

INDEX | Iron and Steel News

- Japan Major Steels Get US\$ 800/t for Electrogalvanizing Steel Export
- Dongbu Steel and Bao Steel Sign Strategic Alliance
- Chinese Steel Consumption for Cars Forecasted to Increase by 2MT in 2010
- Ferrous Scrap Export Increases by 2.3 Times from Osaka Bay
- Strong Ferrous Scrap Price in Tokyo and Osaka

INDEX | Non Ferrous Metal News

- Ye Chiu Group Shelves Construction of New Malaysian Plant
- Japanese Electric Copper Cable Shipment Decreases by 4.2% M/M in December
- Toho Zinc to Increase CBH Investment Ratio



## Iron and Steel News

### Japan Major Steels Get US\$ 800/t for Electrogalvanizing Steel Export

Japanese major steel makers got another sheet steel export price gain after they increased the cold rolled flat steel export price to more than FOB US\$ 700 per tonne. They started to agree to increase the electrogalvanizing steel price to more than US\$ 800 for March shipment. They also increase the hot coil spot export price to more than US\$ 600 for Southeast Asia. They succeed to realize US\$ 600 for hot coil, US\$ 700 for cold coil and US\$ 800 for coated steel.

The demand is strong in China and Southeast Asia. The demand is more than expected in China due to stimulus package to encourage purchase of automobile and appliances in rural areas, according to source in a Japanese integrated steel maker. The supply is tight especially for cold rolled flat steel and electrogalvanizing steel, which are used for automobile and flat panel television, due to limited capacity for annealing process in Japan and Asian countries.

Baoshan Iron & Steel of China left the domestic sheet price unchanged for February. However, the selling price is 6,465 yuan per tonne or around US\$ 810 level for SPCC grade cold rolled flat steel and 7,391 yuan or around US\$ 925 for electrogalvanizing steel for January, which are higher than market

price. Baosteel's price policy is apparently to adjust the price gap with market price while the firm tries to give message to miners under annual contract price negotiation for raw materials.

POSCO of South Korea plans around 60 days of repair for electrogalvanizing line from March. The Asian supply of cold rolled flat steel and electrogalvanizing steel is expected to keep tight. Sony and other Japanese appliances makers plan around 30% higher production for flat panel television in fiscal 2010 starting April. The sheet steel supply balance could get tighter with the higher demand.

## **Dongbu Steel and Bao Steel Sign Strategic Alliance**

Dongbu Steel, South Korean electric furnace steel maker, announced on Thursday the firm concluded a strategic alliance with Bao Steel, Chinese largest steel maker. This is the second alliance for Dongbu Steel with world largest steel makers such as JFE Steel. For the first phase of the alliance, Dongbu Steel contracted to purchase Bao Steel's hot rolled steel sheet at 100,000 tonnes per year. Dongbu Steel expects for even wider cooperation in marketing or technical supports by Bao Steel. Dongbu Steel aims to strengthen cost and quality competitiveness through this alliance, when Dongbu Steel started operation of a new integrated hot rolling mill in 2009 and capacity expansion to 10 million tonnes per year.

Mr. Han Guang-Hee, Dongbu Steel's chairman, and Mr. Ma Guoqiang, Bao Steel's CEO, signed MOU on Wednesday in Shanghai. Dongbu Steel had procured hot coil from Bao Steel at 30,000 tonnes per month at spot purchase so far, Dongbu Steel's vice president explained on a phone interview with Japan Metal Bulletin, while the 2 makers concluded a one-year contract this time for stable material supply.

There is no concrete cooperative plan other than the one-year hot coil contract at present, said the vice president. Dongbu Steel aims Bao Steel's technical supports for steel making and surface treatment.

Dongbu Steel launched a 3-year management plan starting in 2010. The firm targets globalization, specialization and expansion of value-added steel products. Along the plan, the firm will expand its output capacity to approximately 10 million tonnes per year and enhance cost competitive power by technical improvement for electric furnace operation or surface treatment. Dongbu Steel aims to raise the operating margin ratio to 12% in 2012.

## Chinese Steel Consumption for Cars Forecasted to Increase by 2MT in 2010

Chinese car production is expected to approach 16 million units per annum in 2010, according to several sources in Japanese integrated steel makers and major trading houses. The car production would increase by 15% or more compared with 2009 and the steel consumption in automobiles could expand by more than 2 million tonnes. Steel makers' supply is forecasted to tighten more than the present for cold rolled steel sheets, electrogalvanized steel sheets and hot-dip galvanized steel sheets.

