potential new investors to inject fresh capital into the company.

G Steel has been in talks with two to three potential strategic partners who would be willing to invest in the company when its \$530-million debt-restructuring plan was concluded, he said.

After that, G Steel will merge its operations with its subsidiary, GJ Steel Plc, which also manufactures hot-rolled steel, Mr Garas added.

Under the restructuring plan, G Steel plans to issue 8.85 billion new shares in a debt-for-equity swap with trade creditors and bondholders that control \$470 million of the firm's debt.

Bangkok Post, May 10, 2010

VIETNAM

Steel products from Asean countries flood Vietnam

At present, the price of imported construction steel, after being deducted all the costs, was still lower than the Vietnam-made products by 100,000-150,000 dong, equivalent to 15.2-12.25 million dong per tonne.

The construction steel continued being imported in Vietnam by importing enterprises to compete with the domestic ones.

Nguyen Tien Nghi, vice chair of Vietnam Steel Association (VSA) revealed that from the beginning of 2010 up to the first half of April, about 120,000 tonnes of construction steel, mainly scrolled steel have been imported from Asean member countries.

Meanwhile, according to statistics provided by ministry of industry and trade, the country's steel production volume increased sharply thanks to the demands from domestic construction projects. The steel production output in April was estimated at 445,900 tonnes, increasing by 2.9 percent against the previous month. The accumulative steel volume in the first four months of the year reached 1.65 million tonnes, up 5.1 percent year-on-year.

In April, the steel price rose sharply than expected because the world price of steel ore increased by over 50 percent, the fat coal price up 80 percent and the world steel billet price jumped by \$10-20 per tonne in comparison with the previous month. At present, the retail steel price was posted at 16-17 million dong per tonne, up 4-5 million dong against the end of last year.

Therefore, ministry of industry and trade required the steel firms to check the production process, increase using domestic raw materials and maintain the reasonable stockpiled volume to increase the sales price gradually.

Intell Asia, May 7, 2010

Vietnam long products consumption down 48% m-o-m in April

Vietnam consumed 299,000 tonnes of long products in April, down 48% month-on-month and 31% lower year-on-year, according to the Vietnam Steel Assn (VSA).

"Sales were slow in April, because prices in the international market and in Vietnam fell. When prices fall, buyers are more careful and will not buy more," said VSA general secretary Dinh Huy Tam.

"They will try to sell off their stocks first to reduce what they have in the warehouses," he said, adding that he is not concerned by the drop in sales.

"Consumption figure in April fell a lot from March. But the March consumption figure was very high due to some speculation, and did not reflect the actual consumption figures," he said.

"Total sales for the first four months of the year were still higher than last year's, and are above VSA's projected annual consumption growth of 10%," he added.

Vietnam's steel industry is expected to grow at least by 10% this year, taking into account the government's projection of a 6.5% increase in gross domestic product, up from 5.3% last year (MB Jan 12).

Vietnam consumed 1.52 million tonnes of long products from January to April, up 25% from the corresponding period last year.

Vietnam's mills produced 410,000 tonnes of long steel in April, 14% lower month-on-month and 23% lower year-on-year.

Production for the first four months of the year was 1.58 million tonnes, up 42% year-on-year.

Metal Bulletin, May 10, 2010

Vietnam successfully produces first soft iron batch

Vietnam Mineral Resources and Metallurgy Joint Stock Co (Mirex) and Cao Bang province people's committee welcomed the first batch of soft iron to be produced in Vietnam yesterday May 17 in Hoa An Dist, Cao Bang province.

The construction on Mirex Cao Bang Mining and Metallurgy Complex was officially started in August 2007 with total investment capital of 1.5 trillion dong. This is the first project in Vietnam that applies new technologies in producing soft iron and alloy steel.

The plant is expected to produce 100 tonnes of soft iron and 100 tonnes of alloy steel billet each year to meet the demands for industries of oil and gas, machinery.

