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13.06.2016 News Brief

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China's daily crude steel output retreats in May | View Clip
13/06/2016
Steel First
China's daily crude steel output retreated in May after April's record high, tracking the decline in prices, according to data from the National Bureau of Statistics.

The country produced 70.5 million tonnes of crude steel last month, up 1.8% on the year, the statistics published on Monday June 13 showed.

This translates to an average production rate of 2.274 million tpd, down 1.7% from April's all-time high of 2.314 million tpd.

The steel market turned around in May after a robust March-April, with participants worrying that high operating rates would lead to an oversupply during the slow June-August season.

Rebar prices in east China were at 2,770-2,810 yuan ($422-428) per tonne at the beginning of May, but by the end of the month, they had fallen to 1,980-2,030 yuan ($302-309) per tonne, according to Steel First's price archive.

China has produced 329.95 million tonnes of crude steel over the first five months of this year, down 1.4% from the corresponding period of 2015, according to NBS data.

Its finished steel output rose 1% on the year to 458.54 million tonnes over the same period, the figures show.

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China's Crude Steel Output Rises in Teeth of Trade Tensions | View Clip
13/06/2016
Bloomberg News

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China's crude steel output climbed in May as the world's biggest producer continues to churn out supply in defiance of complaints that it's swamping the global market.

Output rose to 70.5 million metric tons, up 1.8 percent from a year earlier and 1.6 percent higher than April, the National Bureau of Statistics said Monday. The figure is just below March's record 70.65 million tons and brings the total for the first five months to 330 million tons, down 1.4 percent on year. China accounts for about half of global supply for the metal used in everything from cars to skyscrapers.

Steel prices in China flipped from bull to bear market in May following a 29 percent slump in the Shanghai benchmark for reinforcement bar from its April high. The collapse came after regulators and exchanges stepped in to cool excessive speculation and supply expanded as mills fired up capacity to capture thicker margins.

“Many mills have brought back idled capacity or simply expanded existing production to take advantage of good profits in previous months,” said Xu Xiangchun, chief analyst at Mysteel Research in Beijing. Those steelmakers aren't able to immediately dial back production, according to Lv Xiaohua, analyst at BOCI Futures Co., and “output will remain at elevated levels for some time as long as mills have positive cash flow,” she said.

Trade Barriers

China's fading infrastructure boom has left it saddled with too much capacity after decades of rapid growth. While production last year shrank for the first time since 1981 as demand contracted, supply still far outstrips domestic needs.

The nation is exporting its surplus at record rates, drawing the ire of international rivals.

Competitors from India to the European Union have raised trade barriers and in recent weeks China's industrial overcapacity has been singled out as a global problem and provoked criticism from Japan's Prime Minister Shinzo Abe and U.S. Treasury Secretary Jacob J. Lew.

Premier Li Keqiang said conflict over China's steel production has been blown out of proportion, after meeting with German Chancellor Angela Merkel in Beijing on Monday, adding that the nation doesn't want a trade war.

Capacity Cuts

China has pledged to reduce capacity by as much as 150 million tons through 2020. Cutting capacity to moderate production remains a long-term effort, said Sheng Laiyun, a spokesman for the statistics bureau, at a briefing after the data was released.

Aluminum production in China rose to 2.68 million tons last month from 2.57 million tons in April, and 2.67 million tons a year ago, according to the data. Output declined 1.7 percent in the first five months to 12.62 million tons.

Chinese smelters, which had pledged to slash production to bolster prices, are bringing back idled capacity after prices rebounded this year. With most producers in the world's largest supplier enjoying solid margins, output growth will accelerate to 4 percent year-on-year in the second half, Goldman Sachs Group Inc said in a report earlier this month.

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Pressuring China on 'excess steel capacity' is unfair | View Clip
12/06/2016
Xinhua News Agency - New York Bureau
Some Western countries have pressured China hard lately on the excess capacity in its steel sector, hoping to protect their self-interests and gain more in trade negotiations with China. Whatever interests they pursue, they should be fair-minded.

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Excess capacity as an economic term should not be abused. In almost all markets, it is natural for enterprises, especially profitable ones, to maintain some extra capacity. The reason is demand tends to fluctuate over time, and that they want to capture as large a share of the market as they can and make the most when still better time comes.

The huge steel capacity the world has today was spurred by a strong demand in the earlier booming cycle -- both in China and across the world. Many of the steel firms, including those in the United States and Europe, as well as the iron ore exporting economies, benefited from the boom.

