



ISRI CONVENTION: PANEL SEES BULLISH FERROUS OUTLOOK

Panelists cite healthy demand and restrained supply as contributors to strong ferrous scrap pricing.

May 18, 2010 -- The steel industry in the United States may not have ramped back up to full capacity, but demand both domestically and globally has been sufficient to keep scrap prices aloft.

Panelists at the “Spotlight on Iron and Steel” session at the 2010 Institute of Scrap Recycling Industries Inc. (ISRI) Convention were largely in agreement that the lofty market will continue into the rest of 2010.

“I think we’re already having some reduction in pricing, but I don’t see a long-term decline,” remarked industry analyst **Mike Locker of Locker Associates, New York**. “Scrap is a very valuable commodity.”

In a comment that drew a skeptical counterpoint from an audience member, **Locker** also predicted a looming shortage of ferrous scrap. “I think there’s going to be a shortage of scrap,” he commented. “The U.S. can’t continue to ‘mine’ as much scrap as it used to.”

The scrap will be in demand domestically, says **Locker**, from a steel industry that is at a relative advantage to China’s because of its access to feedstock. “China is now less competitive in steelmaking than the U.S.,” he remarked. “We can produce 90 million tons of iron ore in the United States and we only consume 63 million tons. Plus, we have access to scrap; we are in the driver’s seat in the world.”

Some of that scrap began emerging in the spring, according to Keith Grass, president of Nucor’s David J. Joseph Co. subsidiary. “Scrap flows were very, very low in the first quarter [of 2010],” he commented. “When we hit mid-March, we started seeing sufficient flows, particularly of obsolete scrap, which is our primary business.”

Tamara Lundgren, CEO of Schnitzer Steel Industries Inc., pointed to ferrous scrap’s role as a leading economic indicator. “We started seeing an improving flow of scrap about nine months ago,” she remarked. “We’re seeing steady improvement, which underpins the scrap industry as a leading indicator of economic growth. We saw it first.”

Larry Schnurbusch of steel producer SSAB remarked of his industry, “I think steel will stay strong on a global basis,” although he also commented, “I think it’s going to be a slow recovery” regarding the overall economy.

The renewed flow of scrap brought to mind the adage “The best cure for high prices is high prices,” Schnurbusch said. As winter weather ended, “pent-up scrap began to flow, and that will always adjust prices downward,” said Schnurbusch.

The 2010 ISRI Annual Convention was held May 4-8 at the San Diego Convention Center.