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Thursday

Azovstal refuses to pay alloys suppliers until '09

LONDON
BY ALEX HARRISON

Ukrainian steelmaker Azovstal, which is part of the Metinvest Group, has taken delivery of ferro-alloys and other raw materials from suppliers but has refused to pay them until next year, according to market sources.

Azovstal owes over $20 million for deliveries in September and October, some suppliers told MB.

Azovstal usually pays within ten days of metal being delivered, one supplier said.

"We delivered to them in September. They are supposed to pay us within ten days of the delivery of material and these ten days have long passed," he claimed.

Another company supplied four trucks of ferro-molybdenum to the mill in September and October. Ferro-molybdenum prices assessed by Metal Bulletin have fallen to just over $24.25 per kg on Wednesday from $80 at the start of October.

"The total amount they owe us is around $4 million. Till August everything was fine but from October everything has been a mess," a source at the second company said.

In common with an offer made to other suppliers, Azovstal has proposed to pay his company half the amount it owes in March and half in April.

Getting as far as receiving this proposal has been hard, the second source said.

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SINGAPORE

Rio Tinto takeover risks 'unacceptable', BHP's Argus tells investors

BHP Billiton's purchase of Rio Tinto would have created "unacceptable risks" for its shareholders in the current financial environment, chairman Don Argus told the company's agm in Melbourne, Australia.

In the aftermath of BHP's withdrawal of its bid for Rio Tinto, Argus and ceo Marius Kloppers are under pressure from shareholders to explain why the bid was abandoned.

"The combined company would have a market gearing ratio of close to 48%, the largest single component being Rio Tinto's debt," he told the meeting.

The net debt of a combined Rio Tinto and BHP Billiton would be around $78 billion, he said.

"This debt position has not been assisted by the fact that Rio Tinto has not managed to sell a number of assets which it identified for sale twelve months ago. It seems quite clear that divestments to reduce the debt and cashflow to service and repay it will be impacted by economic conditions," said Argus.

LONDON

CSN cancelled coking coal contracts, says Glencore

Swiss trading firm Glencore has accused Brazilian steelmaker CSN of cancelling metallurgical coke supply contracts worth around $113 million, according to documents filed by Glencore with the US District Court of Southern Indiana.

"Whilst certain commercial disputes did take place between Glencore and CSN, these have now been resolved to the satisfaction of both parties, and normal commercial activities have resumed," a spokesman for Glencore told MB.

According to the documents filed with the court, the trading firm looked to recover damages of about $36 million, which it suffered as a result of the breach of three separate contracts executed in July and August this year.

"The general economic environment requires that this matter be given expedited attention to ensure funds in this amount are available for CSN to satisfy its obligation to Glencore," the trading firm said in the motion.

"Glencore is continuing to accrue additional incidental and consequential damages at a rate of more than $150,000 per day in the form of demurrage charges on the ships of metallurgical coke that CSN has rejected," it added.

Glencore initiated arbitration proceedings against CSN before the American Arbitration Assn when CSN refused to accept the deliveries or to make payment, according to the documents.

A spokeswoman for CSN was unable to comment as MB went to press.

Non-ferrous metals

TadAZ, Ansol, Nazarov settle disputes; trial terminated

LONDON
BY CLEMENTINE WALLOP

Tajik Aluminium Co (Talco) has settled its disputes with trading company Ansol and Avaz Nazarov, the state-owned aluminium producer said on Thursday.

"Tajik Aluminium Company, Ansol Ltd and Mr Avaz Nazarov, along with other parties... are pleased to confirm that they have settled their disputes and that the trial in that action has been terminated," Talco said.

None of the parties concerned admitted liability and the terms of the settlement are confidential, it said.

The settlement brings a premature end to lengthy legal proceedings between the parties, which had been set to continue at London's High Court for 18 weeks from the end of October (MB Oct 31).

Talco, formerly known as TadAZ, had been seeking $485 million in damages from Ansol and other parties, including former TadAZ director Abdukadir Ermatov. The sum reflects the loss the plant suffered as a result of its dealings with the defendants in the 1990s, the producer claimed.

TadAZ was also seeking an account of the profits made by Nazarov and restitution of all aluminium and other benefits he received.

Ansol was countersuing, claiming that it was unfairly dismissed from TadAZ's supply chain.

LME Stocks (tonnes)

Copper	rose	2,375	to	288,725
Tin	rose	40	to	4,325
Lead	rose	250	to	41,200
Zinc	rose	400	to	190,875
Aluminium	rose	44,325	to	1,795,975
Aluminium Alloy	rose	140	to	91,060
Nickel	rose	336	to	63,264
NASAAC	fell	100	to	228,560
Comex Gold Dec	closed			
Comex Silver Dec	closed			
Nymex Platinum Jan	closed			
Nymex Palladium Dec	closed			

London Precious Metals

Gold am	$813.50 per oz
Spot Silver midday	$10.26 per oz
Platinum am	$862.00 per oz
Palladium am	$191.00 per oz

Barclays Bank

$/£	1.5430-1.5438
$/£ 3 months	1.5421-1.5424
£/YEN	147.20-147.22
€/$	1.2903-1.2904

SINGAPORE

PT Timah to produce tin solder, chemicals in 2009

Indonesia's PT Timah plans to start commissioning a 2,100 tpy tin solder plant in December as part of a new focus on tin derivative products to boost revenue, said company secretary Abrun Abubakar.

