

SSINA study highlights China's support to SS industry

- 16 Apr 2007

According to a new study issued by the Specialty Steel Industry of North America, the government of China has a policy of conferring preferred status on the stainless steel industry and providing it with a wide range of preferential treatment programs and direct subsidies. The study was released in conjunction with the annual American Metal Market Conference in Pittsburgh.

The study titled "Chinese Government Subsidies to the Stainless Steel Industry" describes China's Steel and Iron Industry Development Policy, which mandates direct government subsidization of the Chinese steel and stainless steel industries. Quoting directly from the policy, the study details Chinese government support in the form of "Tax refunds, discounted interest rates, funds for research and other policy support for major iron and steel projects utilizing newly developed domestic equipment."

As per the study, the policy also calls for indirect support by, among other things, restricting foreign investment, discriminating against foreign equipment and technology and by providing various export credits.

Mr David A Hartquist counsel of SSINA in a speech entitled "The US Specialty Steel Industry: Today and Tomorrow" said that even though global stainless steel capacity exceeds demand, new facilities are being added around the world. He noted that this new capacity is being funded through massive government subsidization, particularly in China.

According to the SSINA study, China's Steel Policy is a primary example of the government's attempt to manipulate the steel market and dictate industry outcomes by involving itself in decisions that should be made by the market.

Chinese steel pipe escapes from rebate cut again

- 15 Apr 2007

During the period since 2005, when a majority of the steel varieties were reduced or removed of rebates for export by a stream of cutting measures, steel pipe still enjoys 13% refund, the rate kept from whole line scissor in 2004. It's explained that steel pipe belongs in end steel products and is included in metalwork for customs statistics. The huge export is generated due mainly to robust demand from abroad and further, as high value added products steel pipe is supportive for export according to China's policy.

Despite all these, there are risks too to keep the rebates as seamless pipe import and export during 2003-2006

	2003	2004	2005	2006
Import	46.97	69.22	67.81	69.39
Export	57.78	75.51	139.23	250.52
Net export	10.81	6.29	71.42	181.13

Seen from this table, pipe export boomed from 2005, driven by strong international demand and high profits thanks to high refund rates. Of the moment, seamless pipe export price still stands at least CNY 1000 per tonne higher than domestic sales price, some source reports; if the domestic price posts CNY 4000 per tonne, domestic sellers may get some CNY 650 per tonne back for exports.

In short term, unchanged rebates offer a stable market environment. But growth in export proves unable to dissolve the pressure cast by rapidly expanding output. Blind and disordered export may further stimulate the investment zest and add pressure on the fragile exporting condition threatened by trade frictions.

It's thus concluded the existing rebates on pipe export may also be short lived. Longtime preservation of the refund will only be explained by overheated investment and resultant big surplus that needs export to ease. Trade disputes are hidden, especially for welded pipe, analyst believes.

(Sourced from MySteel.net)

WBMS estimates 19,000 tonnes nickel deficit in February

- 23 Apr 2007

According to the latest assessment from the World Bureau of Metal Statistics, the global refined nickel market recorded a deficit of 19,000 tonne during February 2007 with reported stocks some 3,000 tonne lower.

WBMS said that mine production in January to February 2007 was, at 253,100 tonne up by 14% YoY and refined production was up by 6% YoY with output increases in China, South Africa and Canada accounting for most of the higher output.

WBMS added that the global demand was 42,000 tonne higher than in 2006 which stressed, as ever, that no allowance is made in the consumption calculation for unreported stock changes.

SSINA releases January market data for special steels in US

- 22 Apr 2007

The Specialty Steel Industry of North America has released the latest available statistical data on imports, US consumption and import penetration for January 2007 compared to January 2006.

Imports of total specialty steel comprising of stainless steel, alloy tool steel and electrical steel in January 2007 were 86,509 tons a 24% increase compared to January 2006, US consumption was 261,111 tons a 10% increase and import penetration was 33% a four percentage point increase.

Alloy tool steel's imports in January 2007 were 6,566 tons, a 27% decrease compared to January 2006, US consumption and import penetrations were not calculable.