Intell Asia, May 18, 2010

Vina Kyoei Steel eyes 400,000 tpy billet plant

Vina Kyoei Steel, a joint venture company of Kyoei Steel and Vietnam Steel Corp (VN Steel), is studying the feasibility of a 400,000 tpy billet plant to feed its downstream production.

"Once the feasibility study is completed, construction can start. We expect the new plant will start producing by 2012," said Vina Kyoei Steel's executive officer Truong Manh Ha at the South East Asia Iron & Steel Institute (SEAISI) conference in Ho Chi Minh.

The new plant will be built adjacent to the existing rebar and wire rod plant in Phu My 1 Industrial Zone in Vietnam's Ba Ria-Vung Tau province.

"Currently, Vina Kyoei buys billet from everywhere; Japan, Southeast Asia, CIS. But with the new billet plant, Vina Kyoei does not have to depend on outside sourcing," said Truong.

Vina Kyoei Steel also plans to raise its rebar and wire rod capacity to 430,000 tpy by next year from the current 300,000 tpy.

"We will do it slowly. We will increase it to 410,000 tpy by September, and another 20,000 tpy next year," said Truong.

"There are good prospects for the steel industry in Vietnam with the consumption expected to grow by at least 10% this year," he said.

Vietnam's steel industry is expected to grow at least by 10-12% this year, taking into account the government's projection of a 6.5% increase in gross domestic product, up from 5.3% last year (MB Jan 12).

"This is a very conservative forecast, as consumption in the first four months of the year already went up 25%," said Dinh Huy Tam, general secretary at Vietnam Steel Assn (VSA).

Vietnam consumed 1.52 million tonnes of long products from January to April, up 25% from the corresponding period last year.

Production for the first four months of the year was 1.58 million tonnes, up 42% year-on-year. Japan's Kyoei Steel owns 45% of Vina Kyoei while Vietnam Steel Corp holds 40%. Mitsui Co and Marubeni-Itochu Steel hold the remaining 9% and 6% respectively.

Metal Bulletin, May 18, 2010

BRAZIL

Vale working at 100% capacity after Q1 restarts

Brazil's Vale is finally working at full capacity at its iron ore and pellet operations. Steel Business Briefing learns from the company's ferrous director José Carlos Martins that two mines in the Sistema Sul – Jangada and Mar Azul – resumed activities during the first quarter, as well as the pelletizing plants Fábrica and São Luis in the country's northeastern region.

During the January-March period, Vale produced 69m tonnes of iron ore, a 42.9% increase from the same period last year and an 8.9% increase from last year's fourth quarter. Despite these healthy results, the company says Q1 production was impacted by intense seasonal rains.

Vale has seen its pellet output surge with the restart of the Fabrica and São Luis plants. The company produced 10.5m t in Q1, up 19.9% from Q4 2009 and up 264% from Q1 2009.

Vale's Q1 iron ore & pellets production ©SBB 2010			
Million tonnes	Q1 2010	Q1 2009	Q4 2009
Iron ore	69.05	48.33	63.44
Pellets	10.49	2.88	8.75

Steel Business Briefing, May 11, 2010

RUSSIA

Russia's ZMZ extends product mix, starts rolling bulb flats

Special steel producer Zlatoust Steel Plant (ZMZ) is trying out new, higher value added steel products including bulb flats, Steel Business Briefing learns from the plant.

30,000 tonnes of new products, in terms of grades and dimensions, were produced between January and April this year, comprising 30% of the plant's 110,000t four months' output. They included various bars, sections and billets, ZMZ says.

At 25,000t, rebar output represented the bulk of newly introduced products. Also, 50-200mm diameter and 6 metres long round bars, which are then being finished on the newly-installed 1,000 tonnes/month polishing line.

On its 1,150mm blooming mill, ZMZ started making 140mm and 150mm square billet, as well as 210mm and 230mm diameter round billet, which will be exported and sold domestically in equal parts, ZMZ says.

Production of bulb flat steel used in ship building industry is due to begin shortly, in line with an objective of creating a greater variety of alloy steels, ZMZ adds.

