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FROM Secretary General

The United Nations Climate Change Conference in Copenhagen, Denmark last December failed to secure binding commitments among the participating countries. Fresh attempts to come out with a new UN climate treaty will be made this November / December when the 16th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) takes place in Cancun, Mexico.

In the global climate talks, the developed countries and the developing countries are at odds on a number of issues. The developed countries are keen to move away from the legally binding Kyoto Protocol regime of mandatory deep emissions cuts to a voluntary system of pledges while pushing for the developing countries to also make mitigation-actions pledges. The developing countries, while agreeable to take mitigation actions to reduce their emissions growth, want the developed countries to take the lead through deep emissions cuts and through financial and technology transfers to support the developing countries' actions. The developing countries are also eager to secure the commitment of the developed countries that they would not initiate trade protective measures on the grounds of addressing climate change.

The progress and eventual outcome of the global climate talks will be closely followed by many interested parties, including the steel fraternity. The implications for the steel industry could be far-reaching. Steel manufacturing has been identified as a significant contributor of greenhouse gas emissions, the most relevance of which is carbon dioxide (CO_2). With or without mandatory emissions cuts, steel companies throughout the globe have been taking proactive actions to reduce CO_2 emissions from steel production through various technological advancements such as enhanced energy efficiency in the steelmaking process, improved recycling rates and use of steel products, increased recycling of by-products from steelmaking and better environmental protection techniques. Nevertheless, with global steel demand projected to double by 2050, CO_2 emissions from the steel industry will inevitably increase. There will, therefore, be constant pressure on the steel industry to devise new technologies and processes that can make further significant reductions in CO_2 emissions.

The steel-producing countries in different parts of the world are at different stages of maturity and development. In the case of South East Asia, the steel industry in the region is moving towards more vertically integrated manufacturing operations. Projects for the establishment of integrated steel mills, blast furnaces and direct reduction plants are being initiated. These developments will create more pressure on the industry to minimize or prevent negative environmental impacts.

In recognition of the need for the steel industry in the region to act responsibly to reduce its environmental footprint, SEAISI is organizing a seminar on “ASEAN Steel Industry: Moving Towards a Greener, Cleaner and Safer Environment” in Manila, Philippines on 22 & 23 November 2010. We invite industry experts and all interested parties to join us in this event to share their knowledge and experience as well as to introduce new technologies and practices in promoting excellence in environmental and safety management.

- Tan Ah Yong -

Events/ Activities

2010 Training Programme
Theme: 6-Sigma Application In Developing Quality Steel Products By POSCO
Venue: Korea
Date: 18-22 Oct 2010

2010 Environmental & Safety Seminar
Theme: ASEAN Steel Industry: Moving Towards a Greener, Safer and Cleaner Environment
Venue: Manila, Philippines
Date: 22-23 Nov 2010

In This Issue:

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AUSTRALIA

Australian mid-west iron ore juniors lobby for tax exemption

Australia's emerging magnetite iron ore miners want concessions from the resource profits super tax (RSPT) because they need higher initial spending to build benefication facilities.

The Geraldton Iron Ore Alliance in the mid-west region of Western Australian plans to lobby the government for exemptions from the tax.

"Ideally we would like to be exempt from the tax altogether but because our region is quite unique we would like to see some concessions," the alliance's ceo, Rob Jeffries, told MB.

The alliance represents iron ore juniors including Gindalbie Metals, Murchison Metals, Crossland Resources and Sinosteel Midwest Corp.

The majority of projects being developed in the mid-west require the iron ore to be intensively processed because it is low-grade magnetite.

"Mining companies in the mid-west region are developing predominantly magnetite operations and a lot more capital is required in value-adding the product," Jeffries said.

"The tax as it stands makes it difficult for mining companies, particularly emerging miners to attract equity and debt funding.

"The tax will make some very early stage developments, which have not yet engaged with international partners, unviable," he added.

The RSPT has received criticism from every mining region in Australian, from iron ore producers in Western Australia to coking coal miners in Queensland.

The alliance has not yet decided when it will consult with the government.

"We want to get a full understanding of the tax before we go to the government. There is still speculation that aspects of the tax will change," he added.

All developments in the mid-west are continuing with their projects at this stage.

Although the tax will affect Gindalbie's Karara iron ore project, the project is on track, the company assured its shareholders last month.

The 12 million-tpy project has the backing of joint venture partner Anshan Steel.

The mid-west should also be given concessions to the tax as it is investing in port and railway infrastructure that will be used by other industries, Jeffries noted.

Metal Bulletin, June 10, 2010

Australia invites Indian firms for dialogue on super tax

Australia has tried to reassure Indian investors eyeing its mineral wealth that it hopes for consultative dialogues over its proposed 40% super profits tax on mining.

Addressing delegates attending the Australia-India Energy and Minerals Forum in Perth recently, Australia's Minister for Foreign Affairs, Stephen Smith, said that his country has "a proven track record" as a reliable supplier of minerals and energy commodities.

"That will continue well into the future – long after the current debate about the government's proposed new taxation arrangements for the resources sector," Smith said.

Noting that his government is consulting with industry "to get the design details right" for the tax, Smith is also quoted in Indian media as saying that "any Indian companies ... are very welcome to approach the treasury consultation process or the minister for mineral and resources."

However, Indian companies remain wary of the proposed tax. A source at a leading Indian firm exploring for Australian iron ore tells Steel Business Briefing that its profits would take a 27% hit if the super profits tax were to be imposed. Though talks in Australia continue, the firm is now considering other regions such as Africa in which to invest, it says.

Indian power firm NTPC has sought Indian government help with its bid for Perth-based Griffin Coal Mining Co, SBB understands from local media. International Coal Ventures Ltd (ICVL) is also said to be close to acquiring a Queensland coalmine with 221m tonnes of reserves. ICVL is promoted by Steel Authority of India Ltd, Rashtriya Ispat Nigam Ltd, NTPC, and miners NMDC and Coal India Ltd.

Steel Business Briefing, June 10, 2010

INDONESIA

Indonesia opens anti-dumping investigation of plate imports

Indonesia's Anti-dumping Committee (KADI) is conducting investigations into the alleged dumping of hot rolled plates from China, Singapore and Ukraine during the twelve months ended 30 September 2009. The investigation follows a February 2010 complaint filed by domestic producers, PT Gunung Raja Paksi and PT Gunawan Dianjaya Steel. The products affected are classified under HS Codes 7208.5100 and 7208.5200.

According to the petition documents seen by Steel Business Briefing, during October 2008-September 2009, Chinese exports to Indonesia reached 33,201 tonnes, from Singapore 44,272t and from Ukraine 38,497t. These combined exports made up 63% of Indonesia's total plate imports (185,121t). The targeted exports are alleged to have been dumped at margins of 6.88-68.63%.

According to the two Indonesian complainants, despite consumption rising by approximately 10.3% during October 2008-September 2009 when compared to October 2006-September 2007, their sales volume only rose by 0.5%. Hence, the rise in consumption did not alleviate the losses the two companies suffered.

Trading sources in Singapore had believed that Singapore exports could not be targeted in a dumping investigation because plate is not domestically produced. However, trade officials tell SBB that under the WTO agreement, anti-dumping action apply to exporters as well as producers. Provisional measures are expected within six months of the initiation of the investigation on 29 March 2010.

Steel Business Briefing, June 7, 2010

Indonesia, Iraq agree to remove trade barriers

Indonesia and Iraq agreed to eliminate trade barriers and provide incentives to increase bilateral trade volumes, which suffered a sharp decline last year, the Jakarta Post quoted Indonesia's trade minister as saying on Monday.

During a meeting in the capital city of Jakarta, the two countries' senior trade officials agreed to establish a task force in the next three months to identify barriers in bilateral trade and investment.