The tin producer also plans to cut refined tin output for 2009, although Abubakar did not say by how much.

"We are flexible... If the metal prices increase, we can produce more," he said.

Selling downstream tin products directly to industries is Timah's strategy to anticipate the low prices of tin, he added.

Capacity at Timah's 35 billion rupiah ($2.8 million) tin solder plant in Kundur island may rise to 4,000 tpy if "there is increased demand", said Abubakar.

LONDON

LME lead hits 27-month low in official trading

Lead settled at a 27-month low in Thursday's official session on the London Metal Exchange amid speculation that the Chinese government may remove the 10% export tax on the heavy metal.

Lead fell to $1,100/100.5 per tonne, basis three months, in the official session from its opening price of $1,200 per tonne.

➔Click here for other prices

LONDON

Hydro shelves plans to replace Søderberg potlines at Karmøy

Norsk Hydro has shelved plans to build a new aluminium production line at Karmøy and plans to close its 120,000 tpy Søderberg potlines earlier than expected.

The oldest electrolytic technology at Karmøy aluminium plant, the Søderberg potlines, may be closed earlier than scheduled and the current market situation has also prompted Hydro to shelve plans for a new line at Karmøy, it said.

The 120,000 tpy Søderberg line was due to close by the end of 2009 because of tougher emission requirements. Although Hydro had been looking at making up the difference by building a new potlines, this is now not possible, it said.

Once the old technology is phased out, the Karmøy plant's capacity will be about 170,000 tpy.

"Hydro has for a long time been working to establish a power platform that would enable a major new investment to be made at Karmøy," the Norwegian aluminium producer said.

"This has proved to be difficult, but it is the extreme market situation that is now making the company shelve its plans for a new, modern production line at the plant," it added.

➔Click here for full story

WINDHOEK, NAMIBIA

Katanga resumes Luilu copper and cobalt production after repairs

Katanga Mining has resumed copper and cobalt production at its Luilu metallurgical facility in the Democratic Republic of Congo after a fire, it said.

Production at the facility was temporarily halted on November 12 following a transformer fire. Katanga Mining had expected the suspension to last up to four weeks while it replaced the damaged equipment (MB Nov 13).

But the installation, repair and testing work of the new transformer was completed in less than two weeks, enabling the company to restore production, Katanga said.

NEW YORK

Chinese alumina producer eyeing South America

Chinese alumina producer Bosai Minerals Group Co Ltd and the Guyana government will conduct a feasibility study to build a $1 billion alumina plant in the southwest region of the South American country.

Bosai Minerals, which is based in southwest Chongqing province to the east of Sichuan, said that it will pay for 30% of the plant's construction and finance the rest through a consortium of Chinese banks.

The company will then transfer an 11% stake to Guyana within three years of building the plant, with Bosai Minerals retaining the remainder.

Non-ferrous metals

Q1 FeCr contracts unlikely to be settled by year-end

LONDON
BY CLEMENTINE WALLOP

First-quarter ferro-chrome contracts are unlikely to be settled before the Christmas holiday, market participants told MB.

Some producer sources voiced concerns that the negotiations for the first three months of the year may be written off altogether because of a weakening market and high stock levels.

Minimal demand for ferro-chrome from stainless steel mills and uncertainty over the volumes that buyers will look to secure next year have led to doubts over whether or not producers and consumers will start negotiations in the coming weeks, market sources told MB.

"I am wondering if there will be price negotiations for the first quarter; there is no need... Even if the negotiations do happen, both sides will prolong the start. It's a dilemma on both sides," one producer source said

Some fourth-quarter tonnages have already been delayed until the first quarter, he added.

With spot prices for Indian, Chinese and Western grades of ferro-chrome still falling fast, it is also proving difficult to gauge an appropriate settlement price, market participants agreed.

"How are you supposed to have a benchmark when there is no demand?" asked one analyst.

NEW YORK

US nickel premiums firm despite sales slump

US nickel premiums are holding surprisingly firm despite a slump in sales, according to traders.

"At the end of the day, costs are costs," a Pennsylvania trader said. "Premiums are steady, but business is very slow. Everyone is taking a wait-and-see attitude and buying on the spot market, which helps support premiums. I think this just-in-time attitude will continue through all of next year, which will also support premiums."

The trader said volumes are down around 50%, but November and December are typically slow months for sales.

"In January, we'll see what's really happening," he said.

The trader's company has shipped "a couple of hundred tonnes" of melting-grade nickel in the past month at premiums between 32-42 cents per lb, and recently decided to stop selling plating-grade nickel next year.

"Plating business has been dramatically impacted by the auto industry, and prices have dropped like a rock," he said.

Another trader acknowledged that major purchasers currently are not buying nickel, but said small- and medium-size consumers are still placing orders and taking advantage of low prices to negotiate forward fixed-price contracts.