The first 120-tonne instalment of several higher value steels, including cold drawn bearing steels, is due for dispatch this month, along with hexagonal steel for use in aviation industry. The plant supplies new products to the machine building and defence industry both domestically and abroad, with exports amounting to 3,000t a month.

Steel Business Briefing, May 19, 2010

INDIA

India to raise iron ore export tax

According to report by Finance Minister on Thursday, the Indian government has increased the export tax on iron ore lumps from previous 10 percent to 15 percent.

It is believed that such policy will reduce the purchase from China and make the raw material to be more available for the domestic market.

India has been the second largest iron ore supply to China this year. According to data, China has imported 33.26 million tons of iron ore in Jan-March period, though it is a 2.4 percent down year-on-year.

Yieh, April 30, 2010

ArcelorMittal exploring tie-up with SAIL

Unperturbed by its rival Posco's steel joint venture with state-run SAIL, world's number one steel maker ArcelorMittal today said it too was in talks with the public sector company but only that it was not in a race.

"We will continue to look at various opportunities in India or anywhere. We are also in dialogue with SAIL ... We are not in the race. We are here to establish a sustainable system. We can create values for our company and for SAIL and ultimately we can create value for the country," ArcelorMittal Chairman and CEO L N Mittal told.

It happens so that both Posco and ArcelorMittal announced their intent to set up large steel projects in India way back in 2005, but things have hardly moved on the ground largely owing to land acquisition troubles.

Asked if the global steel behemoth is discussing a mining joint venture or some other engagements with the country's largest steel maker, Mittal said, "I don't like to comment on the specifics of an ongoing dialogue. When you are in the dialogue you discuss so many things and I do not want to zero own to one idea."

Faced with inordinate delays in launching its ambitious Rs one lakh crore steel projects in Jharkhand and Orissa, ArcelorMittal had started looking at new opportunities in states

like Maharashtra, besides tying up with domestic firm Uttam Galva.

The company is also reportedly in talks with Bhushan Power and Steel among other local steel makers.

However, Mittal said, "I do not make comments on any dialogue with any company."

South Korean steel maker Posco had entered into a technical pact with Sail in 2007 and was also working on opportunities to jointly set up Rs 12,000-crore steel plants with the Indian company for last one year.

Steel Minister Virbhadr Singh had earlier this year said that Sail is open to joining hands with a global steel firm to set up a steel project to meet the country's rising steel demand.

Japan's Kobe steel was also keen to join hands with Sail. A JV with Sail may give the firms easy access to vast tracts of land available with the Indian firm especially in Jharkhand.

Problems in land acquisition and associated tribal protests have been holding back the big ticket investments in India—like that of Posco and ArcelorMittal.

India's per capita steel consumption hovers at around Rs 46 kg as against the global average of 198 kg. Sail with an annual production capacity of 14 million tonnes at present is in process of enhancing its capabilities to produce 60 million tonnes by 2020.

The Economic Times, May 2, 2010

JSW Steel's April production surges 20%

JSW Steel, the country's largest private sector steel maker by domestic capacity, on Friday said its output in April rose by 20 per cent to 5.06 lakh tonnes on the back of rising demand for its products.

"JSW Steel reported a growth of 20 per cent in crude steel production for April 2010 compared to that of corresponding month in the last fiscal year," the company said in a statement here.

The Sajjan Jindal-led firm had recorded an output of 4.22 lakh tonnes in the year-ago period.

Moreover, the company said its production of flat steel products, consumed primarily by automobile and consumer durable industry, in April rose by 28 per cent to 3.47 lakh tonnes over the same period last year.

The firm had produced 2.70 lakh tonnes of flat steel products in April 2009.

Also, JSW Steel saw output of its long steel products, used by infrastructure and construction companies, rising by about 86 per cent to 1.05 lakh tonnes in April 2010 over the same month a year ago when it had produced 56,000 tonnes of such products.

Last month, the company started commercial production from its 3.5 MTPA of hot strips mill at Vijayanagar works in Karnataka.

"The new Hot Strip Mill produced about 36,000 tonnes in the first month of commissioning itself and ramping up of capacity is happening at faster pace," it added.