At the development stage back then, the Chinese economy happened to be an important driver. But it is nothing to be ashamed of. China's housing market took off in the early 1990s and almost all the 1.3 billion people in the country were housed properly within 20 years.

Even as the rest of the world fell into an economic downturn, the housing demand in China persists, though its growth has been slower. This is mainly because China has a shortage of infrastructure.

Should China be blamed for increasing spending in infrastructure at a time of external economic downturn? In truth, such investment in infrastructure not only helped cushion China from the shock of a sharp slowdown in external demand, but also helped the world economy by contributing demand and growth that the world desperately needed. And most importantly, there was a solid infrastructure demand.

The market cycle is unstoppable. The lower housing demand in China unfortunately coincides with the prolonged sluggish growth across the major advanced economies.

China did not specifically choose to support the steel sector when it increased fiscal spending amid the downturn. Rather, its steel sector expanded thanks to advantages in terms of cost and closeness to the market as well as the strong profitability.

Excess capacity, or rather a weak demand, is a shared challenge. World economies should make concerted efforts to solve it instead of pointing fingers at any one in order to create a pretext for practicing protectionism.

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China investment growth slowest since 2000 | View Clip
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FT.com

Fixed-asset investment in China grew at its slowest rate for 16 years in the first five months of this year, as private companies held off spending and left the state sector to keep the economy humming.

The figures could weigh on China's ability to hit its economic growth in line with its annual target this quarter. Beijing targets average annual economic growth of 6.5 per cent until 2020, and reported 6.7 per cent year-on-year growth in the first quarter.

Fixed-asset investment grew 9.6 per cent in the first five months of the year against the same period in 2015. The slowdown, to its lowest level since 2000, was led by the private sector, where investment grew by a meagre 3.9 per cent against 23.3 per cent for the state sector.

“The continued deceleration of private sector investment means the risk is growing that as policy support wanes, the economy could face another downturn,” wrote Julian Evans-Pritchard, China economist at Capital Economics.

Meanwhile, industrial production rose 6 per cent year on year in May, unchanged from April, while retail sales growth slipped to an annual rate of 10 per cent in May from 10.1 per cent in April. Real estate investment decelerated to 6.6 per cent annual growth from 10.3 per cent in April.

Private entrepreneurs' lack of enthusiasm weighed on the housing market, which is struggling to work

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through the ranks of empty apartment blocks in provincial cities and county towns. Property sales have slowed in recent weeks after sharp rises in the largest and most sought-after cities in the first quarter.

“This figure suggests that the tightening measures by the policymakers, such as window guidance towards property-related lending, are starting to bite,” said Raymond Yeung, analyst with ANZ Bank.

In a sign of weak future demand from the construction sector, cement output rose 3 per cent in May. Steel output rose 2 per cent. Despite an eye-catching run-up in steel prices this spring, steel output for the first five months of the year is still lower than it was in the same period last year.

Other industrial sectors plagued by overcapacity fared worse. Coal output dropped nearly 17 per cent in May against the same month last year as thermal power plants curbed output more than 6 per cent and hydropower use soared. Power plants also chose to import cheaper, better-quality coal, further denting demand for coal from uncompetitive domestic mines.

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US mill shipments flat in April | View Clip
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Platts - Online
US mill shipments were flat month on month in April, increasing only 0.03% from March to 7.38 million st, according to American Iron and Steel Institute data.

Shipments during the first four months of 2016, at 28.8 million st, are down 0.7% from the same period last year.

Hot-rolled coil shipments increased 2.2% month on month to 1.87 million st in April, while cold-rolled coil shipments increased 1.9% to 965,616 st. Hot-dip galvanized sheet and narrow strip shipments fell by 2.4% to 1.35 million st.

Oil country tubular goods shipments increased 7.1% month on month to 66,947 st and rebar shipments increased 4.3% to 536,216 st.

Cut-to-length plate shipments fell 2.19% to 524,840 st.

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GCC countries may ban imports of Iranian steel | View Clip
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Platts - Online
GCC countries may ban the importation and transit of Iranian goods, Platts learnt from the Iranian Steel Producers Association, which cited comments attributed to the Bahrain Chamber of Commerce & Industry. No official statement has been published but there are no direct exports to Bahrain and Saudi Arabia taking place in the current month.

GCC prohibitions on imports from Iran (plus transit of Iranian goods) is possible, but has not been agreed by the UAE and Oman, Keyvan Jafari Tehrani, board member and head of international affairs of the Iranian iron ore producers and exporters' association (IROPEX), said in Tehran Thursday.