Indonesian Trade Minister Mari Elka Pangestu said the task force would explore actions and possible incentives to promote the two countries' trade volume.

Iraq had, for example, offered Indonesian businessmen wider investment opportunities in various sectors energy and oil and gas, telecommunications, petrochemicals, pharmaceuticals, banking and housing construction projects as part of a program to promote trade relations.

"Indonesia and Iraq have a lot of business potential that hasn't been optimally explored," Mari said at a press conference Saturday, after the sixth session of the Indonesia-Iraq joint commission meeting on economic, scientific and technical cooperation.

The meeting was also attended by acting Iraqi Trade Minister Safaaldeen Mohammed Abdulhakeem Al-Safi.

According to the Indonesian Trade Ministry, bilateral trade between Indonesia and Iraq dropped sharply to 41.26 million U.S. dollars in 2009 from 265.59 million dollars in 2008.

People's Daily, June 14, 2010

Latinusa to export 40,000 tons of tin plates to Australia in 2011

Indonesian tin producer PT Pelat Timah Nusantara (Latinusa) plans to export part of its tin plate production to Australia beginning next year, the company's executive has said.
The company's general manager for production Kusna Indrawan said that beginning next year, Latinusa would export up to 40 thousand tons of tin plates to Australia, equivalent to 25 percent of the country's annual demand.

"Latinusa is expected to export up to 40 thousand tons of tin plates to Australia early next year, but the company is ready to export the commodity sooner if it is necessary," he said as quoted by detik.com.

Kusna added that the global price for tin plates ranged from US$1,300 to $1,400 per ton. "So, Latinusa hopes it will be able to book Rp 515.2 billion [$55.6 million] from the company's exports to Australia," he said.

"Australia used to have tin plate factories to meet its domestic demand, but they were closed. As a result, Australia imports the commodity from Japan," he said at the company's factory in Cilegon, Banten.

According to Kusna, Latinusa's major shareholder Japan metal producer Nippon Steel group, which previously exported tin plates to Australia appointed Latinusa to continue the export to Australia for efficiency reasons.

Also speaking at the factory, Latinusa finance director Erwin said, "We have loan facilities of a total value of $40 million from Bank Negara Indonesia [BNI], Bank of Tokyo, and Danamon bank as well as open letter of credit facilities to import the basic materials needed for producing tin plates".

Erwin added that Latinusa had just cashed its stand-by-loans from the three banks with Rp 100 billion in total to fund its operations.

"BNI has also recently given its commitment to provide us with another stand-by-loan of a total of Rp 200 billion, which is ready to be used anytime." he said.

Latinusa booked a net profit of Rp 28.1 billion in the first quarter of this year after suffering a loss of Rp 1.193 billion in the same period last year. The company's total revenue rose 27.09 percent to Rp 366.72 billion in the January-March period this year from last year.

The Jakarta Post, June 14, 2010

J A P A N

Nippon Steel Engineering inks RHF venture in China

Nippon Steel Engineering (NSE) has established a venture with China's Masteel Design & Research Institute, the engineering arm of Maanshan Iron & Steel, to expand sales of rotary hearth furnaces (RHF) in the country, the company announced.

Named Maanshan Sino-Japan Resource Recycling Engineering Technology Co, the venture is held 51% by NSE and 49% by Masteel Design.

To date, NSE has supplied eight RHFs that recycle blast furnace and converter residue into iron pellets suitable for returning as feed to blast furnaces.

Of the eight, four are in Japan (one at Nippon Steel & Sumikin Stainless, two at Nippon Steel's Kimitsu works and one at Asahi Industries), two are in Korea operated by Posco-Nippon Steel RHF Joint Venture Co at Posco steel works, and one each at China Steel Corp in Taiwan and Maanshan Iron & Steel.

The RHF supplied to Maanshan Iron & Steel – China's first RHF – started operating in July 2009 and has a processing capacity of 200,000 tonnes/year.

NSE hopes the venture with Maanshan will help to expand sales of its RHF technology in China, a NSE spokesman tells Steel Business Briefing.

In its first year this year, the venture is targeting orders of ¥1.5bn ($16.4m) but NSE says the number of actual RHF units is unclear because volumes vary. "But demand for RHFs in China should increase because of the country's growing environmental concerns," NSE's spokesman noted.

Steel Business Briefing, June 10, 2010

K O R E A

Korean crude steel capacity to reach 80m t

Korea's total crude steel output capacity is likely to reach an all-time high of 80.21m t this year, up by 16.04m t from last year. The largest addition to capacity will be Hyundai Steel's planned commissioning of its No.2 blast furnace at Dangjin this November.

The Korea Iron & Steel Association (Kosa) announced its forecast on Korea Steel Day – 9 June – following a survey condcted among 250 steelmakers including Posco.

Raw steel capacity from converters will jump this year, thanks to Hyundai's start of its second 4m t/y BF at its Dangjin works south of Seoul. Converter steel capacity will surge by 15.6m t or 46% year-on-year to 49.35m t from last year's 33.77m t. But EAF capacity will climb only slightly to 30.86m t from last year's 30.40m t, Steel Business Briefing learns from Kosa.

Among finished steel products, capacity for flats such as heavy plates and hot rolled coil will also climb significantly, compared with two years ago. Heavy plate capacity will reach 11.39m t, up by 3.3m t from 2008, following new plate mills started at Hyundai and Dongkuk Steel Mill. HRC capacity will increase to 38.81m t, up 7m t compared with 2008, due to new Hyundai and Dongbu Steel facilities.

For coated sheet products, Korea's total output capacity will reach 13.57m t from 2008's 13.12m t. Though additions this year are minor, Kosa notes that Union Steel Manufacturing started operating a new No.5 HDG line at its Busan works from June last year that added 370,000 t/y of new capacity.

Steel Business Briefing, June 10, 2010

Posco buys 31% of China rare earth trader Yongxin

Posco has agreed to buy a 31% stake in China's Yongxin Rare Earth Trading Co to secure rare-earth metal.

Posco and Korea Resources Corp will buy a total of 60% of Jiangsu-based Yongxin for 59.76 million yuan ($8.7 million), said Posco, declining to disclose more details of the deal.

"Yongxin wants to expand its capacity, but it doesn't have enough resources to invest in a new project independently, so they want to get some investment," said a source close to the deal in South Korea.
The recapitalisation is expected to be completed in November, said the source, adding that it is yet to be decided how the rare earth output will be distributed.

Metal Bulletin, June 14, 2010

MALAYSIA

Malaysian rebar mills stop price wars

Malaysia's mills have agreed to stop their rebar price wars after prices plunged to as low as 2,100 ringgit ($640) per tonne at the end of last week.

All mills are now quoting rebar at 2,200-2,250 ringgit per tonne this week, said sources.

"Price wars for the last two weeks have seen prices fall to 2,100 ringgit. Mills are making a loss already if selling at those prices," said a Malaysian mill official.

"It doesn't matter who initiated the price hike. I think all mills have come to the conclusion that price wars will not benefit anyone," he said.

Mills abandoned mutual tacit agreement on prices in the past two weeks, undercutting each other's prices due to the sluggish demand (MB May 31).

Prices were as low as 2,100 ringgit on Thursday, down from 2,200-2,250 ringgit per tonne on Monday last week, and from 2,350-2,400 ringgit per tonne two weeks ago, said sources.

"The current rebar were produced when scrap and billet prices were at $400 per tonne level last month. There's no point in selling rebar already if prices are so low in the market," said the first mill official. HMS 1&2 (80:20) scrap prices have since fallen to $350-370 per tonne last week (MB Jun 3).