The Economic Times, May 7, 2010

Now, Tata Steel keen on joining hands with SAIL

After Posco and ArcelorMittal, it's now Tata Steel that is keen on forming a JV with Steel Authority of India (SAIL) to set up a steel plant.

"We are in initial talks with Tata Steel and Arcelor Mittal. Both companies have evinced an interest in joint ventures with us. It's early days and it will hinge on the progress of the talks," SAIL chairman SK Roongta said. This is in addition to SAIL's plans to set up a JV with Korean steel major Posco.

Mr Roongta said the two companies have had a few rounds of talks and are looking at a 2 million tonne (MT) steel making venture using Finex technology developed by Posco.

"We will hopefully be able to firm up plans soon," Mr Roongta, who is retiring on May 31, 2010, said, when asked about the timeframe for the JV to be firmed up.

However, SAIL ruled out any talks of joining hands with Posco for the Korean company's mega 12 MT project in Orissa.

The Economic Times, May 18, 2010

CHINA

China iron ore imports to rise 5 pct in 2010-Sinosteel

China's state-run trader Sinosteel sees China's iron ore imports rising by 5 percent in 2010 to 660 million tonnes, the managing director at Sinosteel Germany told a conference on Tuesday.

"The tonnages are rising due to the fast development of China's steel industry," Xianhong Li of Sinosteel Germany told a Metal Bulletin iron ore conference.

"There is a big demand in China (for iron ore) and a shortage on the supply side."

The world's top iron ore buyer was forecast to raise its domestic production of the steelmaking material to 960 million tonnes this year, a rise of 9 percent, he said.

In 2009, domestic production reached around 880 million tonnes, he said. Sinosteel claimed to be the biggest iron ore importer into China, Li added, with 45 million tonnes of imports in 2009, which it aimed to raise to 80 million tonnes in the next 3-5 years.

Li said there could be a reduction in the number of the iron ore importers in China because of strict requirements.

"The number of qualified importers will be reduced because the qualification requirement is stricter and stricter," he said.

He also said a regulation not allowing iron ore imports with an iron content lower than 60 percent was a good measure for the whole industry.

"This practice is in the interest of all players, traders and end-users in China," he said.

Some low grade cargoes were still coming into China, he said. But some of these could be undeclared cargoes.

Trade sources said in April that China's iron ore trading association has banned its members from importing ore with a less than 60 percent iron content.

Interactive Investor, May 5, 2010

China's April Crude Steel Output Jumps 27% to Record

Crude steel output in China, the world's biggest producer, rose 27 percent to a record in April, indicating that demand from makers of cars and appliances is continuing to rise.

Production jumped to 55.4 million metric tons last month from a year ago, the National Bureau of Statistics said today in Beijing. That's 0.7 percent higher than the 55 million tons made in March, according to data on the Bloomberg.

Baoshan Iron & Steel Co., China's biggest publicly traded mill, last month said first-half profit may jump 6-fold to 10-fold because of higher automotive steel demand and prices. Benchmark steel prices reached an 18-month high in April.

"The April output is stunning," said Hu Yanping, an analyst at UC361.com. "So long as there is profit to be made, steelmakers will do their utmost to produce. The huge steel production will weigh on prices, although prices won't fall too much because of the raw material costs."

Rising production by Chinese steelmakers have spurred competition for the purchases of iron ore, a raw material, and driven up contract prices by 90 percent.

Annualized, the April steel production would translate into 665 million tons of output for 2010, or a 17 percent jump from the 568 million tons last year.

Steel inventories held by traders in China, the largest consumer of the metal, dropped to 9.77 million tons in mid-April from 10.7 million tons a month ago, the China Iron & Steel Association said today in a statement on its website.

Bloomberg, May 11, 2010

China may impose carbon tax in 2012: NDRC

China's steel industry, one of the country's largest producers of greenhouse gases, is coming under increased pressure to curb its gas emissions. This follows a comment from a senior central government official that Beijing could impose a carbon tax as soon as 2012, with the initial tax rate of RMB 10-20/tonne (\$1.5-3/t) of carbon dioxide emissions.