It was suggested by Saudi Arabia and Bahrain is following. It has almost been accepted by Kuwait and Qatar and if accepted by Oman and the UAE it could decrease some 50% of Iranian export sand re-exports, he added.

An Iranian trader in the UAE said that an Iranian import prohibition is not very likely to happen because there is reasonable trade going on between Iran and the GCC, especially with the UAE and Oman.

Iran previously imported pellet from Bahrain but no longer does so, possibly because of political

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conflict between the two countries, a Dubai-based trader said.

The GCC includes six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. Iranian steel producers make regular exports to Oman, Qatar, Kuwait and the UAE, but there are no direct exports of steel from Iran to Bahrain or Saudi Arabia according to Iranian customs statistics.

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Call for mechanical engineering AD duty against China: VDMA | View Clip
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Platts - Online
Germany's mechanical engineering federation VDMA warned of cheap mechanical engineering imports from China and called for anti-dumping measures in a statement sent to Platts Friday. It also called for "fair" foreign investment conditions in the country.

"The mechanical engineering industry has not been very active yet as a claimant in anti-dumping cases, because it still has a technological lead. In light of developments in China and existing overcapacity in several engineering sectors, however, this will change in the future," said Ulrich Ackermann, head of foreign trade at VDMA. He said Europe should still have measures to "protect" itself from cheap Chinese imports regardless if the EU grants China market economy status in December.

The VDMA also urged Chancellor Angela Merkel, who is currently in Beijing, to make a case for foreign investors and promote Chinese market deregulation. "China is still sealing its market off for foreign investors, especially in key industries," said Ackermann, highlighting that, while Chinese companies are currently investing heavily in Germany the same should be possible in China without disadvantages to the former.

Germany and China have a close trading relationship. Last year, China was the second most important export destination for German companies, whereas China tops the list of mechanical engineering imports into Germany.

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UK steel buyers using euros to abate Brexit forex risk | View Clip
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Platts - Online
Procurement departments at a number of UK stockholders and service centres are paying continental suppliers in euros as Brexit speculation continues to cause havoc in sterling trade.

Many of the polls being released of late suggest the United Kingdom will vote to leave the European Union -- this has contibuted to the sterling dropping in value against the euro to €1.27 at the time of writing, from €1.32 at the end of May.

As a result, at least one major continental supplier has started servicing customers in euros as buyers have seen their margins eroded by the drop in the pound, which makes imports more expensive.

A stockholder said some buyers accepted currency fluctuations as part of the risk of importing, while others fixed the exchange rate on the day of purchasing. “We buy in sterling on that day and the price is fixed. I can imagine that the people buying in euros would be some of the big spot guys operating on the slimmer margins."

The political situation has played a significant role in the steel sector, with many blaming the slowdown in economic growth -- and therefore steel demand -- on uncertainty over Britain's place in the trading block.

"End user volume requirement has calmed down because of Brexit slowing down demand. But also, we're not a million miles away from the holiday period," a UK trader said.

Elsewhere, the politics surrounding Brexit saw the UK government leap to action to aid Tata Steel in

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the sale of its remaining UK business.

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China's ship-breaking industry swimming through troubled waters | View Clip
13/06/2016
China Daily (U.S. Edition)
China's ship-breaking industry is feeling hemmed in by low steel prices, scrap oversupply and green production methods

In 2014, the ship recycling industry was grey; it turned black in 2015; but, this year, it will go blood red.

That's not a dramatic line from a Hollywood take on some imminent industrial tragedy. It's the writing on the wall that workers of Zhoushan's ship-breaking yards in East China's Zhejiang province cannot escape but notice.

The room for profit will continue to be squeezed this year by declining steel prices and the high cost of environment-friendly ship-breaking methods. Yet, pain will come despite favorable policies of the past three years to encourage higher ship-breaking in response to overcapacity and sluggish global trade.

The ship-breaking industry supplies raw materials to infrastructure projects in a number of sectors such as hydropower, housing, bridge and railway construction, particularly in developing countries. The process starts when scrap-yard owners buy ships from owners.

To help China's shipping companies reduce the pressure caused by overcapacity over the past four years, the central government issued a subsidy policy to encourage the nation's shipping companies to reduce the number of aging vessels and replace them with technically advanced vessels in 2013.

Owing to complex global market conditions that continued to pose challenges to domestic shipping, shipbuilding and ship-breaking companies, this policy had been extended in June last year till Dec 31, 2017.

China, therefore, will keep offering cash subsidies of 1,500 yuan per gross metric ton to shipping companies that scrap their vessels before their operational expiry dates.