"The new prices have taken into account the weak demand in the market. It should be quite sustainable for two to three weeks ahead, because stockists also do not have much stock left and will need to restock soon," said another mill official.

Metal Bulletin, June 7, 2010

PHILIPPINES

Global Steel admits having problems

Indian firm Global Steel Philippines Inc (GSPI) yesterday admitted they have been having problems with their operations for years and the lifting of the seven percent tariff on steel has endangered their already precarious operations.

"Our existence is in danger," Global Steel managing director Lalit K. Sehgal told reporters in an interview. However, he stressed they have not recommended the closing of the Philippine operations to the head office.

Sehgal said they have power availability problems after failing to pay their electricity bills some years back. He said their debt is now being restructured because they are questioning the interest rates that were imposed to them.

When asked how they are able to produce hot rolled coils (HRC) and cold rolled coils (CRC) given their power problems, Sehgal said they are not operating regularly.

Sehgal said they are operating at a loss ever since the global financial crisis has reduced the demand for steel. He noted that the domestic demand is currently at 7,000 to 8,000 tons per month only. In order to break even or to not incur losses, Sehgal said they should sell 60,000 to 70,000 tons per month.

The last time they were able to break even was at 2007. "We have already incurred huge losses from 2008 till the present," Sehgal said.

In spite of the financial and operational problems of the company, Sehgal announced that their capital expenditure for the year is $25 million. Five months into the year, he said they have only spent $4 million to $5 million.

The government will conduct a full audit on Global Steel before the reimposition of the seven percent steel tariff. Trade Undersecretary Zenaida C. Maglaya said that a full audit on the financials and operations of Global Steel must be made before the safeguards against imported steel will be returned.

Maglaya said Global Steel has been complaining, claiming that they are in commercial operations and are even exporting. However, she said the firm must prove this.

She said Global Steel must prove that they can operate and sustain their operations and maybe even have orders for at least six months before we recommend that the tariff be implemented again.

Aside from commercial operations, Maglaya said Global Steel must prove that they are able to pay their outstanding financial liabilities. Maglaya said the government has implemented a zero tariff in order to ensure a reliable supply of steel for sheetmakers.

The Philippine Star, June 7, 2010

DENR to study viability of putting up integrated iron and steel plant in RP

The Department of Environment and Natural Resources (DENR), through the Mines and Geosciences Bureau (MGB), will assess the viability of establishing an integrated iron and steel facility in the country.

DENR Secretary Horacio Ramos said the move is prompted by the unstable and increasing prices of iron and steel in the world market which might impact the local economy in terms of possible higher prices of vehicles and consumer products.

"The country is endowed with iron resources that can supply the iron ores and concentrates for the planned integrated iron and steel facility. With that, the possibility of making the iron and steel industry as a major backbone of the country's industrialization program is extremely favorable," Ramos said.

In his report to President Arroyo, Ramos recommended the creation or revival of a work and study group for the integration of the Philippine iron/steel industry utilizing indigenous iron ores.

The group is tasked to fully assess the iron ore potential of the country (e.g. the iron ore deposits in Sta. Ines, Antipolo, Rizal; Abra de Ilog in Occidental Mindoro; Midsalip in Zamboanga del Norte). Most of the known Philippine iron ore deposits, terrestrial or offshore, are magnetite deposits that are suitable for a direct reduction furnace.

"They will also study the viability of setting up an iron processing/steel plant. The estimated minimum feed requirement for such a plant is around 2.4 million tons per year, and the estimated capital expenditure for such plant is around $1.6 billion," Ramos noted.

Apart from this, the group will study the package of incentives that can be given to mining companies producing iron ore and to companies willing to put up iron ore/steel plants.

"They will check the option of imposing government control on the exports of iron ore within the next five years, taking into consideration the need to conserve the resource for the possible establishment of iron ore/steel processing plants as well as the rights and privileges of companies exploring and/or producing iron. This should also include a study on possibly imposing controls on the price of substitute materials (e.g. cement) which price might increase," Ramos said.

The DENR chief said he has already directed the MGB to come up with an updated resource inventory for iron and other iron-bearing deposits in the country.

He said the proposed iron and steel facility is a brainchild of the Board of Investments of the Department of Trade and Industry, the Metals Industry and Research Development Center of the Department of Science and Technology, and the MGB. It is estimated to cost P20 million and could be undertaken in two years.

Ramos said in past two weeks, the price of iron ore in the world market has shot up to $120 to $130 per metric ton from the $70 per metric ton price in 2009.

The Philippine Star, June 7, 2010

SINGAPORE

It's 'easy up, easy down' for Singapore rebar prices

Domestic prices of rebar in Singapore have fallen by S$30-80 (US$21-57) per tonne in a fortnight on lower scrap costs.

Rebar was trading at S$840-870 per tonne on Friday, down from S$900-920 per tonne two weeks ago, and from S$940-960 a month ago, said sources.

"Easy up, easy down," said a trader in Singapore on the recent price fall.

Singapore's rebar gained S$150 per tonne from March to April as scrap prices shot up and people stocked up amid optimism that the economy was looking up (MB April 16).

The reverse seems to be the case now.

"[The price fall] is mostly cost pushed. Scrap prices have fallen so much now... this is a normal market correction,"

said an official at NatSteel, Singapore's only mill.

Ferrous scrap imports of HMS 1:2 (80:20) mix from Africa, Middle East and Europe into Singapore has settled at $350-370 per tonne cfr, down from a peak of $460 cfr in April.

"Demand in the [rebar] market has weakened slightly too. Buyers are waiting for prices to fall further," said the first trader.

"But we believe real demand will return in one to two month's time as there are still many ongoing residental and MRT [subway] projects," said the mill official.

Further price falls are possible but will not be large, said sources.

"Prices may fall $20-30 per tonne more [in line with the] fall in scrap prices," said another trader.

Metal Bulletin, June 11, 2010

TAIWAN

Taiwan's China Steel to start new CR, HDG lines in 2011

Taiwan's largest steelmaker, China Steel Corp (CSC), is set to expand its cold rolling and hot-dip galvanising capacity next year as the company adds new CR and HDG lines at its Kaohsiung works in southern Taiwan, scheduled to start up in February 2011, officials from the company tell Steel Business Briefing.

CSC is building a new 1.7m tonnes/year tandem CR mill, its third. CSC currently has two tandem mills of 1.5m t/y and 1.2m t/y capacities. It also has a smaller 200,000-300,000 t/y single-stand CR mill.

Hot band feeds for the new CR mill will come from CSC's HR mills in Kaohsiung, a senior company official tells SBB. This will decrease CSC's quantity available for external sales from Kaohsiung, but the shortfall will be made up for by a new 3m t/y hot rolling mill at its subsidiary Dragon Steel Corp, he says. The HR mill at Dragon Steel's west-central Taichung works started operating in May, as SBB reported.

Part of the output from the No.3 CRC mill will be supplied to a new 400,000 t/y HDG line that will commence production at the same time as the CRC mill. The new line raises CSC's total HDG capacity at Kaohsiung to 1.1m t/y.

Steel Business Breifing, June 3, 2010

Taiwan's Shippers Budget NT$100 B. to Expand Fleet

Driven by promising prospects of the shipping industry, Taiwan's shippers are kicking off shipbuilding plans. Besides Evergreen Marine's plan to order 100 ships, Sincere Navigation Corp. and Chinese Maritime Transport Ltd. are investing in new vessels, with U-Ming Transport also considering following suit.

An industry insider predicts domestic shippers, excluding Evergreen, will see capital spending total US$3.1 billion in the next three to five years.