An official from China's powerful National Development and Reform Commission (NDRC) said at a recent environmental protection conference that a preliminary investigation into imposing the tax have been completed.

Local media quote the official as saying the carbon tax would be introduced during the twelfth five-year plan (2011-2015), probably around 2012. The government plans to use the funds generated by the taxes on providing subsidies to environmental protection sectors and 'green' companies, the reports said.

At the same conference, a northern Chinese steel mill suggested that before the authorities introduce the tax they should take into consideration the tax pressures that enterprises already face. But he agreed that low-carbon development must inevitably be the trend now.

Some industry experts warned earlier that with China's crude steel production set to exceed 600m tonnes in 2010, reducing emissions will present a severe challenge, as Steel Business Briefing reported. China's steel industry typically emits around 2 tonnes of CO2 per tonne of crude steel, SBB notes.

China's central government is now adopting a stronger stance to encourage the development of a low-carbon economy, SBB observes. Last November China announced it will reduce its CO2 emissions per unit of GDP by 40-45% within the next ten years from 2005 levels.

Steel Business Briefing, May 12, 2010

China steel ripe for consolidation - ArcelorMittal

China's steel industry is ripe for consolidation in coming years, but the process elsewhere has largely run its course, the head of ArcelorMittal, the world's largest steelmaker, said on Tuesday.

Lakshmi Mittal told the company's annual shareholders meeting he expected developing countries to make up 70 percent of global output in four to five years. The developed world would still lead product development.

"Outside China the steel industry is well consolidated. I really do not see major consolidation transactions in the steel industry, albeit there could be smaller opportunities available," Mittal said.

The ArcelorMittal chief said he believed China, the world's largest producer, would have companies making an annual 50 to 70 million tonnes in four to five years. China's largest steelmaker Baosteel shipped some 35 million tonnes in 2008.

ArcelorMittal, with some 8 percent of the world market, shipped 110 million tonnes in 2007 before the economic crisis forced it into production cuts.

Mittal also predicted continuing growth of investment in India, which could lead overall production there to double to some 120 million tonnes.

The World Steel Association has forecast the BRIC countries, the Middle East and Africa will consume about 60 percent of steel in 2010 from about 50 percent in 2007. The developing world made up some 60 percent of global steel output in 2007.

Mittal said that output in the developed world would recover to pre-crisis levels in about three years, but he did not see major growth in volume afterwards.

Steel operations in North America and Europe would continue to lead product development, making steel lighter, stronger and more environmentally friendly.

Mittal said global trends had reinforced ArcelorMittal's strategy to focus investment on emerging markets as well as to increase its self-sufficiency in iron ore and coal.

The latter has become even more important after a switch to shorter-term pricing by the world's big three iron ore miners Vale, BHP Billiton and Rio Tinto.

Mittal said the move from annual contracts meant steelmakers would have to redraw deals with their customers to pass on raw material price changes.

"We are in discussions with our customers that they will have to change their business model too," he said.

Reuters, May 11, 2010

China's Anshan Steel to invest in US steel mill

China's Anshan Iron and Steel Group, also known as Angang, confirmed on Monday it would invest in a steel mill in the United States.

The state-owned firm will gain a stake in a \$175 million rebar facility now under construction in Amory, Mississippi after signing investment, technology and sales agreements with the Steel Development Company (SDCO) in New York on May 13.

"This is our first mill in the United States, although we already have a trading company there," a senior planning official with the company said.

The official, who did not want to disclose his name, did not give any further details on the size of the investment.

The deal will need the approval of the Ministry of Commerce, which said Angang was likely to receive its backing.

"We haven't received the application but we support Chinese enterprises investing overseas," said Yao Jian, spokesperson with the Ministry of Commerce, at a press briefing on Monday.

Jia Yinsong, head of the raw materials department at the Ministry of Industry and Information Technology, last week urged Chinese steel mills to make overseas acquisitions in order to circumvent trade barriers.