Electrical steel's imports in January 2007 were 7,878 tons a 203% increase compared to January

2006, U. consumption was 35,450 tons, a 28% increase and one month import penetration was 22%, a thirteen percentage point increase.

Imports of total stainless steel in January 2007 were 72,065 tons a 23% increase as compared to January 2006, US consumption was 220,545 tons a 9% increase; import penetration was 33% and a four percentage point increase.

Item	Imports	Change	Consmpt	Change	Penetr	Change
Sheet & strip	40,014	+10%	145,707	+2%	27%	+2
Plate	12,809	+11.3%	36,545	+35%	35%	+13
Bar	11,923	+45%	24,290	+36%	49%	+3
Rod	2,976	-12%	6,818	+8%	44%	-10
Wire	4,343	+2%	7,185	-6%	60%	+4

In tons

Source – SSINA

SSINA is a Washington DC based trade association representing virtually all continental specialty metals producers. Its member companies are AK Steel Corporation, ATI Allegheny Ludlum Corporation and ATI Allvac, Carpenter Technology Corporation, Crucible Specialty Metals, Electralloy, Haynes International Inc, ThyssenKrupp Mexinox SA de CV, North American Stainless, Outokumpu Stainless Inc, Precision Rolled Products Inc, Latrobe Specialty Steel Company, Universal Stainless and Alloy Products and Valbruna Slater Stainless Inc.

Global crude steel production in March up by 8.6% YOY

- 21 Apr 2007

International Iron and Steel Institute reported that the total crude steel production in March 2007 for the 66 countries was 110.920 million tonnes up by 8.6% YoY as compared to March 2006. The global crude steel production in January to March 2007 was 318.158 million tonne up by 10.3% YoY

The growth in crude steel production during March 2007 among regions was again led by Asia which registered growth of 51.4%, Africa, South America, CIS (6), Middle East, Oceania and European Union (27) also registered YoY positive growth of 12.2%, 9%, 8.6%, 7%, 7% and 5.6% respectively in March 2007. Only North America witnessed negative growth of 11.3%

Region	Mar'06	Mar'07	Change	J-M'06	J-M'07	Change
Total	102183	110920	8.6%	288403	318158	10.3%
Asia	52615	60724	15.4%	148967	173247	16.3%
EU (27)	17773	18760	5.6%	49055	53819	9.7%
CIS (6)	9839	10681	8.6%	28096	31087	10.6%
North America	11744	10412	-11.3%	33013	30514	-7.6%
South America	3741	4078	9.0%	10741	11537	7.4%
Africa	1420	1593	12.2%	4251	4678	10.0%
Middle East	1224	1310	7.0%	3660	3799	3.8%
Oceania	696	745	7.0%	2097	2126	1.4%

In million tonnes

Source IISI

Among the top 20 nations, China as usual stood first with 40.157 million tonne production of crude steel registering tremendous growth of 20.4% YoY as compared to March 2007.

Rank	Country	Mar'06	Mar'07	Change	J-M'06	J-M'07	Change
1	China	33366	40157	20.4%	93608	114411	22.2%
2	Japan	9678	10258	6.0%	28009	29528	5.4%
3	US	8863	7800	-12.0%	24669	22977	-6.9%
4	Russia	5875	6249	6.4%	16915	18372	8.6%
5	South Korea	3974	4348	9.4%	11644	12503	7.4%
6	India	3822	4211	10.2%	10856	11754	8.3%
7	Germany	4116	4174	1.4%	11253	12318	9.5%
8	Ukraine	3339	3724	11.5%	9324	10632	14.0%
9	Italy	2900	3008	3.7%	7975	8265	3.6%
10	Brazil	2479	2785	12.3%	7187	7995	11.2%
11	Turkey	1944	2186	12.4%	5404	6136	13.5%
12	France	1807	1879	4.0%	5209	5262	1.0%
13	Taiwan	1776	1750	-1.5%	4852	5050	4.1%
14	Spain	1709	1600	-6.4%	4199	4650	10.7%
15	Mexico	1380	1440	4.3%	4106	4171	1.6%
16	UK	1250	1225	-2.0%	3480	3545	1.9%
17	Canada	1376	1050	-23.7%	3911	3050	-22.0%
18	Belgium	1012	995	-1.7%	2864	2917	1.9%
19	Poland	859	950	10.6%	2319	2717	17.2%
20	Iran	785	850	8.3%	2397	2472	3.1%