In April, Evergreen announced a plan to build 100 ships, including 32 8,000-TEU (twenty-foot-equivalent unit) vessels, at a cost exceeding US$5 billion, making such project the largest of its kind worldwide and with the new ships to be gradually delivered beginning 2013. Many world-class shipbuilders as STX Offshore & Shipbuilding of South Korea, CSBC Corp. of Taiwan, and NACKS of China are vying for the orders.

Other shippers including Wisdom Marine Lines S.A., the state-run CPC Corporation, China Steel Express Corp. under the CSC Group, and Formosa Plastics Marine Corp., will expand fleets by ordering 50 bulk-cargo ships and oil tankers.

A domestic analyst said it‘s the right time for Taiwan‘s shippers to expand fleets. For instance, 500 bulk-cargo ships will begin service between 2010 and 2011. It is also the right time for shippers to retool fleet as costs for shipbuilding have bottomed out, with quotes for steel having stabilized.

CENS, June 4, 2010

THAILAND

Steelmakers keen to invest in kingdom

Foreign steelmakers are still interested in moving their upstream steel production to Thailand despite recent political violence, saying the creation of a long-delayed steel complex in the Southern Seaboard project would be the key factor, says Wikrom Wajragupta, president of the Iron and Steel Institute of Thailand (ISIT).

JFE Steel Corporation of Japan threatened in March to invest in Vietnam if the long-awaited Southern Seaboard project, along with its rumoured steel complex, were not given fast-track approval by the government. The project has been on hold for many years due to environmental issues and political instability.

“They said that although Thailand has political problems, they still want to invest here. They are concerned, but they believe Thailand still has potential,” said Mr Wikrom.

The other steelmakers include Nippon Steel of Japan, Arcelor-Mittal of India and Baosteel of China, and all of them want to build an integrated steel smelter.

They are finding problems with investing in competitor countries as well.

“Baosteel has not been successful in investing in Vietnam. The market has not been growing much as steel usage in Vietnam is not as robust as Thailand,” he said.

Mr Wikrom admitted that political problems have affected investor confidence, but that site selection for the seaboard project is more important.

“The four said they want the government to speed up its decision. If there is no answer this year, they will start looking elsewhere,” he said.

The Industry Ministry selected the Laem Sing district of Chanthaburi, the Ranot district of Songkhla, Sai Buri in Pattani and Muang in Rayong as potential locations from which economic ministers will pick a site for Thailand’s first upstream steel complex.

The Industry Ministry hired Consultants of Technology Co Ltd as an adviser for the project.

“The study should be finished by September, and we will also study alternatives in case [upstream steel] cannot be processed in Thailand,” said Mr Wikrom.

Domestic steel usage is expected to rise by 10% to around 12 million tonnes. The ISIT previously predicted 15-20% growth as they hoped politics would not become an issue.

Steel prices this year should be around US$500 per tonne compared with $800 earlier because of concerns about the weakness of Europe’s economy, said Mr Wikrom.

Bangkok Post, May 28, 2010

Prospects improve for steel complex

A positive response from local residents in Songkhla has brought hope that the country’s first upstream steel complex might go ahead after years of delays, says Wikrom Wajragupta, president of the Iron and Steel Institute of Thailand.

Ranot district in the southern province was one of four potential sites identified for the project. Economic conditions in the district are poor and the investment is expected to improve the local economy, he said.

The other three potential sites identified by the Industry Ministry were Laem Sing in Chanthaburi, Sai Buri in Pattani, and Muang in Rayong.

“We have gone to those locations and have talked to the communities. The warm response we have received from the southern part of Thailand came as a surprise to us,” said Mr Wikrom.

Discussions are still taking place as well with communities is Chanthaburi.

Mr Wikrom said the talks with communities focused on the potential business opportunities in the area as well as alternative sources of income. Proponents of the huge steel plant have proposed setting up a fund and providing job opportunities in the services sector, such as transport and logistics.

Both the Songkhla and Chanthaburi sites have good infrastructure and are close to deep-sea ports, said Mr Wikrom.

The final site selection is expected to be proposed in September or October to the Industry Ministry before being submitted to the cabinet.

“However, we will also study alternatives in case [upstream steel] cannot be processed in Thailand, such as joint investments overseas between Thai and foreign firms,” said Mr Wikrom.

The Industry Ministry has hired Consultants of Technology and Golden Plan as advisers for the project.

Mr Wikrom said Taiwanese investors were currently investing in an upstream steel project in Vietnam, while Korea-based Posco will invest in a joint venture with an Indonesian state-enterprise steel company there this month.

If Thailand needs to import steel, he said, the creation of the Asean Economic Community (AEC) in 2015 would reduce costs by promoting the free flow of goods and labour.

Thailand imports around 200 billion baht worth of high-quality upstream steel per year. Building a new plant would cost 150 billion baht plus infrastructure. However, the bad image that local communities have of heavy industry in Thailand has made it difficult to promote the steel venture.

“The problem is that there are no good case studies for us where we can compare pros and cons of importing steel versus having our own the plant here,” said Mr Wikrom.

“There is not yet any success story [in Thailand] of peaceful co-existence between communities and industries.”

Industry Minister Chaiwuti Bannawat said the ministry would move forward with the plan because it would benefit a large number of industries.

“However the issue lies in creating understanding between industries and communities because they need to co-exist,” he said.

However, he also said that having Thai companies invest in neighbouring countries, given free trade in Asean, might create more advantages than having foreigners invest in Thailand.

Bangkok Post, June 9, 2010

VIETNAM

Largest hot-scrolled steel mill in East Asia put into operation

The Vietnam Shipbuilding Industry Group (Vinashin) put the Cai Lan Hot-Scrolled Steel Mill into operation in Quang Ninh province today.

This is the largest ever hot-scrolled steel mill East Asia.

On an area of 15 hectares, the plant is equipped with modern production lines and technology.

The mill is invested by the Vinashin with around VND 2.9 trillion.

It is capable of manufacturing steel sheets, 1.6 - 3 metres in width, 6 - 18 metres in length and 5 - 50 millimetres in thick, meeting criteria to be used for building ships with a tonnage of up to 300,000 tonnes.

The cost of steel sheets occupies around 20 – 25% of a ship’s prime cost. According to the calculation, the price of steel sheets manufactured by the Cai Lan mill is US$100 – 150 per tonne cheaper than the current imported steel sheets. As a result, the Vinashin’s steel sheets will help raise competitive edge of Vietnam’s shipbuilding industry.

Nhan Dan, June 2, 2010

Vinashin builds first wide vessel in Vietnam

Vietnam Shipbuilding Industry Group (Vinashin) on June 2 held the ceremony to welcome Vietnam’s first wide steel-sheet vessel in Quang Ninh province. The event was significant in promoting the country’s internal strength and increasing the domestication ratio and the competitive strength of Vietnam’s shipbuilding sector.

The plan of developing Vinashin for the period 2005-2010 and vision to 2015 was approved by prime minister in Decision No 1055/QD-TTg dated November 11, 2004 and Decision No 1106/QD-TTg dated October 18, 2005. The plan targets to enhance the provision of necessary materials for shipbuilding industry.

Vinashin’s leaders announced, in the near future, the group will build ships for export according to the deals signed with UK, Dutch, Danish, German, Israeli, Italian, and Japanese buyers. Lately Vinashin inaugurated Cai Lan hot rolled steel sheet mill covering 15 hectares in Quang Ninh province with total capital size of 2.9 trillion dong. The steel mill has a designed capacity of one million tonnes of kinds of steel used for building 300,000 TEU vessels.

As estimated, from 2011, total steel production of Vinashin will reach four million tonnes per year.

Intell Asia, June 3, 2010

Vietnam ‘cancels’ up to 100,000T of HRC orders

Hot rolled coil importers in Vietnam have walked away from orders of 50,000-100,000 tonnes this week as domestic demand remains weak, sources told MB.
On Monday, importers on the verge of confirming 70,000 tonnes from Russia’s Magnitogorsk Iron and Steel Works (MMK) decided to walk away, said a trader in Ho Chi Minh.