Chinese steel product exports fell almost 60 percent in 2009 as a result of the global financial crisis, and the China Iron and Steel Association has complained that the recovery this year is being hobbled by growing protectionism in Europe and the United States.

In April, the United States imposed 30-99 percent anti-dumping duties on Chinese steel pipe imports, one of 29 trade disputes involving Chinese steel makers since 2007, according to World Trade Organisation figures.

Angang, based in northeast China's Liaoning province, has already completed a merger with Benxi Iron and Steel Group to form the Anben Steel Group, China's fourth biggest producer with 29.3 million tonnes of output in 2009.

Reuters, May 17, 2010

Billet prices into SE Asia slip to \$620-640 cfr

Billet offers into Southeast Asia have fallen for the third consecutive week, down \$15 per tonne cfr, on weak demand.

Transaction prices narrowed to \$620-640 per tonne cfr, from \$630-640 cfr last week.

Offers from Turkey, Russia, and Malaysia narrowed to \$620-660 per tonne cfr this week, down from \$635-660 cfr last week, said sources in Vietnam, Indonesia, Malaysia and Singapore.

Billet offers are the lowest in Indonesia, where offers from Russia and Turkey are at \$620 per tonne cfr.

"There is also a standalone offer of \$605 per tonne cfr from Russia, but we are not familiar with the source," said a mill official in Medan.

In Vietnam, offers from Russia and Turkey are at \$625-640 per tonne cfr.

"Malaysian offers are usually higher, but they are not offering this week," said a mill official in Ho Chi Minh.

Malaysian billet producers, meantime, are quoting billet at \$640 per tonne fob, or \$660 per tonne cfr Southeast Asia, unchanged from last week.

"There are still buyers from the region and the Middle East," said a billet producer in Malaysia.

At current offers of \$620-660 per tonne cfr, transaction volume remains thin as most mills have enough stock, said sources.

"Some buyers hope prices can fall further, perhaps below \$600 per tonne cfr. But this is very unlikely. I don't think there are people willing to offer below \$600," said a mill official in Singapore.

Billet offers hit their peak of \$700 per tonne cfr in April, boosted by scrap offers that reached \$480-500 per tonne cfr.

Prices of HMS 1&2 ferrous scrap have fallen back since then, and are settling at \$420-450 per tonne cfr for containerised scrap.

Metal Bulletin, May 12, 2010

Plate market softens in SE Asia

Bookings of 8mm ship plate reached peaks of \$820/tonne cfr Singapore for Ukrainian-origin material for June shipment around two weeks ago. Subsequently, there were bookings at \$800/t cfr for Ukrainian material and a position cargo of Indonesian ship plate (booked previously at lower price) cleared at \$780/t cfr.

"The market has softened for both plate and coil," a regional trader notes. New offers of Indonesian-origin ship plate are prevailing at \$820/t cfr but these are not attracting buyers, Steel Business Briefing is told.

"It is very quiet now," a Singapore trader tells Steel Business Briefing. He points out that the recent bookings were not large volumes and may not represent real prices. The current range of offer prices in the market is also wide which makes it "unclear now," he adds.

Chinese ship plate of 12mm and up is being offered at \$750/t cfr Singapore but buyers are bidding at \$700-720/t cfr.

Commercial quality plate prices were last concluded at \$680-690/t fob China but mills are asking for \$700- 720/t fob China, Chinese trading sources say. Hot rolled cut-sheet from China are offered at around \$690/t cfr Singapore, down from \$720-730/t cfr in end-April. Importers are currently bidding at \$670/t cfr.

"Sentiment has changed. This is due to the turmoil in the financial markets," a regional trader tells SBB.

Steel Business Briefing, May 13, 2010

World OCTG market set to be oversupplied for next five years, says Pell

The world market for oil country tubular goods (OCTG) is set to remain severely oversupplied for the next five years at least, Interpipe commercial director Duncan Pell told MB.