China Association of Automobile Manufacturers (CAAM) recently announced Chinese car production increased by 48% to 13.79 million units per annum in 2009 from 2008. The market size exceeded 10.43 million units in USA and became the largest in the world. CAAM said Chinese car market is expected to keep strong growth for next 10 years. Some concerns estimate the market may reach 30 million cars per year in 2020.

Japanese automakers including Nissan, Honda and Toyota are aggressively increasing local car productions in China by new plant establishment or capacity expansion.

To follow these movements, Nippon Steel plans to start operation of no.3 continuous galvanizing line at BNA (Baosteel-NSC/Arcelor Automotive Steel Sheets) in February 2010, 3 months ahead of the initial schedule. BNA is a joint venture among Nippon Steel, Bao Steel and Arcelor Mittal. The capacity of no.3 CGL is 450,000 tonnes per year. JFE Steel is also accelerating the second phase capacity expansion at Guangzhou JFE Steel Sheet Company to start commercial production in 2011, including construction of a cold rolling line, a continuous annealing line and no.2 CGL.

Japanese trading houses such as Mitsui & Co. and Marubeni-Itochu Steel are expanding capacities of local coil centers in China.

## Ferrous Scrap Export Increases by 2.3 Times from Osaka Bay

Ferrous scrap export volume from Osaka Bay expanded by 128% to 415,790 tonnes through 2009 compared with 2008, according to Osaka based ferrous scrap dealers' group, Kansai Tetsugen. The demand for ferrous scrap increased largely in East Asia, China and South Korea, though domestic electric furnace steel makers reduced their outputs by a large margin due to low demand for building materials.

Heavy ferrous scrap export increased by about 7 times to 288,829 tonnes in 2009 from 2008, the first increase in 4 years. Other items decreased by 9% to 126,461 tonnes in 2009 from 2008, which represented minus for 2 years in a row. In 2009 heavy scrap export significantly exceeded other grade scrap export as an unusual case because domestic electric furnaces' scrap consumption shrank.

Local electric furnaces' scrap consumption exceeded 400,000 tonnes per month at the recent peak in early 2008 while declined to around 200,000 tonnes per month in 2009. On the other hand, the demand for ferrous scrap increased in China and South Korea. Ferrous scrap export price stayed higher than

domestic market price. As a result, local scrap dealers shifted their shipment to export from Osaka Bay.

South Korean and Chinese importers continue strong offers for Japanese ferrous scrap in 2010 due to cold weather in both countries. The offer price temporarily became higher by 3,000 yen per tonne than domestic market price. A large dealer source said Japanese ferrous scrap export may decrease in 2010 compared with 2009 because Japanese integrated steel makers are recovering scrap procurement volume.

## **Strong Ferrous Scrap Price in Tokyo and Osaka**

Ferrous scrap price would increase from around 21,500 yen per tonne for H2 grade, 23,300 yen for H1 grade and 25,000 yen for HS grade at the dealers' purchase including freight around Tokyo. Local electric arc furnace steel makers' purchase price is 27,500-28,500 yen for H2 grade, which is 1,500 yen higher than last week price. Some makers pay 29,000 yen.

Some electric furnace steels increased the purchase price. The market price increases not so much. However, scrap supply tight due to the export and the market price would increase more, one dealer source said.

Ferrous scrap price is increasing around Osaka. The market price is around 20,000 yen per tonne for H2 grade at the dealers' purchase. Local electric furnaces' purchase price is 27,000-28,000 yen for H2 grade while some pay 30,000 yen.

---

## **Nonferrous Metal News**

---

### **Ye Chiu Group Shelves Construction of New Malaysian Plant**

Malaysia based secondary alloyed aluminium maker, Ye Chiu Group, which has major production base in China, shelves construction start of new Malaysian plant while the firm planned to start the project in January. The firm still negotiates with Malaysian government to secure supply of natural gas. The Chinese operating company of Ye Chiu Metal (Taicang) keeps high operation rate at monthly 13,000 tonnes under strong demand while the firm rejects some order due to limited availability of aluminium scrap.

The firm tried to agree with Malaysian government for the supply by mid-December 2009. However, the negotiation still continues due to the short supply condition. The existing Malaysian plant increases the production to 6,000 tonnes in January, which is 1,000 tonnes higher than December 2009, when the demand recovers in Southeast Asia after slump period.

Ye Chiu Metal (Taicang) gets more orders from die-casting makers and automotive parts makers in January. The firm recognizes many users try to build inventory before Chinese New Year holiday while

the domestic demand keeps firm in China, which became world largest automobile market in 2009 topping USA. However, the firm cannot meet all of the orders due to short supply of aluminium scrap while the firm keeps monthly 5,000 tonnes of AD12.1 grade export to Japan.