Ship owners such as China COSCO Shipping Co or Sinotrans & CSC Holdings Co are entitled to receive 50 percent of the cash subsidies upon scrapping their vessels and the other 50 percent when a new replacement vessel is built. The owners of all aging ships scrapped between 2013 and 2017 qualify for subsidies.

Zhang Yongfeng, deputy director of the market research office of the Shanghai International Shipping Institute, said Chinese ship-breaking yards have been adopting new technologies to carry out their work, which involves higher costs for equipment, materials, storage and workers' protective wear.

Compared with China, other major ship-breaking countries such as Turkey, India and Bangladesh are still relying on manual methods and outdated equipment to dismantle ships. Many scrap vessels are even dismantled on beaches.

Zhang suggested the government should consider offering more encouraging policies, such as tax cuts or financial help to those buying steel-cutting equipment or materials, as many ship-recycling companies bear heavy financial burdens in operating their businesses in an environment-friendly manner.

"It was like riding a roller-coaster," said Yang Jianchen, general manager of Zhoushan Hongying Shipbreaking Co. "The period between 2006 and 2013 was good for the industry. The decline in global steel prices including scrap has pushed many ship-breakers in Zhejiang into the red."

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Yang said since China's steel products are being shipped to many developing countries such as India, Brazil, South Africa and Turkey at lower prices now compared with previous years, it has pulled down the price of their domestically made steel products. It has also affected scrap prices at the yards.

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China pledges to cut steel glut, avoid race to devalue yuan | View Clip
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New York Times, The
China promised to rein in production of steel that is flooding global markets and work with Washington to enforce North Korea nuclear sanctions, as high-level talks between the superpowers ended Tuesday with no announcements of progress on simmering disputes in the South China Sea.

Envoys from the two sides also didn't agree on what to do about China's aluminum producers, among the bloated industries Washington and other trading partners complain are dumping exports too cheaply, hurting foreign competitors and threatening jobs.

The two-day annual Strategic & Economic Dialogue concluded with both sides acknowledging disagreements on significant issues including human rights. But the world's biggest economic powers repeatedly stressed their desire for friendly, productive relations.

"While efforts over the past several days cannot resolve our concerns, they do represent real progress," U.S. Treasury Secretary Jacob Lew said.

For its part, Washington vowed to boost its savings rate and investment, especially in infrastructure. The American side said it would pursue "fiscal sustainability," a reference to narrowing its yawning budget deficits.

China's commitment to persist with reforms to make its economy more balanced included shrinking its vast steel industry and opening its financial sector wider to U.S. companies, Lew told reporters.

Commercial tensions are growing. The U.S. and other countries feel Beijing has responded to a glut of unneeded supply by encouraging low-priced exports.

China's government announced plans this year to shrink state-owned steel and coal producers at a cost of millions of jobs. But that will take time, and the flood of low-cost steel has prompted protests by European steelworkers and was cited by Tata in its decision to sell money-losing British operations that employ 20,000 people.

Washington has imposed anti-dumping tariffs and is investigating if Chinese mills are using stolen U.S. technology. The European Union has launched its own probe into possible dumping.

Lew cited some action from Beijing to address the concerns. Beijing, he said, promised to avoid policies that might encourage steel production growth and to wind down financially moribund "zombie companies. He said Chinese officials also agreed to cooperate in a possible global steel forum to discuss industry issues.

There was no indication, however, that Beijing would change the pace of its overhaul, highlighting the limited impact of U.S. pressure on basic Chinese policies.

On Monday, the Chinese finance minister, Lou Jiwei, said expectations that Beijing could abruptly transform its industry were unrealistic.

"To some extent, the worst is over," said Tian Yuan, an economist for the China Institute for Strategy, a Beijing research center. He predicted continued progress by Beijing to reduce excessive capacity.

Beijing also agreed for the first time to allow U.S. banks to join the growing number of institutions outside China that are allowed to clear transactions denominated in the country's tightly controlled

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currency, the yuan.

And Chinese officials indicated no push for a sustained weakening of the yuan against the dollar, Lew said, adding that they also indicated they wouldn't engage in "competitive devaluations" or use the exchange rate to help China's exporters.

On the strategic side, U.S. Secretary of State John Kerry pointed to scant concrete progress on sensitive issues ranging from maritime security to North Korea.

A joint statement didn't even mention the South China Sea, where China and its neighbors have conflicting claims to territory and possible oil and gas resources.