“Today, the [total] cancellations [including to other suppliers] have gone up to 100,000 tonnes,” he said.

“Vietnamese buyers that have to, cancel all orders. They can’t just cancel orders from MMK, and agree to buy from others. [If they do that], some people will be very upset,” he added.

MMK was a big supplier to Vietnam three years ago, before China muscled in.

Another Ho Chi Minh trader told MB that at least four local mills have stopped short of confirming hot rolled coil import orders, but put the volumes at a lower 50,000-70,000 tonnes.

“We heard four mills have cancelled orders from MMK and China’s Xin Yu. There may be other cancellations, but it’s not clear where the orders are from,” he said.

MB understands that in all cases, contracts had not been signed.

“Once they agree on the prices, buyers change their terms and conditions. Then, [buyers] try to delay, delay, delay, before finally cancelling,” said the second trader.

This is a unique case, said traders.

“Seeing the bad market condition, many buyers don’t dare to commit,” said a third trader in Ho Chi Minh.

"Buyers will not usually run away. But it seems that market prices keep falling. Buyers have to find a way to protect themselves," said the second trader.

"Looking at the [falling] gold prices, the global economy, your hands will shake," he said.

The prices agreed by the buyers with MMK and other suppliers were already among the lowest in the market at $590-630 per tonne cfr, said sources.

"Some Chinese traders offer at $580-600 per tonne cfr too. But only a few do. Big mills are offering at $630-640 per tonne cfr," said the third trader.

"The hot rolled coil market in China is improving, so there's not much incentive to export... especially to Vietnam, where the market is weak," he added.

Hot rolled coil prices in Vietnam have fallen to $550 per tonne for commercial grades, down from $570-575 last week and returning to price levels two weeks ago.

"The market recovered slightly last week as there was talk of price increases. But this week, demand continues to be weak. Prices are falling again as many traders cut prices to push sales," said the first trader.

"Some buyers are only asking for prices to check around... nobody's really buying," said the third trader.

The market for re-rolling grade hot rolled coil is weak too, though prices remained at $630-635 per tonne cfr, unchanged from last week.

"The market is slow in Vietnam as it is the rainy season now. Hot rolled coil stocks in Vietnam are also still very high. There are still some stocks from early this year that have not been sold yet," said the second trader.

"Market can continue to be weak till July or August or even longer," he said.

Metal Bulletin, June 9, 2010

Vietnam's longs consumption fall 5% in May

Vietnam's long product consumption fell in May for the second consecutive month, reflecting the global slowdown in steel demand.

The country consumed 384,000 tonnes of long steel, down 5.2% month-on-month, and 20.1% lower year-on-year, said the Vietnam Steel Assn (VSA).

"There was low demand for steel in the global market. And this also spread to Vietnam. Domestic traders hesitated to purchase and adopted a wait-and-see attitude," said VSA general secretary Dinh Huy Tam.

Vietnam's long steel consumption already fell 48% in April, also due to this bearish outlook in both international and domestic markets (MB May 10).

Total consumption in the first five months of the year was 1.8 million tonnes, still 14.7% higher year-on-year, thanks to high sales in the first three months.

Vietnam's mills also responded to sluggish demand by cutting long steel output to 355,000 tonnes in May, down 13.4% month-on-month, and 9.4% lower year-on-year.

Total production of long steel from January to May was 1.9 million tonnes, down 28.8% year-on-year.

The bearish outlook in the long steel industry is set to continue, said sources.

"The rainy season has just set in in May, and the construction sector is expected to remain slow throughout the rainy season that may last till September," said a mill official in Vietnam.

Metal bulletin, June 10, 2010

BRAZIL

Brazil May Cut Steel Duties to Curb Inflation

Brazil may reduce duties on steel imports in a bid to contain inflation after wholesale prices rose the most in two years, Finance Minister Guido Mantega said.

"If an industry exaggerates when increasing prices, it knows what will happen we will lower the import tariff," Mantega, 61, said in an interview at the Bloomberg office in Sao Paulo yesterday. "What concerns us the most is steel, because it has an impact on the economy as a whole."

Inflation has been running above the government's 4.5 percent target since January, as the fastest growth in 15 years raises concern that Latin America's biggest economy may be overheating. Brazil's broadest measure of inflation, the IGP-M index, rose 2.21 percent from last month, the highest reading since 2003, led up by prices of iron-ore and wholesale goods, the national statistics agency reported today.

The index may end 2010 at 10 percent, Itau Unibanco Holding SA's chief economist, Ilan Goldfajn, said at a conference in Sao Paulo sponsored by Bloomberg News Portuguese language service.

Mantega didn't provide details about the plans to cut the maximum 14 percent duty on steel imports. The final decision lies with the foreign trade chamber. Over the past year, the federal government commission has reduced tariffs on 16 products, including sardines, palm oil and beer cans, as local producers struggle to meet surging demand.

Steel mills are resisting efforts by iron-ore suppliers including Rio de Janeiro-based Vale SA to raise third-quarter contract prices after steel prices fell 10 percent from an 18- month high on April 15.

Vale, the world's biggest supplier of iron ore, won a 90 percent price increase for April quarter contracts after it dropped a 40-year custom of setting annual prices.

"Abrupt tax moves, either up or down, could have serious consequences mainly for competitiveness and for Brazil's position in the world, and therefore should be analyzed with great caution," Vale Chief Executive Agnelli told reporters in Brasilia when asked about the steel duties proposal after meeting Lula today.

Higher interest rates, the withdrawal of fiscal stimulus tax cuts and the financial crisis in the euro region will all help to cool the economy, said Mantega.

Mantega said gross domestic product will expand 6 percent to 6.5 percent this year. That's below the median 6.6 percent estimate in a June 4 central bank survey of economists as well as the "Chinese-like rate" of 7.5 percent Itau Unibanco Holding SA, Brazil's biggest bank by market value, forecast in a May report.

Bloomberg, June 11, 2010

RUSSIA

Russia imposes import duty on Chinese bearing tube

Russia's ministry of industry and trade has imposed a 19.4% import duty on bearing tube from Chinese producers and traders, following complaints from Russian producers.

The three-year duty will come into effect on 17 June — 30 days after the announcement of its signing appeared in government newspaper Rossiyskaya Gazeta, according to a May 21 report from Russia's ministry of industry and trade. The duty covers imports not only from China, but also from Taiwan, Hong Kong and Macao,

Bearing tubes are used to produce internal and external rings for ball and rolling-element bearings.

The Russian ministry started its anti-dumping investigation against Chinese imports in December 2008 after TMK's Volzhski and Sinarski works, plus the Pervouralsk New Pipe Plant, filed a complaint.

Bearing tube imports from China in 2006 were approximately 900,000 tonnes, but jumped 300% year-on-year to reach 3.6 million tonnes by the end of 2007. This gave the imported products a 42.1% Russian market share in 2007, up from 16.6% during 2006.

Third-country import prices for bearing pipes were $1,256 per tonne in 2006, while those from China were almost $840 — a discount of $416. That discount rose to $456 per tonne in the first half of 2008, when third-country import prices reached $1,787 per tonne, while those from China were $1,331, the ministry also said.

Metal Bulletin, June 8, 2010

Russia likely to consume 15% more stainless pipes in 2010

Russia may consume 39,000-41,000 tonnes of stainless pipes this year, 15% more than it did last year. Russia's total stainless steel consumption may come to 230,000t of stainless steel products this year, the country's Special Steel Association (Spetsstal) forecasts.