In million tonnes

Source IISI

China may tighten controls on economy

- 21 Apr 2007

According to a Wall street Journal report, China's GDP which is increased by 11.1% in Q1 raises new worries about excesses in an economy that has grown by more than 10% a year for four straight years. According to the report, the sharp rebound in China's economic growth this year displays the difficulty Beijing faces in setting the course of a vast, far flung nation and reignites debate on the best tools for guiding the world's 4th largest economy.

China's cabinet said that administrative restrictions on growth would be strengthened this year. Economists now expect it to accelerate increases in both borrowing costs and the level of the Yuan this year and failure to do so will only increase inflationary risks and worsen structural problems and tensions with the US and Europe.

Meanwhile, Chinese authorities have so far adjusted policies only very gradually and generally less aggressively than many outside analysts are advising. Key levers of economic policy, such as interest rates and the currency are at levels that stimulate economic growth rather than retard it.

Over the past 12 months, the central bank has raised benchmark borrowing costs by a total of only 0.81% point. But with interest rates so low small increases are unlikely to do much to deter borrowers from taking out new loans and standard rates at just over 6% are far less than the

average growth rate of the overall economy and corporate profits, giving companies and households plenty of reason to keep borrowing.

SteelBenchmarker reports partial softening in hot band

- 26 Apr 2007

SteelBenchmarker reported that the US HRB spot price for April 23rd 2007 dropped by 0.8% to USD 625 per tonne after 5 consecutive rises and the world export HRB price slipped by 0.3% to USD 589 per tonne FOB the port of export for the 2nd consecutive drop. Meanwhile the Chinese HRB ex works price rose by 1.8% to USD 448 per tonne for the 2nd consecutive rise and the Western European HRB price rose by 2.1% to USD 691 per tonne for the 10th time.

The 4 benchmark prices for HRB included in the April 23rd 2007 report are

1. US

USD 625 per metric tonne

Down by USD 5 per ton from USD 630 2 weeks ago

Up by USD 54 per tonne from the low of USD 571 on January 22nd 2007

Down by USD 73 per tonne from the previous high of USD 698 on July 24th 2006

2. World Export Price

USD 589 per tonne

Down by USD 2 per tonne from USD 591 2 weeks ago

Up by USD 90 per tonne from the previous low of USD 499 on December 11th 2006

Down by USD 21 per tonne from the peak of USD 610 on June 12th 2006

3. Western Europe

USD 691 per tonne

Up by USD 14 per tonne from USD 677 2 weeks ago

Up by USD 135 per tonne from the low of USD 556 on November 27th 2006

Up by USD 60 per tonne from the previous peak of USD 631 reached on July 24th 2006

4. China

USD 448 per tonne

Up by USD 8 per ton from USD 440 2 weeks ago

Up by USD 75 per tonne from the low of USD 373 on July 24th 2006

Down by USD 16 per tonne from the high of USD 464 on June 12th 2006

SteelBenchmarker publishes steel benchmark prices for HRB, cold rolled coil, rebar, and standard plate in the US, Western Europe, mainland China and the world export market every fortnight.

LME may launch steel contract in early 2008

- 26 Apr 2007

Mr Martin Abbott LME CEO said during a panel discussion at the Institute of Scrap Recycling Industries conference informed that the London Metal Exchange is still working out details of an over the counter steel contract and is now targeting 2008 for a likely launch. However, Mr Abbott added that "Although, there is an outside chance that we will be trading in late calendar 2007."

He said a specific steel benchmark product has not yet been decided upon, although hot rolled coil is among the products being carefully considered and that pricing will almost certainly be index based and regional in nature.

Mr Abbott indicated that "With HRC in particular, we find it very difficult to construct a physical delivery point contract. Physical contracts may well be global. On the other hand we think there is no point in forcing a global benchmark if the markets are really regional."