"Even if OCTG [consumption] volume doubles over the next five years, there would still be oversupply," Pell said on the sidelines of Metal Bulletin's 5th Steel Tube & Pipe Conference, in Istanbul. "We can only hope that the laws of natural selection will apply."

Better demand from the oil and gas sectors could increase global consumption of oil country tubular goods (OCTG) to 12 million tpy in 2011, a level that the sector last saw in 2007, Pell said.

Although the Nafta region remains the highest consumer of OCTG goods, demand is also growing in South America and the Middle East.

"Africa is growing fast," he also said.

But a second financial crisis would also dramatically change the situation, Pell also warned.

"Another financial crisis, perhaps sovereign-debt related, and all bets are off," he said.

Protectionist measures by the US against Chinese imports of OCTG pipe exports could force the country into a narrowing number of markets.

"We must anticipate competition, particularly in the commodity, non-heat treated grades," he said, adding that the Middle East would become a target of displaced Chinese exports.

He also noted that investment would take China's total OCTG capacity to 10 million tpy in a market that consumes less than 3 million tpy.

Steel prices may have achieved their pre crisis levels, but Pell did not believe that that this would bode well for OCTG producers.

"It takes time for pipe producers to raise prices," while one bad or aggressive decision can quickly have a negative impact on those prices.

Pell also forecast that many new oil and gas deposits will be more difficult to access, which would require pipes with high technical capacity.

Metal Bulletin, May 17, 2010

SE Asian steel industry wary of free trade agreements

Steel producers in the Asean countries of Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam must review their position and direction of growth in view of major shifts in steel demand and supply globally.

Moves by Asean to enter into Free Trade Agreement (FTA) negotiations – either multilateral or bilateral – have opened up opportunities in markets and investments for both sides, Chow Chong Long, president of the Malaysian Iron & Steel Industry Federation, tells Steel Business Briefing.

The Asean FTA widened the market and benefited regional steel producers which are essentially similar in terms of size and technology levels. However, the China-Asean FTA implemented in January 2010 is attracting mixed reviews.

While the region's steel users welcomed the move, regional steel producers say they need more time to develop their industry before opening their markets.

Several countries such as Malaysia have had provisions included in the FTA placing certain locally produced steel on "the highly sensitive list". However, with the removal of trade barriers, the threat of lower-quality steel being dumped has risen. The Asean countries have implemented local standards with which steel products both local and imported need to conform. "The market has a demand of more than 40m tonnes annually and is a good and growing market," Chow adds.

However, the regional industry is fragmented and heavily dependent on imported steel-making raw materials including scrap. "Should steel mills expand capacities to 1-2m tonnes/year, they may not have the ability to procure raw materials at competitive prices compared to larger steel mills of 5-10m t/y," he tells SBB.

Steel Business Briefing, May 19, 2010

HEADLINES

ASEAN Steel Demand Recovers, Prices Increase: Do Steel Mills Benefit or Suffer?

Apparent steel consumption in ASEAN declined substantially in 2009 by 8% to 42.5 million tonnes as a result of the global economic meltdown. However, steel demand has been recovering since the second half of 2009. It is expected that the demand will increase significantly by 12% and 8% in 2010 and 2011, respectively.

The decline of steel demand in the region has resulted in a significant slowdown of steel imports. Flat steel import dropped by 27% and the import of long product decreased by 13% in 2009. However, production was relatively stable with a moderate increase of 1% in both flat and long products. This was due to the significant recovery of domestic output in the second half of 2009.

The recovery of the steel sector is, however, dampened by the robust increase in raw material prices. Many experts forecast that steel prices will be volatile but will maintain an upward trend throughout 2010.

Despite the continued increase in steel prices, many steel mills have suffered when the raw material prices are rising more rapidly than steel prices. CRU pointed that in many regions of the world, except North America and South East Asia, prices are rising at higher levels when compared to cost changes, suggesting that margins are being squeezed.