Russia's 2009 consumption of stainless pipes fell 31% year-on-year to 35,000t, consisting of 14,000t of seamless and 21,000t of welded pipes. Overall, Russia consumed 192,000t of stainless steel in 2009, 18% of which were pipes, Steel Business Briefing learns from Spetsstal.

Russia produces 50% of seamless and 15% of welded pipes it consumes. It imports about 60% of its welded stainless pipes from Italy and 90% of its seamless pipes from China and Ukraine, the associations says. The most popular 10mm-diameter seamless pipes cost about $17,300/t ex-warehouse in March, while welded pipes of the same diameter traded at $7,300/t.

Imported pipes are said to have been traded at $8,300–$12,600/t last month, whilst Russian pipes cost 18- 20% more. "East Asian imports are still cheaper, despite a 28% protective duty and 10%-15% regular 20% more. "East Asian imports are still cheaper, despite a 28% protective duty and 10%-15% regular import duty," a representative of stainless trader Orinnox tells SBB.

Russian few stainless pipe producers are guaranteed orders. Their customers in the atomic and defence industries, and a number of chemical manufacturers, carry out state-backed projects and use Russianmade pipes exclusively.

Seamless pipes are made by four plants that represent two holdings: Russia's Pipe Metallurgical Company (TMK) and Russia's ChTPZ Group. Welded pipes are made by Filit and Arinoy pipe plants, which are both based in the Moscow Region.

Steel Business Briefing, June 8, 2010

Russian imports and exports are rising so far this year

Russia exported 10.3m tonnes of ferrous metals in January-April 2010 (excluding pig iron, ferro-alloys and scrap), representing a 23% increase on the corresponding period of 2009, Steel Business Briefing learns from the country's federal statistics service.

Russian producers exported 5.6m t of semi-finished steel products, an increase of 29.4% year-on-year, and 3.1m t of flat rolled products (up 16.5%). Exports of pig iron amounted to 1.3m t, up 6.7%, while ferro-alloy exports rose 39.4% to 318,000t.

Russia's exports of ferrous raw materials also recorded substantial y-o-y increases: iron ore fines exports grew 39.4% to 6.9m t, while its coke exports grew 71.1% to 1.1m t.

Russia also recorded a strong rebound in its imports in the first four months of 2010. It imported 1.3m t of iron and steel products (excluding pig iron, ferro-alloys and scrap), up 74.4% on the first four months of 2009. Steel pipe imports increased to 249,400t, up 33.5% y-o-y, the statistics service says.

Steel Business Briefing, June 10, 2010

INDIA

ArcelorMittal, Posco plan mega steel units in India

World's largest steelmaker ArcelorMittal and five other steelmakers have announced plans to invest up to 1.4 trillion rupees ($30 billion) to establish their plants in the south Indian state of Karnataka.

Lakshmi Mittal, chairman of ArcelorMittal told reporters at the Global Investors Meet in Bangalore that he plans to invest 300 billion rupees on building a steel plant in Karnataka with an annual capacity of six million metric tonnes.

Korean steelmaker Posco plans to invest 320 million rupees for setting another similar six million metric tonnes plant in the state, Karnataka's principal secretary V P Baligar said at the meet.

Other steel companies which have planned major investments in the state include a 151.3 billion rupees plant from India's third largest steelmaker JSW Steel Ltd and Bhushan Steel Ltd's 279 billion rupees plant, according to a statement issued by the government.

India's fourth largest steel producer Essar Steel Ltd. plans to invest 220 billion rupees to build a six million metric ton plant in Bagalkot in Karnataka, its chairman Shashi Ruia said at the investor conference.

India's largest iron-ore producer NMDC Ltd. has also announced plans to set up a 5 million tonne plant at a cost of 92 billion rupees, its chairman Rana Som said at the meet.

Kolkata-based Adhunik Metaliks Ltd. plans to invest 55.7 billion rupees on a 2.2 million ton plant in the south Indian state.

The state government of Karnataka is all set to acquire 5,000 acres of land for Mittal's plant, township and ancillary units in Bellary district, Baligar said.

The government does not expect any opposition to acquire land from farmers and the local population as it plans to buy dry and waste land only, Baligar said.

Last year, demand for steel in India rose 7.6 percent, helped by rising sales of cars and spending on infrastructure such as roads and ports. It is estimated that the steel consumption in India is likely to grow 9 percent this fiscal year.

Karnataka state has an estimated reserves of 11 percent of India's hematite iron ore, which is used to make steel, and the ore is mainly spread across Bellary and Bagalkot districts of the state.

International Business Time, June 4, 2010

Indian industrial production surges 17.6 pct in April

The Indian government said Friday that its index of industrial production recorded a year-on-year increase of 17.6 percent in April, from 13.5 percent in March.

The manufacturing sectors maintained impressive growth leaping 19.4 percent from the same period of last year with mining and electricity sectors up 11.4 percent and 6 percent, respectively, said a release by the Ministry of Statistics and Program Implementation.

The double-digit growth in the industrial sector is expected to help India realize its GDP growth target of 8.5 percent in the current fiscal year starting from April 1.

The capital goods saw 72.8 percent growth in April reflecting robust investment activities driven by governmental efforts.

Meanwhile, basic goods and intermediary goods reported an increase of 8.8 percent and 10.8 percent, respectively.

India's consumer goods sector advanced 14.5 percent in April with consumer durables and consumer non-durables up 37 percent and 6.6 percent, respectively.

People's Daily News, June 11, 2010

SAIL to focus on value-added steel, global M&As

Steel Authority of India (SAIL) will enhance its production capacity of value-added steel required by the power sector and expand its global presence through mergers and acquisitions, company's new chairman CS Verma said.

"I feel inorganic growth is important for a company like SAIL. This strategy would be pursued in days ahead," said Mr Verma. In a globalised world SAIL will not confine itself as a domestic player but will spread its wings outside, especially towards building input security by acquiring overseas assets, he added.

SAIL will gear up to meet power sector requirement as 7% of its sales come from BHEL. "My first priority is to increase the 37% share of value-added products in SAIL by focusing on production of steel required for power projects," Mr Verma told reporters after taking charge of company's new chairman. Before joining SAIL, he was director (finance) at BHEL.

Mr Verma said the company's ambitious Rs 60,000-crore expansion programme will be completed on time without any further time and cost overrun. The company plans to expand its capacity from 15 million tonne per annum to over 23 million tonne by December 2012.

SAIL will soon come out with a detailed strategy on pursuing its new growth programme, he said. Mr Verma expressed concerns over rising input costs. "The way input prices are going up, it will definitely have impact on the profitability of steel companies," he said.

Spanning 29 years, Mr Verma's career profile also covers stints as director (finance) of ITI, as group general manager of Indian Railway Finance Corporation, and as general manager of Delhi Stock Exchange, besides experience of working in a financial institution for nine years.

The Economic Times, June 12, 2010

CHINA

Steep final US duties on China steel gratings

The United States on Tuesday set combined final duties ranging up to more than 200% on imports of steel gratings from China that totalled about US$90mil in 2008, the US Commerce Department said.

The case is one of several that have strained trade ties between the United States and China in recent years.

Steel gratings consist of two or more cross-bracing pieces and are used in industrial floors, docks, ramps, drainage covers, staircases and other applications.

The decision is a victory for two US producers, Alabama Metal Industries Corp and Fisher and Ludlow, which last year accused their Chinese competitors of selling in the United States at unfairly low prices.

After a year-long investigation, the Commerce Department on Tuesday set final anti-dumping duties of 136.76% to 145.18% on the steel product to offset below-market pricing.

It also set a final countervailing duty of 62.46% to offset Chinese government subsidies.

The US International Trade Commission must give final approval for the duties to remain in force. That vote is set for July.