Previous indications by LME had indicated a launch within 2007.

Commodity price forecast from Access Economics

- 25 Apr 2007

According to an Access Economics report published Iron ore, ilmenite and thermal coal are expected to buck the trend of declining commodity prices over the next few years,

In its quarterly Minerals Monitor statement, Access found forecasters agreed that commodity prices will fall sharply in the medium term. The 11 forecasters surveyed for the report were also becoming more optimistic about long term commodity prices, with estimates revised upward by as much as 30% over the course of the last quarter. Commodity prices are expected to fall from current high levels as mining companies boost production. Over the next two years, the prices of cobalt, nickel, lead, tin and zinc are expected to post the biggest slumps. Beyond September 2009, the prices of nickel, copper, cobalt, tin, lead and zinc are expected to fall

Mr Chris Richardson Access director said. "The risks of a sharp fall in commodity prices are much larger than the risks of further strong and sustained increases. Although the consensus among forecasters is that the next two or three years will see prices drop back by about a quarter of their recent gains, the view on longer term prices is becoming ever more optimistic."

The price of lump iron ore was forecast to jump 18% to USD 1.05 a dry long ton unit in September 2009 from USD 0.89 per dry long ton unit in March. The price of fine iron ore was expected to rise 15% to USD 0.80 per dry long ton unit from USD per 0.70 dry long ton units in March. Iron ore prices are likely to fall from 2009 onwards but only from their forecast stellar highs.

Thermal coal is expected to post a more modest gain, with prices forecast to rise 4% to USD 49.9 per ton in September 2009 from USD 48 in March.

The price of nickel is forecast to fall 53% to USD 19,301.70 per ton in September 2009 from USD 40,966.50 per ton in March. Access said nickel prices had been pushed to a probable peak by increasing Asian demand for the metal, used to make stainless steel.

US rebar makers roll back price hike

- 19 Apr 2007

Platts reported that the 3 largest US producers of rebars Nucor, Gerdau Ameristeel and Commercial Metals Compant have independently notified customers in the past week that transaction prices for reinforcing bar will be reduced by USD 15 per short ton effective with shipments from April 12th 2007.

Market sources said the companies had previously raised rebar transaction prices by USD 55 per short ton on April 1st 2007. The price revision came as scrap prices plummeted by USD 40 to USD 50 per long ton over the past month.

The report cites a service center in North Carolina as saying that steel buyers had anticipated the price announcements. He said that the April 1st price hikes were unsustainable.

The report also mentions that in separate announcements, Nucor and Gerdau reduced transaction prices for merchant bar by USD 25 per short ton, also effective April 12th 2007.

MEPS forecasts the global steel price gains to be temporary

- 28 Apr 2007

US based MEPS said that steel prices are strengthening around the world but the gains may be temporary. A summary of their observations are given below for various regions.

MEPS reported that service centre inventories continue to come down in the US but the rate of decline has slowed and they remain above the desired level and only flat products transaction price hikes have worked their way into the market place. It added that real consumption has failed to recover and import competition continues to be low, due to the weak dollar and good demand elsewhere in the world.

MEPS said "Several factors including improving levels of demand, higher prices from importers and rising scrap costs have enabled the Canadian mills to lift transaction values once again. Service centre inventories are reducing quite quickly and only in the Ontario region are distributors reporting slower demand from the auto and manufacturing sectors. Import activity is unlikely to resume to any great extent in the near future."

MEPS added that Chinese suppliers are raising their export offers following the cuts in or abolition of the export rebate. It said "Sales are already quite brisk from auto, home appliance,

shipbuilding and machinery manufacturers ahead of what is traditionally the peak season. On the supply side, several domestic mills have announced planned maintenance schedules recently, which should help to keep supply and demand nearer in balance.”

It said that demand from the Japanese manufacturing sector remains buoyant and overseas consumption is also strong. Total domestic inventories of strip mill products held by steelmakers and service centers at end February, dropped by 2.4 % the first decrease in three months. They are now below the 4 million tonnes level which is considered appropriate. Quayside stocks lost 4.5% in the same timeframe.

