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## Iron and Steel News

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### Japan Construction Steel Price to Rebound, Industry Official

Japanese steel price shows sign to rebound after the price hit bottom when ferrous scrap market price rebounds. Domestic electric furnace steel makers try to increase the selling price to improve the profitability. Hideichiro Takashima, who is chairman of Kyoei Steel, expects the makers have chance to improve the selling price level in autumn when the demand increases.

Mr. Takashima expects domestic demand will improve in autumn more than recent years. He expects construction steel order will increase when the projects resume the activity after temporarily stop and deferment due to the major earthquake. He said construction demand increases for storm surge barriers around nuclear power plants. He expects rebuilding activity around damaged areas by the quake will increase the steel demand.

Mr. Takashima said concrete reinforcing steel bar demand will increase in second half of fiscal 2011 ending March 2012 from the first half. He expects general contractors will increase the purchase volume in October when they hold the orders. He said the higher demand supports rebar makers' price improvement.

Mr. Takashima said Kyoei Steel tries to realize more than 65,000 yen per tonne of rebar price now while the market price is just more than 60,000 yen around Osaka. He recognizes the market price has improved around Osaka when the dealers are reluctant to get order at less than 60,000 yen. He said Kyoei Steel managed to secure recurring profit in April-June but the profitability is severer in July-September due to around 3,000 yen per tonne of recent scrap price increase. He decided to secure annual profit for fiscal 2011 after the firm posted loss in fiscal 2010.

Mr. Takashima sees price gap between pig iron and scrap will get narrower while now the gap is wide exceptionally. He expects scrap market increases toward 40,000 yen per tonne level when domestic integrated steel makers increase the scrap consumption to meet higher demand for automakers and manufacturers. He said Kyoei Steel tries to secure margin by increasing the steel selling price along with scrap price increase. He expects the move could be accepted by the

market.

Mr. Takashima said Kyoei Steel stops the production for 35 days through September 20 at Hirakata plant in Osaka resulting in major production cut in August and September. The outage is to renew old facilities and to improve the operation process. He said other plants in Yamaguchi, Nagoya and Kanto Steel also reduce the production to the demand level.

Mr. Takashima said domestic rebar production is monthly 600,000-700,000 tonnes compared with 1.44 million tonnes of peak in March 1991 when domestic construction investment decreased from 80 trillion yen to 40 trillion yen. He emphasized domestic makers continues effort to reduce cost by operating only in night time and weekend while the industry has important roll to recycle scrap. He said power company should be careful on electricity price hike when higher cost could damage on the steel industry.

Mr. Takashima said Japanese electric furnace steel industry's business condition gets severer under shrinking construction demand and higher import. He expects Japanese steel industry should experienced consolidation and reshuffle to survive. He said Kyoei Steel also could find chance for merger and consolidation.

## JISF Chairman Views Japan Crude Steel Output to Reach 109MT in F2011

Chairman of Japan Iron and Steel Federation and president of JFE Steel, Mr. Eiji Hayashida attended the Federation's regular press conference on Thursday and gave an outlook that Japanese yearly crude steel production could reach approximately 109 million tonnes in fiscal 2011 ending in March 2012 if the quarterly production keeps the current level. He commented the quarterly production is estimated to reach 27.5 million tonnes for July-September mainly along the demand recovery from car industry. He said car industry is expected to keep steady steel consumption for October-December while the demand may slow down for January-March. Instead steel shipment might increase for reconstruction and redevelopment of disaster areas in North Japan.

As for steel export market, Mr. Hayashida analyzed Asian steel market seems to have hit bottom when raw material prices are surging. At present, Asian steel market price is very weak and basically unforeseeable, he said. Mr. Hayashida added export profitability is seriously worsening for Japanese steel industry when yen exchange rate maintains strong at 76-77 yen per US dollar.

He also referred to Japanese government's current actions. He committed Japanese steel industry expects for resolve of corporate tax reduction while the enforcement can be suspended during a certain term in order to secure restoration and redevelopment budgets for disaster areas attacked by the Japan Earthquake.

As for Japanese electricity problem after the mega earthquake, Mr. Hayashida requested current situation of unstable power supply should be resolved early since Japanese enterprises are moving their operations to overseas. He said Japanese government should show strong leadership to confirm safety of Japanese atomic power plants, to obtain consent of local residents and to restart the power plants early for stable electricity supply.

## Japan Steel Dealer Associations Give Steady Market Report for 4Q2011

Ministry of Economy, Trade & Industry (METI), Japan, conducted hearings with Japanese 3 steel dealers associations, Japan Steel Products Dealer's Association, Japan Coil Center Industry Association and Japan Steel Plate Shearing Industrial Guild on Thursday. They reported market demand is currently firm from automobile, truck, construction and industrial machine industries while steel demand related to restoration and redevelopment of disaster areas is likely to generate next year. The associations also noticed concerns on Japanese manufacturing industry's outflow to overseas due to high yen rate, high raw material price and electric power shortage in winter.

Mr. Yoshihiro Hayashi, chairman of Japan Steel Products Dealer's Association, gave an outlook that domestic steel market price is expected to upturn for October-December while dealers' inventory seems still excess against the sales volume. Market inventory is forecasted to decrease by 4.3% to 2.23 million tonnes at the end of September from three months ago and lower by 1.9% to 2.19 million tonnes at the end of December.

