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Chinese head ferrous scrap buying bonanza

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PHILADELPHIA --The ferrous scrap buying bonanza has shifted to the Far East, with China replacing Turkey as the main destination for U.S. scrap exporters.

Not only have the Chinese topped many of their rivals in the amount of tonnage bought, but they've also boosted the prices paid for shredded scrap to \$380 per tonne delivered, U.S. industry sources said. That's \$30 more than the prevailing delivered-to-mill price in the U.S. market, and about the same margin over the best price Turkey has offered for the fragmented scrap.

The buying binge has kept West Coast scrap shippers busy for much of the past two months, but all realize that the shipping pace will slacken as the Asian nation prepares for the week-long Chinese New Year holiday next month.

All the bulk cargoes bought by the Chinese should have departed U.S. ports earlier this week or they run the risk of sitting in Shanghai and other ports racking up demurrage charges, one West Coast trader said.

China isn't the lone Asian nation taking advantage of the cheaper U.S. dollar to pay for its steelmaking materials. U.S. shipments to South Korea and Taiwan also have been on the rise for much of the past six months, and India boosted its intake sharply in November after four months of taking in less than 100,000 tonnes.

Missing from the U.S. docks have been Turkish buyers. Weak finished steel product demand has kept them from boosting scrap import prices to the levels sought by U.S. suppliers. The steep and surprising rise in U.S. domestic scrap prices in January—with some grades rising as much as \$70 per long ton—has made it difficult for U.S. exporters to bring down their local buying prices.

One U.S. trader said that Turkish mills have been meeting their melt needs by buying the lower-quality 70-30 mix of No. 1 and No. 2 heavy melting steel scrap from European exporters at prices below \$330 per tonne delivered. U.S. exporters have been seeking \$340 to \$350 per tonne for the higher-quality 80-20 heavy melt mix and shredded, but thus far have found few takers in Turkey.

All of that could change soon, one U.S. scrap executive said, noting that the easing of the credit crisis in Dubai could help restart the building boom there, and the Turkish mills' need for better-quality scrap should be enough to boost prices to the levels sought by U.S. exporters.

U.S. exports of ferrous scrap rose to 1,740,759 tonnes in November, up 15.3 percent from 1,509,337 tonnes the previous month, according to the latest figures from the U.S. Commerce Department.

Exports of 20,491,743 tonnes through the first 11 months of 2009, up 2.4 percent from 20,012,209 tonnes in the same period a year earlier, have the market on track to match or surpass the record tonnages shipped abroad in 2008. Even if U.S. scrap exporters delivered only 1 million tonnes in December—and they haven't fallen below the 1-million-tonne-per-month pace for more than three years—they will have beaten the 2008 total of 21,467,530 tonnes.

Much of the gain in November's shipments was driven by a sharp rebound in sales to China, which took 510,633 tonnes from U.S. suppliers vs. 161,860 tonnes in October. Those shipments put the big Asian nation well ahead of any of its overseas rivals at the 11-month mark, with its intake totaling 5,820,160 tonnes—nearly double the 3,243,870 tonnes shipped to Turkey during the same period.

China might have been the biggest spender in November, but it wasn't the only Asian steelmaking nation

with a larger appetite for ferrous scrap. India more than doubled its intake to 127,146 tonnes from 59,466 tonnes in October, while shipments to Malaysia increased 5.7 percent to 89,241 tonnes from 84,458 tonnes in the same comparison.

Taiwan moved into second place in November even though its purchases from U.S. suppliers fell 18.3 percent to 244,428 tonnes from 299,137 tonnes in October.

Turkey was pushed into third place, with that nation's mills taking in 225,340 tonnes from U.S. East Coast and Gulf Coast suppliers in November. It was the third month in a row that Turkey's ferrous scrap intake from the United States declined, putting the country's 11-month intake of 3,243,870 tonnes 17.7 percent behind the year-earlier pace of 3,940,656 tonnes.

Even several smaller scrap-importing nations boosted their buys in November. Egypt took 39,597 tonnes from the United States; Pakistan, 38,146 tonnes; and Peru, 31,279 tonnes.

With China as the main buyer, exports of shredded scrap overwhelmed the cut grades in terms of tonnages shipped during November. Exports of shredded scrap totaled 728,637 tonnes, up 56.1 percent from 466,708 tonnes the previous month and 82.7 percent higher than November shipments of 398,821 tonnes of No. 1 heavy melting steel scrap.

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