South Korean sales remain dull and there is no shortage of supply. Inventory depletion in the distribution sector is still not in its final stages. A number of flat product prices have continued to escalate in Taiwan. However, this buoyancy may prove to be short lived. Export business is suffering as Chinese mills are gaining a large proportion of orders because they have a competitive price advantage. Meanwhile, in the home market, demand is solid from shipbuilders home appliance makers and construction.

The Polish economic situation is progressing well, creating excellent sales opportunities for the steel mills. In the Czech and Slovak markets, demand for flat products is extremely robust as industrial output continues to grow, partly due to very high levels of inward investment. In addition the neighboring economies of Germany and Austria are healthy. The price tendency is expected to be positive for some time. There is virtually no import pressure.

The majority of period two business has now been settled in Western Europe at higher prices. The mills' initiative was made easier by a decline in the number of competitively price third country offers. Nevertheless large quantities of material, ordered at the end of 2006, continue to arrive, particularly at the Southern ports. Domestic producers are already talking about further price rises in the third trimester.

Average nickel content in SS on decline – MEPS

- 03 May 2007

MEPS reported that higher nickel prices are prompting buyers of austenitic stainless steels to actively seek alternative grades or other materials and the benefits of life cycle costing are diminishing. MEPS said that much of the substitution is taking place within the stainless industry but coated carbon steels are under consideration.

MEPS said that the ferritic steel of type 430 is becoming much more popular and lower nickel grades of 200 series are also taking off as mills around the world are now heavily promoting these as alternatives to the austenitic grades.

MEPS said that the stainless industry has reached a watershed and strong growth is assured but will be mainly through the promotion of the 200 and 400 series grades if nickel stays at recent elevated levels.

Today's Headlines

[CVRD inks freight contracts for shipping iron ore to China](#)

[Mr Chavez calls Mr Rocca to curtail Sidor's exports](#)

[Ternium's Q1 net up by 29.4% YoY](#)

[Essar to fast track Algoma's expansion plans](#)

[CVRD forecasts low nickel inventories in 2007](#)

[Price of HRC in US drops by USD 10 per short tonne](#)

Other News...

[Mr Yanpei's address on obsolete steel capacity elimination in China](#)

[Outotec Oyj's interim report for January to March 2007 quarter](#)

[ChTPZ's Pervouralsk to add a finishing center](#)

[Comprehensive report on Indian steel sector](#)

[Aricom's study suggests 10 million tonnes from Garinskoye iron ore project](#)

[Eramet's Q1 nickle production down by 14.3% YoY](#)

[Malaysian Smelting Corp forecast lower tin output in 2007 due to limited feed](#)

[Independent body calls for a halting work on POSCO project](#)

[POSCO to increase electric steel production capacity by 2009](#)

[Gas explosion kills 15 miners at Pudeng Coal Mine in Shanxi](#)

[Bucyrus completes purchase of DBT for USD 710 million](#)

[TATA Steel inaugurates iron ore beneficiation facility at Noamundi](#)

[United Tractors acquires coal miner PT Dasa Eka Jasatama](#)

[Berong to set up a nickel project at Quezon in Palawan](#)

[Japan, US, China, India & South Korea to build emission free pilot power plant](#)

[JSL orders Sherman for a 4HI CR mill](#)

[EU slams Germany's plans to build lignite fired power plants](#)

[North American Galvanizing & Coatings's Q1 net up by 138% YoY](#)

[Construction begins on large coal mine in Xinjiang](#)

[Perilya forecasts longer lead zinc mine life at Broken Hill](#)

CVRD inks freight contracts for shipping iron ore to China

Companhia do Vale do Rio Doce announced that it had signed a 25 year freight contract with Bergensen Worldwide Bulk involving the construction of the four largest bulk cargo ships ever made.

The contract involves the construction of four very large ore carriers, each with a capacity of 388,000DWT, which will be the largest ore carriers in the world. The first of these ships should go into operation in the first half of 2011, contributing to the reduction of cost through economies of scale and minimizing CNF price volatility of its iron ore to China. In 1986 CVRD, with BW Bulk, had introduced the Berge Stahl at 364,000DWT, which is currently the largest ore carrier in the world.