Ye Chiu Metal (Taicang) is under third phase of expansion. The firm expands 2 melting furnaces completing the expansion for one in March and for another in May. The firm plans to increase the monthly production to 20,000 tonnes in and after June. However, the firm has to secure aluminium scrap to increase the production searching competitive material in traditional US market and Japan.

The firm also tries to improve the profitability while the firm cannot pass higher cost fully on the selling price. The margin is only 2-3% due to higher cost for aluminium scrap, electricity and metallic silicon.

## **Japanese Electric Copper Cable Shipment Decreases by 4.2% M/M in December**

Japanese domestic shipment of electric wire and cable was quickly estimated at 56,300 tonnes of copper in December, minus by 4.2% month-to-month while down by 2.4% year-to-year, according to a survey on approximately 130 makers those who belong to Japanese Electric Wire & Cable Makers' Association. The shipment represented month-to-month down for 2 months in a row. The demand from domestic construction market kept stagnant while the volume recovery for automobiles and electric appliances slowed down.

The actual shipment of optical fiber products in November was 3.15 million kilometers of fiber core (kmf), plus by 24.4% year-to-year.

Copper wire and cable shipment for domestic construction market has almost hovered at 22,000-25,000 tonnes per month since April 2009. The demand downsized by about 20% compared with the first half of fiscal 2008 (April-September 2008). Cable shipment keeps inactive in response to stagnancy in domestic construction market.

Copper wire and cable shipment for automobiles and electric appliances leveled off for September-December 2009. The volume recovery might settle down when domestic operations of Japanese automakers and electric appliance makers seem to have reached the present peak.

Copper wire and cable shipment for domestic power companies widely declined at December's quick estimation compared with November. One background is that the shipment volume tends to drop in every December. Another factor is that the shipment hit the very high volume during September-November 2009.

As to optical fiber products, the actual shipment in November expanded by 55.8% to 2.47 million kmf for export while decreased by 28.2% to 680,000 kmf for domestic market compared with a year earlier. The export maintained very strong.

**Japan Electric Wire & Cable Shipment**

 Japanese Electric Wire & Cable Makers' Association  
 in tonnes

	Nov-09	y/y (%)	Dec-09	y/y (%)
	(Actual Figures)		(Quick Estimation)	
<Copper Wire & Cable>				
Telecommunications	1,590	-10.2	1,400	-2.0
Electric Power	6,855	8.7	4,300	-17.8
Electric Machine & Appliance	13,785	-0.9	13,600	11.5
Automobile	6,791	-3.5	6,500	16.6
Construction & Wholesalers	23,729	-12.9	23,400	-14.4
Other Domestic	4,270	-3.1	4,800	22.8
Domestic Total	57,020	-6.0	54,000	-3.0
Export	1,775	-39.6	2,300	14.1
Total	58,795	-7.6	56,300	-2.4
Bare Copper Wire Sales	28,726	-13.3	27,500	-8.1
<Aluminium Wire & Cable>				
Electric Power	2,137	148.2	1,500	37.4
Other Domestic	231	-22.0	200	-27.5
Export	1,250	941.7	1,600	6,300.0
Total	3,618	183.3	3,300	136.9
<Optical Fiber Products>				
Total (in 1,000km of fiber core)	3,149	24.4	-	-

## Toho Zinc to Increase CBH Investment Ratio

Toho Zinc increases investment ratio of CBH Resources, which is Australia based its equity method affiliate, through 10 million Australian dollars allocation of new shares, announced on Thursday. The rate increases from 23% to around 30%. Toho zinc take 50% interests of Rasp mine in Australia by paying A\$ 57.5 million.

Rasp mine started the operation in 2010 and the mine plan to start commercial production in 2013. The averaged output is estimated at 750,000 tonnes of ore, 90,000 tonnes of zinc concentrate and 60,000 tonnes of lead concentrate per year. Toho Zinc expects the operation continues for 15 years. The firm purchases the all of zinc and lead and provides the developing fund.

Nyrstar, which is major nonferrous metal smelter in Belgium, offered buyout for CBH Resources informally. Toho zinc increases its investment ratio as counterplan.



---

Copyright 2009 Sangyo Shimbun. No reproduction or republication without written permission.

**Published by** SANGYO PRESS CO.,LTD.

**Edited by** Masumi Tanifuji

Chichibu building 5F, 1-8-6, Shinkawa, Chuo-ku, Tokyo, JAPAN

**TEL :** 81-3-5566-8770

**FAX :** 81-3-5566-8185

**E-mail :** [jmb@sangyo.co.jp](mailto:jmb@sangyo.co.jp)