The Star, June 3, 2010

China could slash export rebates on copper, steel products

China could raise the cost of exporting some steel and metals products from July by changing tax rebates, according to market sources.

Plans for lower rebates or higher taxes are under discussion in Beijing. No decision has been taken but some industry sources have been consulted.

Copper fabricated products are likely to be targeted, as well as some lead or zinc products, some sources said. But the bigger tax changes could come for steel exports, which nearly doubled year-on-year in the first four months of 2010.

"The plan is concentrate more on steel, which is both high pollution and high energy consuming," said the source. "But it will also affect the nonferrous metals market, especially for fabricated products."

An improved domestic economy and fears of overseas trade friction are the key factors driving the move.

There is little information about the proposed changes, as the government has not released any detailed plans yet.

"The plan is going through the approval process at relevant ministries and departments, and will come out soon," the China Securities Journal cited an unnamed source as saying on Monday.

In steel, a 9% export tax rebate on hot rolled coil could be cancelled, and rebates for cold rolled and galvanized products lowered to 9% from 13%, according to recent local media reports.

China announced bigger rebates on some value-added metals products during the financial crisis, to aid ailing export sectors.

For example, the rebate on copper tubes was raised to 9% in December, from the previous 5%.

"But as economic growth has regained strength, thanks to the previous stimulus package, chances are that the [tax] rebate will be cut or cancelled," an analyst said.

China wants GDP growth of 8% in 2010, but in the first quarter it achieved a pace of 11.9%

Beijing is also sensitive to possible trade disputes with its overseas trading partners.

For example, Chinese and Mexican exporters were found to have been dumping refined copper tube and pipe in the U.S. market, the U.S. Commerce Department announced recently in a preliminary anti-dumping determination (MB May 7).

Some zinc and lead fabricated products, which now enjoy 5% export rebate, may also be affected.

"It could either be lowered or erased, but there is no official announcement yet," he said.

China's steel exports rose 99% year-on-year in the first four months to 13.02 million tonnes, while average export prices were a third lower at 3% year-on-year at $768 per tonne.

"If the tax rebate happens, spot rebar prices [fall below] breach 4,000 yuan per tonne," said an analyst in Shanghai.

China's benchmark rebar futures contract at the Shanghai Futures Exchange has lost 10% since the beginning of May, hurt by tighter property market policies and the Eurozone debt crisis.

But China exported only about 5% of its steel production during the first four months, so lower export tax rebates will only increase domestic market supply and further hit local steel prices.

"It is really not necessary to lower rebates at this time, because export growth may be slowing down due to the external environment. I think the move has more implications in terms of addressing overcapacity and consolidating the steel sector," said a second analyst in Shanghai.

Lower steel prices will force local mills to reduce output or even halt blast furnaces, which is very costly and may leave more mills making a loss. But Beijing may want to streamline the sector.

Beijing has been gearing up its efforts this year to shut down overcapacity, ordering the dismantling of 37.5% more steel capacity by the end-September and promising severe punishment for any company that fails to comply (MB Jun 4).

Metal Bulletin, June 7, 2010

W O R L D

Europe steel output cuts loom, demand outlook dims

European steelmakers are braced for output cuts in the third quarter as restocking slows and the demand outlook dims.

The euro zone's recent debt problems have shaken the steel industry, which is still recovering from the economic downturn that stripped demand in key steel-consuming industries like auto and construction.

The demand slowdown is also visible in top steel producer China, where prices have fallen more than 10 percent since a peak in mid-April. Some Chinese mills are scaling back output as the government tries to cool the economy.

The world's top steelmaker ArcelorMittal said last week that it was considering idling three blast furnaces in Europe to meet lower demand.

Analysts say other producers might follow suit as historically the third quarter tends to be weaker than the second quarter, although this is not the sole reason.

"(An output cut) reflects the end of destocking in Europe," said Macquarie analyst Colin Hamilton. "There is a bit of a seasonal slowdown, so a combination of events suggest demand for steel production will pull back in the third quarter."

Bank of America said ArcelorMittal's move on output, while trying to limit a price impact, "also suggests that the near-term demand outlook may be softer than originally envisaged".

The latest steel market sentiment survey by The Steel Index (TSI) published this week shows the number of companies in Europe (and also globally) expecting an increase in demand over the next three months has fallen sharply.

Only 7 percent of European companies now expect higher demand, down from 13 percent in the previous week. The number of companies in Europe expecting price rises has also fallen to 14 percent from 26 percent.

Austrian steelmaker voestalpine was among the latest to express concern, despite its strong earnings performance in the first months of the year, warning the upswing could be short lived.

"The decisive role in the answer to this question will be the development of the economic situation in Asia, primarily the sustainability of the uptrend in China," the company said.

China's steel consumption is expected to slow down after sharp increases in the first four months of the year.

The country's steel sector, the world's largest, is facing severe overcapacity and the government has vowed to curb overheated growth in the industry.

China's official purchasing managers' index (PMI) released last week fell in May to 53.9 from 55.7 in April, just below market expectations but still the 15th straight month above the threshold at 50 that separates expansion from contraction.

The country's top steelmaker Baosteel has cut prices of hot-rolled coil (HRC), a key steel product used by carmakers, by about 10 percent for July.

Baosteel Group's president Xu Lejiang also said steel consumption from the auto, housing and house appliance sectors would be sluggish in the third quarter.

Analysts see further scope for prices to fall. In the Black Sea region, prices of long steel, mainly used in construction, have fallen from above $650 a tonne in early April to $470-480 a tonne last week.

"China-EU steel price arbitrage will impact steelmakers' pricing power in Europe," according to analyst Andrew Snowdowne of UBS. "This will make it difficult for EU producers to raise prices into Q4'10.

Reuters, June 10, 2010

Global Seaborne Iron Ore Demand to Rise 12% in 2010, UBS Says

The global seaborne trade for iron ore will expand by 12 percent this year, underpinning a recovery in bulk shipping rates, UBS AG said.

Trade for the steelmaking ingredient will rise to 1 billion metric tons this year, from 896 million tons a year ago, analyst Richard Wei said today at a briefing in Beijing. Coking coal seaborne trade will jump 15 percent to 259 million tons, rebounding from a 6 percent decline last year, Wei said.

The Baltic Dry Index, a measure of commodity shipping costs, has rallied 17 percent this year, as China boosted imports of raw materials to feed its steelmakers and power plants. Rates may drop as more new vessels are delivered, increasing supplies of ships, Clarkson Research Services Ltd. said June 1.

Profitability will improve in China's dry-bulk shipping companies and UBS raised its rating for the sector to "neutral" from "negative" on June 7, Wei said. Still, the growing fleet means the sector will remain in "consolidation," he said.

Shipments of thermal coal, used in power stations, may rise 6 percent this year to 700 million tons, he said. Global steel production is estimated to gain by 12 percent to 1.3 billion tons this year, he said.

Bloomberg, June 10, 2010

H E A D L I N E S

New Developments in the Iron and Steel Industry in ASEAN

Steelmaking in the ASEAN region is basically done via the electric arc furnace route. At the moment, there is only one blast furnace plant in operation, which is in Thailand. As for iron making, Indonesia and Malaysia are the only countries in the region that have iron making facilities with combined capacity of 6.0 million tonnes of DRI / HBI per annum.