CVRD has also entered into a separate contract wherein BW Bulk will convert a very large crude carrier into a very large ore carrier. The converted VLOC will commence service in 2008 on the Brazil to China shuttle service.

CVRD also said that it had signed a second contract lasting 20 years, with Nippon Yusen Kaisha of Japan involving the construction of a ship with a 300,000DWT the delivery of which is scheduled for 2011.

CVRD's initiatives are focused on the development of a dedicated shuttle service to carry iron ore from Brazil to China.

[Top](#)

Mr Chavez calls Mr Rocca to curtail Sidor's exports

- 07 May 2007

Venezuelan president has slammed Sidor for selling bulk of its output overseas, forcing local producers to import and has threatened to expropriate company if it resists orders saying that Venezuelan industry should be given priority. Earlier last week, Mr Chavez warned he could nationalize Sidor and private banks if they failed to change what he called unscrupulous business practices that harm local industries.

Mr Chavez at a news conference on Saturday said "We are going to pass a law, Rocca. We are going to force you to supply, first and foremost, the Venezuelan domestic market before you take the steel to other countries. If you do not agree, give it to me. I will grab your company. Give it to me and I will pay you what it is worth. I would not rob you." Mr Chavez said he has summoned Mr Paolo Rocca chairman of Ternium from Buenos Aires for talks.

Ternium Sidor produces steel necessary for tube manufacturing and ships it to a group of companies. This action seems to be prompted by reactivation of the Invetubos located in Carabobo state, which manufactures tubes for the oil industry. The company has been closed for 11 years but a group of traders recently purchased 55% of the plant and began production after investing USD 9.7 million. Employees own 45% of the company. State oil company PDVSA purchases Invetubos' output.

Sidor's parent company, Luxembourg based Ternium SA, is controlled by conglomerate Techint

Group of Argentina. Sidor was privatized in 1997 and is Venezuela's largest steelmaker with average liquid steel production of 4.2 million tonnes per year. The Ternium steel group holds a 59.75% share in Sidor, the Venezuelan state controls 20.36% through state heavy industry holding company CVG, and employees own the remaining 19.91%.

[Top](#)

Ternium's Q1 net up by 29.4% YoY

- 07 May 2007

Ternium SA last week announced its results for the first quarter ended March 31st 2007 in accordance with International Financial Reporting Standards.

Its net sales increased 17% during the first quarter 2007 compared to net sales in the first quarter 2006 as a result of an 11% increase in shipments and 6% increase in revenue per ton. During the first quarter 2007, operating income was 6% higher than it was in the first quarter 2006. This was due mainly to higher shipments and steel prices, partially offset by higher raw material and labor costs.

	Q'06	Q1'07	Change	Q4'06	Change
Shipments	2.2	2.5	11.0%	2.1	16.0%
Net Sales	1,531.0	1,798.3	17.5%	1,586.5	13.4%
Operating Income	392.5	415.4	5.8%	259.2	60.3%
EBITDA	500.5	530.7	6.0%	376.8	40.8%
EBITDA Margin	33%	30%		24%	
Net Income	194.5	251.6	29.4%	158.2	59.0%

Shipment in million tonnes
Others in million USD

Net sales for the first quarter 2007 increased 17% to USD1.8 billion compared with the same period in 2006 mainly due to higher demand and prices in Ternium's core markets.

	Q1'-6	Q1'07	Change
South & Central America	692.7	821.8	18.6%
North America	491.2	522.5	6.4%
Europe & other	14.5	48.7	235.9%
Total flat products	1,198.5	1,392.9	16.2%
South & Central America	121.3	164.9	35.9%
North America	161.3	192.9	19.6%
Total long products	282.6	357.7	26.6%
Total flat and long	1,481.0	1,750.7	18.2%
Other products	49.9	47.6	-4.6%
Total Net Sales	1,531.0	1,798.3	17.5%

In USD million

Other products include iron ore and pig iron.