Mr. Takashi Suzuki, chairman of Japan Coil Center Industry Association, requested Japanese steel makers should maintain cautious steel supply in balance with market inventory volume though they need to raise their output along car makers' operative expansion. Coil centers' shipping volume is expected to increase by 5.3% to 3.95 million tonnes for October-December from July-September. The association forecasts the members' shipment would increase by 5.3% to 3.95 million tonnes for October-December compared with the previous quarter.

Mr. Ken Takagi, chairman of Japan Steel Plate Shearing Industrial Guild, described demand for processed steel plate is expected to rebound for building materials in and after January 2012 when large building construction projects are scheduled to start and bid tenders for bridge construction increase in and after September.

## Steady Ferrous Scrap Price in Tokyo, Osaka

Ferrous scrap market price is steady at around 29,500 yen per tonne for H2 grade, around 31,300 yen for H1 grade and around 33,000 yen for HS grade at the dealers' purchase price including freight around Tokyo. Local electric furnace steel makers pay 35,000-36,000 yen for H2 grade and higher price is 37,000 yen.

Local electric furnaces' ferrous scrap purchase price increased by 1,500-2,000 yen per tonne since the beginning of September. The scrap export price from Tokyo bay increases. One market source sees the scrap price would not decrease when the export price is increasing for South Korea.

Ferrous scrap market price is flat with strong tone at around 26,000 yen per tonne for H2 grade at the dealers' purchase price around Osaka. Local electric furnace steel makers' purchase price is 34,500-35,500 yen. Most of local electric furnaces keep turning scrap purchase price unchanged while most of them increased heavy scrap purchase price. Some makers purchase scrap at spot basis.

A trader source sees scrap supply could get short temporarily around Osaka when local exporters ship scrap for joint export order.

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## Non Ferrous Metal News

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### Saito Engine to Develop New Rare Earth Recovery Technology

Saito Engine, Japanese major scrap dealer, developed new technology to separate rare earth magnet effectively from hybrid car motors. The firm started the technology development two years ago. Magnet accounts for about 7.8% in one motor's total weight. The firm has dismantled automotive motors at total 15 tonnes and recovered rare earth magnet at total 1-2 tonnes so far.

Rare earth magnet mainly contains iron, neodymium and boron as well as dysprosium as an additive to improve burning resistance. It is hard to separate magnet from motor since magnet power is very strong and then magnet is strongly bonded with motor for safety.

More than 95% of world rare earth production relies on China. Especially, dysprosium supply is wholly from a narrow area of South China. Chinese government has strengthened export control of rare earth year by year. In 2010, the government implemented temporal rare earth embargo against Japan. The market price has surged internationally.

Meanwhile, rare earth consumption is increasing along hybrid car and electric vehicle market growth. Thus stable supply system is required.

Mr. Akira Saito, president of Saito Engine, said the firm plans to increase rare earth recovery volume step by step when the supply is tightening. Mr. Saito explained retired hybrid car has increased for recent 2-3 years.



## Japan Rolled Aluminium Import Increases by 68% in 1H2011

Japanese rolled aluminium import totaled 57,101 tonnes for January-June 2011 and expanded by 67.8% from the corresponding period of 2010, according to Japan Aluminium Association. The import increased mainly for common grade aluminium foil and extrusion from Asian countries. Strong yen trend also seems to have stimulated the import to Japan.

Domestic demand for instant and retort foods sharply increased after the Japan Earthquake. Then demand for aluminium foil package increased. Aluminium foil import increased since the price is cheaper than domestically manufactured foils.

Import of aluminium extrusions and flat products, such as bars and shape materials, seems to have increased mainly for common grade products used for constructions. Meanwhile, yen exchange rate strengthened even more after the mega earthquake and stimulated the import.

By countries, the import from China was 23,912 tonnes and represented 42% in the total import. The import was 12,534 tonnes from South Korea, 7,864 tonnes from the U.S.A., 2,984 tonnes from Germany and 2,692 tonnes from Taiwan. The import from China doubled from 11,549 tonnes in the same period of 2010. The import from South Korea jumped by around 30% year-on-year. The import from Asian countries showed significant increase.

Japanese Rolled Aluminium Import		
	Jan-Jun 2011	Y/Y Updown (%)
Flat Products	33,607	95.0
Extrusions	Bar & Shape	6,721
	Pipe	804
	Wire	963
Foils	15,006	35.5
Total	57,101	67.8

## Sumitomo Metal Mining Starts Sierra Gorda Cu JV in Chile

Sumitomo Metal Mining and Sumitomo Corporation announced on Thursday they started joint venture activity to develop Sierra Gorda copper mine in Chile after they completed procedure on contract with the partner, Quadra FNX Mining in Canada. The joint venture will start operation in 2014 to make copper concentrate at averaged annual 220,000 tonnes of copper in 20 years.

Chilean investment company established by Sumitomo Metal Mining and Sumitomo Corporation acquired 45% shares in the project owner company, Sierra Gorda. Japanese firms sent 4 engineers to the project and plan to send other professionals for the development.

The project will produce yearly around 120,000 tonnes copper for 3 years from 2014. The production will increase to 236,000 tonnes in 2017 through the mine life.



The 11<sup>TH</sup> Secondary Metals International  
Forum/Exhibition & Trade Fair

7-8 November  
2011  
DongFang Hotel  
GuangZhou, China



Published by SANGYO PRESS CO.,LTD.

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