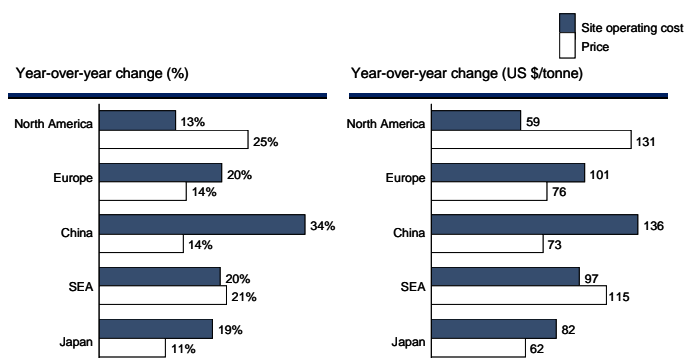
In the case of China, although hot rolled strip prices are increasing, the margin has been squeezed and it appears to have fallen significantly from above 90% in 2004 to between 10%-20% in 2009. For ASEAN re-rollers, the margins for conversion from billet to rebar and slab to HRC were found to have dropped substantially to about 20 USD per tonne in April 2010. However, CRU observed that the margin for re-rolling HRC into CRC in the region was 115 USD per tonne in April 2010, increasing from an average of 97 USD per tonne in the last 4 years. One possible reason could be the shortages in the region.

According to the CRU cost model, average margins at 11% over costs for HRC production in integrated mill and 42% for re-rollers in ASEAN are half of the value when compared to China. The highest value add is created in the CRC production stage with 15% for integrated mills and 30% for re-rollers. However, there is no value add at the coating stage. This brings to the question of whether ASEAN should invest more on HRC and CRC production line.

On the other hand, CIS re rollers in rebar and HRC stage are suffering from negative value add of 29% and 52%, respectively. Should CIS then just focus on producing billet and slab, rather than converting them to rebar and HRC?

SEASIS, May 2010

Figure 1: Changes in world operating costs and steel prices

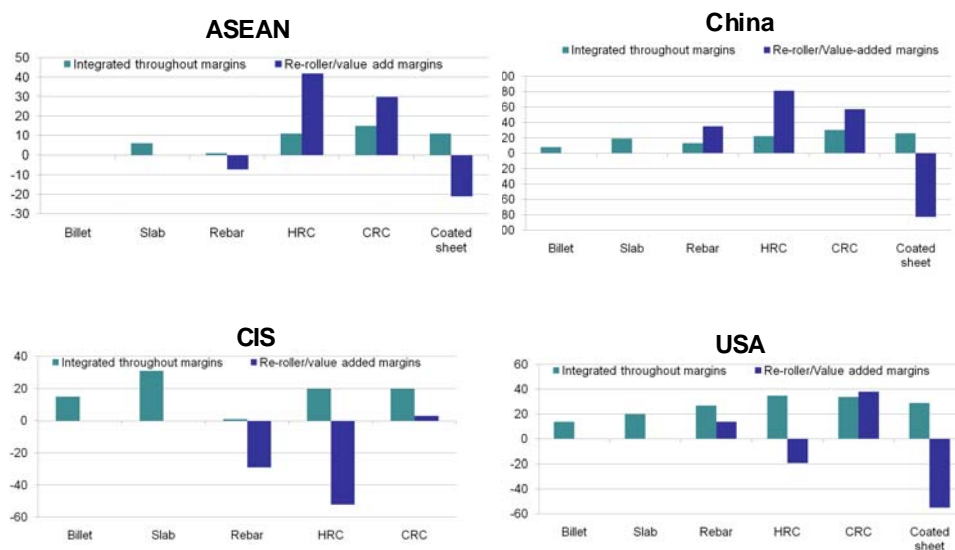


Note: North America – Midwest FOB, Japan- export FOB, China- ex warehouse, Europe – Spain Domestic, CIS- Russia Black sea export FOB. For 2010, the year average is up to date (Jan-April) of 2010

Source: CRU presentation in 2010 SEASIS Conference & Exhibition

Figure 2: Gross profit margins at different stages in the value chain in different regions

Gross profit margins at different stages in the value chain in steel industry



Source: CRU presentation in 2010 SEASIS Conference & Exhibition