Shipments of flat and long products reached 2.5 million tons during the first quarter 2007, an

increase of 11% compared to shipment levels in the first quarter 2006, as a result of higher demand in most of Ternium's markets. Revenue per ton shipped increased 6% to USD 701 in the first quarter 2007 versus the same quarter in 2006.

	Q1'06	Q1'07	Change
South & Central America	1,045.3	1,111.8	6.4%
North America	642.3	698.4	8.7%
Europe & other	26.6	82.7	210.9%
Total flat products	1,714.2	1,892.9	10.4%
South & Central America	237.3	292.8	23.4%
North America	296.5	313.3	5.7%
Total long products	533.8	606.1	13.5%
Total flat and long	2,248.0	2,498.9	11.2%

In 10,000 tonnes

The main investments made during the first quarter 2007 were: the upgrading of the hot strip mill in Mexico; the relining of one of the blast furnaces and the construction of new coking facilities in Argentina; and the construction of a new ladle furnace in Venezuela.

Ternium is one of the leading steel companies in the Americas, producing a wide range of flat and long steel products. With operations in Mexico, Argentina and Venezuela and 18,000 employees, Ternium had net sales of USD 6.6 billion and a production of 9 million tons of finished steel products in 2006.

[Top](#)

Essar to fast track Algoma's expansion plans

- 07 May 2007

Canadian media reported that a small Algoma delegation is bound for Mumbai this week to begin preliminary discussions on how best to integrate Algoma with Essar Steel. As well, previously announced projects and strategies by Algoma are being accelerated. The vision is to increase annual shipments from the current 2.4 million ton level to 4 million tons, possibly 5 million tons further down the road.

Mr Denis Turcotte president & CEO of Algoma in a teleconference with local media last week to discuss recent Q1 performance said "Essar is pretty well aligned with our five year capital plan for growing the business, a significant investment into expansion and they want us to implement it quicker than initially proposed. We had advised the board of directors that we would complete expansion over five to seven years but Essar would like it completed in three to five years. Ownership has the last say on how and when to move forward."

Mr Turcotte added that "Essar has massive corporate resources that we could tap into if they want to accelerate the process. The real work will be integration so that both sides are getting the full benefit of the relationship. We need to develop an edge on the competition and we feel that opportunity's there through Essar's massive resources."

Algoma's plan called for capital investment of more than USD 500 million to significantly increase production, into product diversification and infrastructure such as mill upgrades. As per report, an Essar information technology team is expected to visit Algoma in the near future to assist in remedying problems plaguing the Algoma's investment into business system renewal.

Essar Global Ltd's CAD 1.85 billion cash offer for the Algoma is yet to get two third shareholder approvals at next month's annual general meeting.

[Top](#)

CVRD forecasts low nickel inventories in 2007

- 07 May 2007

CVRD, despite slowing stainless steel production growth and increased production of nickel pig iron in China, said that "We estimate that the growth in nickel supply will be sufficient only to meet the increase in consumption, with nothing available for the necessary replacement of inventories."

CVRD added that "Stainless steel production growth is expected to slow to 7% in 2007 from 16% 2006 but demand for nickel for other applications coming from the oil and gas industries, aerospace and batteries holds firm, and no sudden changes are expected."

Price of HRC in US drops by USD 10 per short tonne

- 07 May 2007

Platts reported that the psychology of the HR coil spot market may be turning in favor of steel buyers as the price of HRC was off at least USD 10 per short ton to a range of USD 550 per short ton to USD 560 per short ton or a midpoint of USD 555 per short ton for 1,000 short ton to 3,000 short ton orders.

The report adds that the previous high end of the range of USD 570 per short ton is now being quoted for smaller orders of about 500 short tons. There were even some one off, bargain deals reported in the USD 520 per short ton to USD 540 per short ton range but these were for big tonnage orders in excess of 10,000 short tons in some cases.

While, scrap price in the US has declined for the second successive month this week, dropping by more than USD 60 per long ton on the heels of a scrap price decline last month of at least USD 40 per long ton. Another key factor, demand from end users in the US is frail. According to another source, the soft orders reflect the lack of strength from key demand drivers. US GDP growth is so so, the auto market is lousy and housing's just plain bad and almost all the major sectors are down.