"We didn't agree on everything," Kerry said. Still, the top American diplomat emphasized the importance of cooperation, saying the U.S. and China had probably "the most consequential bilateral relationship of nations in the world."

Chinese President Xi Jinping echoed that theme.

"Our common interests outnumber our differences," Xi told Kerry, Lew and other U.S. officials. "We need to respect each other's core interest and major concerns, and on that basis try to work together to seek solutions."

On North Korea, Kerry said U.S. and Chinese experts would study how to enforce U.N. anti-nuclear sanctions approved in response to the North's development of nuclear weapons and missile technology.

In the South China Sea, Kerry appealed for negotiations and "a peaceful resolution based on the rule of law." Just last weekend, Beijing said it would ignore an upcoming international arbitration decision in a dispute with the Philippines. China also has conflicting claims with Vietnam, Malaysia, Brunei and Taiwan.

State Councilor Yang Jiechi said Beijing wants to solve disagreements through negotiation among "the countries involved." That would exclude the United States.

"China has every right to uphold its territorial sovereignty," Yang said.

Human rights also were a focus.

American officials said significant time was devoted to a new law on nongovernmental organizations, which could severely limit the operations of foreign business chambers and groups helping lawyers and activists in China.

It puts foreign NGOs under direct police supervision and requires them to state where their money comes from and how it is spent. Those deemed to be subverting the state would be banned.

Kerry said he received assurances from Xi that China would remain open for business, and would continue opening itself up to the outside world. "We have to sort of show some patience," the secretary said.

Yang said the law would protect the "legal rights and interests" of nongovernment groups.

"As long as they abide by Chinese laws, the activity of foreign NGOs in China will not be affected," he said.

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Mitsubishi Heavy Seeks Cost Cuts at Steel Venture With Siemens | View Clip
13/06/2016
Bloomberg News

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Mitsubishi Heavy Industries Ltd., maker of everything from submarines to nuclear reactors, is seeking to cut costs at its steel-making equipment venture with Germany's Siemens AG in the face of a contracting market.

Primetals Technologies Ltd., 51 percent-owned by the Japanese company, faces intensifying competition due to a glut of steel on world markets. The venture, formed in January last year by the merger of Mitsubishi Heavy and Siemens' units, will speed up integration as its reviews overlapping production and engineering sites, said Executive Vice President Kazuaki Kimura.

“Tough times will give us a chance to make a drastic change in the business structure,” Kimura said at a briefing late Friday.

Slower economic growth in China, maker of half the world's steel, has cut domestic demand and forced mills to export their surplus, eroding profits worldwide. The global market for steel equipment contracted to 2 trillion yen ($18.8 billion) in the year ended March, from 2.4 trillion yen a year earlier, according to the Tokyo-based company, which warned that it's unable to predict when demand will pick up.

Primetals is one of the top three producers of steel-making equipment with a global share of 11 percent, according to Mitsubishi Heavy. Siemens' 49 percent stake allows it to sell products, such as electric furnaces and casting equipment, though Asia, including Japan, where the German company hadn't had a presence prior to the venture.

Although partners in steel-making, the two firms compete in the power-equipment market, from which Mitsubishi derives about half of its operating income. The Primetals' integration will involve about 1,000 job losses, cutting the workforce to around 7,000, Mitsubishi Heavy reiterated Friday.

While the Japanese company expects mid and long-term growth in the steel-making equipment market, it's unable to foresee when the rebound might occur, Kimura said. “Steel is the foundation of industry and undeveloped and developing countries will need the metal. We'll await for a recovery of the market,” he said.

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Voestalpine confirms HBI supply deal from US plant to Big River Steel | View Clip
13/06/2016
Steel First

Voestalpine has signed a four-year deal to supply hot-briquetted iron (HBI) from its 2 million-tpy Texas plant to new US steelmaker Big River Steel, the Austrian company said on Monday June 13.

At the start of last week, US-based investment bank Jefferies noted that Voestalpine had completed offtake agreements for 1.2 million tpy of its future HBI production from its Corpus Christi plant in Texas.

"The new order not only underscores the growing market position of the Voestalpine Group inside the [North America Free Trade Agreement (Nafta)] zone, it also secures full capacity utilisation of the direct reduction plant, even before it is put into operation," Wolfgang Eder, Voestalpine's chairman, said.

Big River Steel is building an "ultra-modern" steel mill, at Osceola in the neighbouring state of Arkansas, which will produce sophisticated flat-rolled products and will take annual deliveries of up to 240,000 tonnes of HBI from Voestalpine from 2017 onwards.

