
Editorial

BIR: Global scrap market to stay firm, uncertainties persist

This year, the global scrap market has faced an unprecedented situation: a super-cycle in the commodities market, switching of China from a potential scrap exporter to an active scrap importer, further deterioration of the situation with the transportation of the material, as well as negative consequences of the coronavirus pandemic that are still affecting the global economy. Forecasts are still vague, but participants of the World Recycling Convention held by The Bureau of International Recycling (BIR) online on May 31 – June 2, 2021, believe that the international scrap market will remain strong in the short term.

China, the world's largest producer of steel, keeps fighting pollution and is becoming much more import-oriented. In particular, China plans to cut domestic crude steel production capacity and to boost the use of scrap-intensive electric arc furnaces at the expense of a more traditional blast furnace route.

China imported 131,600 t of scrap over January-April, with only April tonnages amounting to 76,200 t, as Metal Expert reported. The material from Japan and South Korea ranks top in the overall flows. "The main reason is firstly proximity. For example, if we buy from them the lead times are only about 2-5 days, which is actually very fast in comparison with if we buy from Europe or if we buy from the States. And the second thing is that there is a lot of Japanese companies that have offices in China. So Chinese actually feels really safe buying from them," said Lim Kok Jiak, senior trader in Zhejiang Metals and Material Co.

At the same time, China is mostly interested in importing high-quality scrap as it is easier to conform to the country's import specification requirements. Considering the current scarcity of high-quality material, market players are concerned about the scrap shortage going forward, Metal Expert understands.

The USA, in turn, maintains its position as the world's leading scrap exporter, despite a decrease of its export by 4.6% to 16.874 million tons in 2020, according to BIR. At the same time, the US market is facing a short supply of semiconductors, which is expected to persist in the near future. Car makers, which widely use semiconductors, or microchips, have to reduce their output and idle plants in most regions, which directly affects high-quality scrap generation.

"The production of industrial scrap continues to lag behind demand, causing a premium on prime to shred to come to over \$120/long t. Historically that spread was only about \$20/long t," commented George Adams, president of SA Recycling. As Metal Expert reported, in the Midwest region, shredded material was traded within \$440-455/long t delivered to the mill during May buying week, while busheling was available at \$550-560/long t delivered to the mill. "It is sustainable [high premium on prime scrap to shredded ones] until we see again most countries come out again from the pandemic mode and the supply chain to fill up to the point where we have not seen these restrictions on the generation of prime scrap," said Tom Knippel, Vice President of SA Recycling.

The situation on the European market remains ambiguous as most countries are still experiencing the consequences of COVID-19. Apart from that, market

participants are puzzled over proposed changes to the EU shipment regulations that would potentially limit exports of materials designated as “waste” (including steel scrap among others). “EU Commission promises to give us their view on the proposal of the adjustment on the EU waste shipment regulations before the end of June. So we should know all pretty soon what they are up to,” mentioned Denis Reuter, COO at TSR Recycling. Thus, such main EU export directions as Turkey, Pakistan, Egypt, India, and others may potentially feel a shortage, Metal Expert understands. “I think EU will apply to all exports no matter where they go, to OECD or non-OECD, is that we will see probably a maximum level of the purities, which is only acceptable in the export shipment. I’m hearing that 5% might be a possible threshold for impurities. But there are so many things still unclear,” added Denis Reuter.

“The root of the problem was that steel scrap fell under the “waste” definition in Europe when in fact it deserved proper credit for being a “recycled raw material,” told the BIR Ferrous Division’s President Gregory Schnitzer from SIMS Metal Management Global Trade Corporation.

Other scrap consuming markets, such as India, Pakistan, and Bangladesh, are suffering not only from the ongoing effects of the pandemic but also from the vessels availability for bulk cargoes, as well as container availability. “This is a serious concern for our industries. Especially for markets like Pakistan and Bangladesh, which are very relied on imported ferrous scrap as a main raw material. We have seen freight charges show record highs, and the current challenges on the supply side and these logistics challenges are expected to continue in the near term,” stressed Zain Nathani, Managing Director of Nathani Group.

Participants agree that although scrap prices may vary, the market will remain strong in the short term. “With everything that is happening in the world and a lot of money that governments pump into their economies, I truly believe that we are going to see the scrap market continue for a while. It will go up and down, but I think we still have another strong run, a much stronger run than we have seen in the past. At least through the end of the year and probably in the next year,” resumed George Adams.

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