Iron and Steel Industry Structure in-6

Number of companies

Country	Iron making DRI/HBI	Steel making Slab	Steel making Billet	Rolling/Finished Products HRP/C	CRC	Coated Sheet	Long Products
Indonesia	1	1	17	4	5	19	58
Malaysia	3	1	7	3	3	11	30
Philippines	-	-	9	1	3	15	26
Singapore	-	-	1	-	-	-	1
Thailand	-	1	15	6	3	9	>46
Vietnam	-	-	>15	1	5	10	>40
Total Capacity (mt)*	6.0	7.9	24.7	17.3	9.8	7.2	49.7

* Estimates for 2009

Source : SEAISI

The installed capacity for roll-making in ASEAN is much higher than that for steelmaking. As a result, significant quantities of billets, hot-rolled and cold-rolled coils are imported yearly as feedstock for rolling activities. In addition, the bulk of the region's requirements for high grade steel are still being met by imports, mainly to serve the automotive and electrical and electronics sectors. The region is a major importer of steel products, with total imports in 2008 amounting to 42.8 million tonnes.

In view of the above imbalance and also the good potential for steel consumption growth, the region has attracted much interest from both the regional and international iron and steel players in setting up new projects to cater for the shortfalls in supply. Many of the investment plans were, however, shelved when the global economic crisis worsened in the latter part of 2008. Nevertheless, with the world economy slowly returning to growth path, many of the projects are being reactivated and new projects planned. The followings are a summary of some of the new developments in the region.

Indonesia

- The construction of the iron making plant of PT MJIS (Meratus Jaya Iron Steel) in South Kalimantan, with a capacity of 315,000 tonnes per year, is in progress. It is expected to commence production in 2012.
- The construction of a blast furnace by PT Indofero with a capacity of 500,000 tonnes per year.

Malaysia

- Vale SA (Rio de Janeiro, Brazil), the world's second largest mining company, plans to establish a distribution centre for iron ore fines and pelletizing plant at Teluk Rubiah, Lumut, Perak, in Malaysia. With deep seaport (draft 25 meters) and ship size of 400K DWT, it expects to be able to handle 30 million tonnes of iron ores shipment each year and aims to expand to 90 million tonnes in the future. It aims to cover the markets in China, Middle East and to compete with Rio Tinto and BHP Billiton. It is expected to be completed by the first half of 2013.
- Ann Joo Steel is in the process of building a blast furnace with a capacity of 500,000 tonnes. The process would enable the charging of hot metal into the current EAF mill and is expected to be in production by the end of this year.
- A joint venture between Hiap Teck and Jikang Dimensi to construct a new blast furnace with a capacity of 700,000 tonnes per year. This also includes slab caster with capacity of 700,000 tonnes and a 350,000 tonne-per-year capacity hot strip mill. It is expected that the first phase (blast furnace) will be completed by 2012.
- A US$ 1.6 billion stainless steel plant which will be 67% owned by Acerinox of Spain and 33% by Nisshin Steel of Japan. Company is registered in the name of Bahru Stainless Steel Sdn Bhd and project will be implemented in three phases. When completed in 2020, it is expected to be the largest stainless steel plant in ASEAN with 1 million tonnes melting capacity and 600,000 cold rolling capacity.
- Malaysia recently saw the establishment of electro-galvanised production with the commissioning of two plants – POSCO Malaysia and Nippon Egalv Steel. The two plants have combined capacity of 250,000 tonnes.
- Perwaja Steel will restart its Concast AC furnace which has a capacity of 750,000 tonnes per year and will also upgrade its CCM capability and DR plant.

Philippines

- Treasure Steelworks Corp., a billet steelmaking plant in Mindanao Island, is constructing a mini-blast furnace with an annual capacity of 400,000 tonnes.

Thailand

- Thailand's Mill Con Steel Industries (MCSI) plans to invest THB 2.9bn ($87.6m) in a melting shop to support its long product rolling operation. Both MCSI and BRP are re-rollers that do not have their own steelmaking capacity. The new EAF will provide MCSI with cost savings, increase its competiveness and reduce the risk of raw material shortages
- Japanese-invested long product maker, Siam Yamato Steel, formally started commercial operation at its No.2 sections mill with 400,000 tonnes per year capacity in eastern Thailand on 1 March 2010.
- Tata Steel Thailand will raise its long product capacity with the start-up of a new 500,000 tonnes per year mini blast furnace plant in Chonburi, east of Bangkok. The hot metal will provide energy savings to the 70t EAF at Chonburi's steel plant located adjacent to the blast furnace, while two sister plants – at Rayong and Saraburi – will be fed with pig iron from the mini blast furnace. The three steel plants have a combined 1.3-1.4m t/y melting capacity.

Vietnam

- Shengli (Vietnam) Special Steel Company Limited, established by Shengli (Fuzhou) Group Corporation and Guangdong Metals and Minerials Import & Export Corporation (China) is located in Cau Nghìn industry, Quynh Phu□ district, Thái Bình province, Vietnam. Total investment is US$100 million. The steel making with capacity of 500,000 tonnes billets /year was put into operation in 2009 and the 600,000 tons /year bar & wire rod plant will be put into operation in 2010. The equipment include a 2 x 50 ton EAF, 1 x 60 ton LF, 5 flow billet CCM and bar & wire rod hot rolling line.

- POSCO-VIETNAM (100% owned by the POSCO Group), is located at Phumy, Ba Ria-Vung Tau province. The first stage of the plant has been completed and operation started in 2009. It has a capacity of 700,000 tonnes per year for cold-rolled steel products and 500,000 tonnes per year for cold-rolled-full hard steel products used for automobile and motorbike production and construction. The second stage is the hot-rolling steel plant with a capacity of 3 million tonnes per year, which is expected to be operational in 2011. As for long product, POSCO Special Steel in Phu My Industrial Park of Ba Ria- Vung Tau province is investing in 1 million tonnes capacity billet centre, 700,000 tonnes per year heavy section mill and 300,000 tonnes per year bar mill.

- The Hoa Phat Integrated Steel Complex, in Hiep Son commune, Kinh Mon district, Hai Duong province, has a designed capacity of 1 million tonnes per year using traditional furnace. The main products of the Complex include steel billet and construction steel made from iron ore and coke raw materials. The project is divided into two phases with total investment of around VND 8,000 billion. The first phase, put into operation in 2009, is for production of bar and wire rod with a capacity of 350,000 tonnes per year. The second phase, with an additional 650,000 tonnes per year capacity, is for the production of steel bar, round wire rod and formed steel and is expected to start in 2010.

- Thep Viet Steel Corp, a new bar mill with a capacity of 450,000 tonnes per year, started operation in Ba Ria-Vung Tau province in 2009.

- Lotus Group's project at Phu My I Industrial Zone, Ba Ria - Vung Tau, with total investment of up to VND 2,321 billion, consists of a production line for thick galvanizing with a capacity of 450,000 tonnes per year, a painted line capacity of 180,000 tonnes per year and five cold-rolled steel production lines with a combined capacity of 1,000,000 tonnes per year. The production line of thick galvanized NOF technology will be put into commercial production in 2010.

- A two million tonnes per year hot strip mill joint-venture project by VnSteel and Danieli in Phu My Industrial Park of Ba Ria – Vung Tau province.

- A project by Thai Trung Company to set up a 500,000 tonnes per year rolling mill for bars and wire rods.

- A joint project by VnSteel and Kunming Corp. to set up a 500,000 tonnes per year billet centre in Lao Cai province.

- CSVC (China Steel Corporation and Sumitomo Metal) is setting up a1.6 million tonnes per year cold rolling mill and 400,000 tonnes per year CGL in My Xuan A Industrial Park Ba Ria – Vung Tau province.

- A 700,000 tonnes per year billet centre and 500,000 tonnes per year rolling mill by VinaKyoei Steel Co., Ltd (a JV between Kyoei Steel and VnSteel) in Phu My Industrial Park, Ba Ria – Vung Tau province.

- Kobe Steel plans to set up a 2 million tonnes per year iron nugget production facility (based on ITmK3 technology) in Nghe An province.

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