The new mill is located on the Mississippi river, enabling "highly efficient and cost-effective" delivery that requires no reloading en route, as Voestalpine's HBI plant is located on the coast in the Gulf of Mexico.

"These seamless logistics mean continuous deliveries of the high-quality [raw] material, [will ensure] that we can meet our customers' exacting demands over the long term," David Stickler, ceo of Big

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River Steel said.

Voestalpine has also agreed HBI supply deals with, among others, Mexico's Talleres y Aceros (Tyasa) and Altos Hornos de México (Ahmsa) – tying up 60% of the Texas plant production.

The remaining 40%, or 800,000 tpy, will be shipped to the steelmaker's Austrian plants in Linz and Donawitz.

The Texas HBI plant is in the final stages of construction, including final assembly of electrical, electronic, piping and conveying systems, with a run-up phase scheduled for the coming months, Voestalpine said.

The plant's completed seaport saw its first 100,000 tpy shipment of iron ore pellets, from Brazil, unloaded at the end of April.

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Buy low, sell high - and this mine investor shows how | View Clip
12/06/2016
Sydney Morning Herald Online, The
He's built one mining company from scratch, which was sold five years ago to Rio for $4 billion, personally pocketing more than $66 million in the process. Now he wants to do it all over again.

The last time it was coal in Mozambique when Michael O'Keeffe, the former boss of Glencore Australia who cut his teeth working in Mt Isa, built Riversdale Mining from a micro cap into a $4 billion purchase for Rio for at the peak of the coal market.

Now, he's shifted commodities and continents, to iron ore in eastern Canada, where mines are closing amid a pervasive global glut. And along the way, the rusted-on Cowboys NRL supporter has warmed to the local ice hockey.

O'Keeffe was parachuted into Mamba Minerals in mid-2013, a mining tiddler with its foot on some iron ore acreage in eastern Canada. By year's end, it had merged with a Canadian outfit, Champion Mines, which had promising acreage in the same neighbourhood of northern Quebec and, more recently, he bought an idled mine from Cliffs, Bloom Lake, as he takes advantage of the iron ore downturn to snap up assets ar firesale prices.

Cliffs paid $C4.9 billion for Bloom Lake at around the same time as Rio paid top of the market prices for the Mozambique coal project from O'Keeffe's Riversdale, going on to spend another $C600 million on upgrades before it collapsed.

In what could prove to be a deal of a lifetime, O'Keeffe paid just $C10.5 million for a project the previous owners had invested more than $C5.5 billion on. But now he faces the hurdle of halving production costs and getting it back up and running, with a target for first shipments by the end of 2017, if the story is to have a happy ending.

"The hard yards is grabbing hold of the project," O'Keeffe said. "It took two years of circling, trying to line up the opportunity. It was a long journey."

When Cliffs bought Bloom Lake, the price of iron or, it needed a margin of $US125 a tonne to survive, given the huge amount borrowed to buy the project.

"It was never going to work with those sorts of numbers," O'Keeffe said.

Without the heavy debt burden, this gives Champion, along with the Quebec government, which has also taken equity in the project, a leg up, but the hard work has only just begun. Access arrangements to the rail link to get the ore to the port the Gulf of St Lawrence and then loaded onto vessels are yet to be finalised, for example. The government has also bought port facilities there, which should also help with the export logistics.

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Bloom Lake can never compete with Australia and Brazil, which export hundreds of millions of tonnes of iron ore annually. But its edge is a higher quality product – 66 per cent iron compared with 62 per cent or less for Australian iron ore exports – coupled with lower impurities such as alumina, which gives it entre to some countries in north Asia such as Japan, Taiwan and Korea, which are shifting to produce higher quality steels and want higher quality iron ore.

Additionally, Cliffs was achieving recoveries of less than 70 per cent at the processing plant at the Bloom Lake works, rather than the 80 per cent or better sought by O'Keeffe.

Reducing mine production costs, much of which rests on lifting the operating rate on the processing plant coupled with changes to the mine plan are central to getting the mine back in operation at a rate where it could be profitable. Under O'Keeffe, Bloom Lake is looking at shipping around 7.5 million tonnes of ore annually.

Riversdale was a disastrous deal for Rio Tinto; it paid $4 billion in 2011 for assets it sold soon after for just $US50 million, having having misread the outlook for coking coal, the quality of the resource and the Mozambique government's willingness to let Rio barge the output down the Zambezi river.

For his part, O'Keeffe has blamed Rio for its failure to win government support to barge coal from the mine, with the government there insisting the ore be railed out.

And O'Keeffe also has Rio as a near neighbour in Quebec. Rio is working in the same area, the Labrador Trough of northern Quebec through Iron Ore Co of Canada, an 18 million tonne a year operation it manages and has a controlling 58.87 per cent stake in.

For O'Keeffe, helping him along the way in his switch to iron ore in Canada has been the active involvement of the government.

"The catalyst was the government coming in," O'Keeffe said, at a time when "everyone's closed the books on iron ore".
The government involvement also helped to encourage two private equity investors – Wynnchurch and Resource Capital Funds to also commit funds to a recent $C30 million placement by Champion to part-fund the Bloom Lake purchase.

Cliffs Natural Resources unit Cliffs Quebec Iron Ore, which held Bloom Lake and associated assets, collapsed in mid-2015 due to the units chronic losses, opening the door for O'Keeffe to swoop.

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India's Gupta group eyes Australian coking coal assets | View Clip
12/06/2016
Sydney Morning Herald Online, The

Liberty House Group, which wants to buy the British assets of Tata Steel, has its eye on other steel plants in the U.S., Africa and India if the Tata deal doesn't happen, executive chairman Sanjeev Gupta said - including coking coal assets in Australia.

Liberty and other companies belonging to the Gupta Family Group are looking for acquisitions and it plans to list some assets to expose itself to the rigorous governance demanded of public companies, Gupta, who is co-owner of the group, said.

"We are discussing various alternatives but something within the group will be listed within the next 12-18 months," he said. "It's ambitious but that's what we're going to try to do," he said. He did not say where the group planned to list.

Gupta group companies are particularly interested in turnaround assets, Gupta said.

"Whatever we have bought so far has been cheap and we've managed to turn them around," he said.

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"Every single one of our peers is out there trying to deleverage, dumping high-quality assets into a market that doesn't want to buy them," chief investment officer Jay Hambro said.

Liberty is one of a number of companies that have put forward offers to buy Tata Steel's loss-making UK operations, whose steel industry has been hit by cheap Chinese imports, high energy costs and a global supply glut.

"If it happens then for the short to medium term we would be focused on the UK. But if it doesn't happen then we have a few options in the U.S., in Africa, again India where we are looking at opportunities," Gupta said, referring specifically to steel plants.

Liberty and its sister company SIMEC each have assets worth about $US400 million, with no long-term debt, and the group also includes an investments arm worth a further $US200 million, Gupta said.

GFG agreed late last year to buy Britain's Tungsten Bank for about £30 million ($60 million).

"It's somewhat of a distressed asset that we will completely reinvigorate and launch as a specialist trade finance bank," said Hambro.

SIMEC, which has energy, mining and infrastructure assets, is also looking at coking coal assets in Australia, Gupta said. SIMEC is planning a major expansion of its European trading operations.

"The UK and Europe is the first place - but it's not the only place. We'd look at Asia, Middle East, Africa, even America," Gupta said.

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Scrap realigning with iron ore in a hurry: analysis | View Clip
10/06/2016
Platts - Online

Chinese domestic prices fell further last week and, while flat finished steel markets are holding up in a number of international markets, scrap is being hammered suggesting drops in long products are set to follow.

The Platts assessments of Beijing rebar and Shanghai HRC fell sharply last week, falling by yuan 160/metric ton and yuan 85/mt week-on-week as of June 3. Most traders were pessimistic regarding price expectation in the summer and suggested the decline may accelerate in the coming few weeks. Weak iron ore combined with falling Chinese futures markets also weighed on domestic steel prices.

Europe and the US remain firm as a decline in availability, and the erection of trade barriers, has significantly scaled back the volume of imports and their impact on domestic pricing strategies. However, there has been an immediate impact on the scrap market with China suddenly more prevalent in the north African and middle eastern markets.

Chinese billet prices continued to spiral downwards in East Asia as the rainy season arrives in the region. Monsoon rains normally slow construction activity and undermine steel demand for the next three months. This should direct more billet towards export markets putting further pressure on its main feedstock competitor, scrap.

Scrap has long been overvalued relative to iron ore which only briefly followed the boom in steel markets. Having shed a further $1.10/dmt last week, the TSI reference price for 62% Fe fines was down to $50.70 CFR north China as of June 3. The international benchmark Turkish scrap import price was slashed by a further $25/mt by Platts as the market charges downwards.

The US scrap market reacted with Platts cutting its domestic shredded assessment by $23.50/long ton as merchants turned inwards and accepted that the booming export market has gone for now. All of this will be music to the ears of domestic steel mills which are already enjoying massively inflated margins.

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The main issue for US mills is the lack of underlying demand, although the scaling back of the Federal Reserve rhetoric that suggested rate hikes should represent good news for consumer demand.

Elsewhere, Indian consumption of steel was also lacklustre, sliding by 29% year-on-year in April to 5.76 million metric tons, according to the Joint Plant Committee. Indian steel exports were also down 27% y-o-y and 12% month-on-month to 309,000 mt.

Monsoon conditions should further depress steel demand as construction activity tails off. Already there has been an uptick in the number of import offers from India into Europe, particularly for HRC and CRC, however, the volumes remain slim.

European mills are not yet concerned as increasingly they report that they are experiencing strong end user demand allowing them to achieve the targeted €120-125/mt increases in their second half of the year contracts. However, the crash in China has put a stop to any further price increases. The question is how long it will be before the European market has a serious number of import offers to react to.

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E United Vietnam steel project in doubt | View Clip
13/06/2016
Platts - Online
Uncertainty continues to surround the future of the Guang Lian Dung Quat steel project in northern Vietnam, following pressure from local authorities on the central government to reclaim the 337 hectares of land allocated to the project.

The project, first announced in 2006 and involving Taiwanese business groups E United and Tycoons, has barely progressed over the past decade, a factor that had led the provincial Quang Ngai People's Committee to begin an investigation to whether the project could be cancelled.

Although officials associated with the project could not be reached by Platts Friday, Vietnamese media reports on June 9 said the committee had decided to revoke the project's license.

When E United broke ground on the project in October 2007 phase one was envisaged as hosting a 3.5 million metric tons/year blast furnace and 2.5 million mt/y hot strip mill, as Platts reported. Subsequently however, the promoters opted to increase the planned capacity to 7 million mt/y, Vietnamese media reported.

In February last year the project's promoters sought approval to restart work on the project the following September, as reported. But in July the investors notified the provincial authorities that they were unable to secure funding, putting the project on hold.

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Liberty eyes other acquisitions if bid for Tata Steel UK fails | View Clip
10/06/2016
Reuters
Liberty House Group, which wants to buy the British assets of Tata Steel (TISC.NS), has its eye on other steel plants in the United States, Africa and India if the Tata deal doesn't happen, Executive Chairman Sanjeev Gupta told Reuters.

Liberty and other companies belonging to the Gupta Family Group (GFG) are looking for acquisitions and GFG plans to list part of its assets to expose itself to the rigorous governance demanded of public companies, Gupta, who is co-owner of the group, said on Friday.

"We are discussing various alternatives but something within the group will be listed within the next 12-18 months," he said. "It's ambitious but that's what we're going to try to do," he said. He did not say where the group planned to list.

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"Every single one of our peers is out there trying to deleverage, dumping high-quality assets into a market that doesn't want to buy them," Chief Investment Officer Jay Hambro said.

Liberty is one of a number of companies that have put forward offers to buy Tata Steel's loss-making UK operations and save thousands of jobs in Britain, whose steel industry has been hit by cheap Chinese imports, high energy costs and a global supply glut.

"If it happens then for the short to medium term we would be focused on the UK. But if it doesn't happen then we have a few options in the U.S., in Africa, again India where we are looking at opportunities," Gupta said, referring specifically to steel plants.

Liberty and its sister company SIMEC each have assets worth about $400 million, with no long-term debt, and the group also includes an investments arm worth a further $200 million, Gupta said.

GFG agreed late last year to buy Britain's Tungsten Bank for about 30 million pounds ($43 mln).

"It's somewhat of a distressed asset that we will completely reinvigorate and launch as a specialist trade finance bank," said Hambro.

SIMEC, which has energy, mining and infrastructure assets, is also looking at coking coal assets in Australia, Gupta said.

SIMEC is planning a major expansion of its European trading operations with a new Geneva office and new hire Ugur Hekimoglu as head of oil, it said in a statement.

The company is building a depot in Britain to store and distribute oil products, and in principle it would be interested in upstream and downstream assets as well, such as mid-sized oil refineries in areas where the firm already has a strong presence, Gupta said.

"The UK and Europe is the first place - but it's not the only place. We'd look at Asia, Middle East, Africa, even America," he said.

The GFG group, owned by Gupta, his father PK Gupta and family trusts, aims to raise earnings before interest, tax, depreciation and amortization to $300 million in 2020 from $140 million this year, with net assets rising to $1.75 billion from $1 billion.

Gupta did not provide a profit figure but he said the group had almost no depreciation or interest expenses.

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