SINGAPORE

PT Inco's nickel output to fall 20% in 2009

Indonesia's largest nickel producer, PT Indonesia Nickel Corp (Inco), expects output to fall 20% next year after switching off the diesel-powered thermal generators at its Sorowako plant.

This would mean nickel in matte output of 61,600-63,200 tonnes, below targeted output of 77,000-79,000 tonnes this year.

Inco, in which Brazil's Vale holds 61%, switched off the 32 thermal generators in late October and now depends solely on its two hydro-powered generators.

The decision was taken to ensure Inco's profitability next year, said director for investor relations and corporate secretary Indra Ginting.

LONDON

ICDA will decide on Friday about meeting in India after Mumbai attacks

The International Chromium Development Assn (ICDA) meeting in Delhi next week may be cancelled following the attacks in Mumbai on Wednesday night, it said on Thursday.

The association is deciding whether or not the meeting, due to take place in Delhi's Taj Palace hotel from December 2 to December 5, will go ahead, ICDA information officer Evelyne Castanié told MB.

The association will contact all delegates on Friday to let them know their decision following consultations with Indian delegates and the conference organisers in Delhi, Castanié said.

NEW YORK

US uranium projects suspended by low prices

Areva NP SAS, Denison Mines and OURD plan to stop work on their joint venture Midwest uranium mine in Saskatchewan as it is no longer attractive given current market conditions.

They will review the project in six months.

"The decision not to go ahead with work at Midwest... is a strategic choice that Areva and its partners have made due to the recent drop in the price of uranium as well as the major increase in operating costs in the region," the French energy company and majority investor in the project said.

LONDON

Molybdenum cutbacks will keep market tight in '09, says Moly Mines

Moly Mines remains "very confident" about the long-term fundamentals of the molybdenum market despite the recent correction in prices.

The company, which is set to bring its Spinifex Ridge project in Australia on stream in 2010, believes fundamentals for the alloying metal will be improved by recent cutbacks and delays to new projects, chairman Paul Willis said in a letter to shareholders on Thursday.

➔Click here for full story

LONDON

Bismuth slips on poor demand and cheap sales

Bismuth fell slightly on Wednesday on continued poor demand and cheap sales out of China, with the market increasingly uncertain over the outlook for main end-users such as the automotive industry.

Bismuth fell to $8.50-10.25 per lb from $8.75-10.25 per lb previously, with an increasing number of reported deals and offers now below $8, especially in China.

➔Click here for full story

Iron and steel

Turkish billet mills refuse to lower export offers

LONDON
BY STACY IRISH

Major Turkish billet producers remain determined to keep billet export prices at current levels by rejecting lower bids despite weak export demand.

Turkish mills are offering billet to the export market at $420-430 per tonne fob for December production and say they are not prepared to lower offers any further.

Turkish ferrous scrap prices for HMS 1&2 are at $240 per tonne cfr, although bookings have not been reported to MB in the past two weeks.

Market participants told MB that the latest transacted spot market price for billet is $360-370 per tonne fob for December production for small parcels booked to the Middle East.

Turkish billet export prices have been falling on a weekly basis since the beginning of July when prices were at highs of $1,310-1,350 per tonne fob. Since then mills have been forced to slash prices by $1,000 per tonne in four months to $300-310 per tonne fob at the beginning of November.

In the first two weeks of November, Turkish ferrous scrap prices more than doubled to $290 per tonne cfr, up from $130 per tonne cfr. Turkish billet producers attempted to pass on the increases by raising offer prices and they are extremely reluctant to lower offers going forward.

Most Turkish mills are fully booked for December and they are prepared to wait until the new year to make new bookings, as they expect revived interest from the Middle East from January 2009.

LONDON

Flat product exporters try to increase CRC prices to Turkey

Flat product exporters to Turkey are still trying to move prices upwards as demand showed a slight rebound, market players told MB.

"End-users aren't buying steel for stock. They are just making as many products as they can sell immediately, so end-users have empty stocks," a stockist added.

CIS-origin cold rolled coil was reportedly being offered to Turkish buyers at around $550-600 per tonne cfr main Turkish port for January delivery, up from $540-550 per tonne two weeks ago.

LONDON

Evraz secures $1.8 billion state bank loan

Russia's Evraz has secured around $1.8 billion of funding from the Russian state-controlled Vnesheconombank (VEB), the company has told MB.

The agreement includes a loan of just over $1 billion and the option for a further $800 million. The first tranche of $201.3 million was used to refinance the company's short-term debt, said Evraz.

LONDON

European alloy surcharge down €100-140 for December

Stainless steel alloy surcharges fell again this month on declining raw material prices, said a market analyst.

ThyssenKrupp and Outokumpu cut the surcharge to €1,074 ($1,346) and ArcelorMittal to €1,045, a drop of more than €100 from last month.

The reductions came as little surprise to market analysts, who told MB that surcharges and base prices are not far from bottoming out. "March and April will be a crucial time for the stainless market," an analyst said. "Raw material costs will have hit the bottom by February and I think we could see a base price increase in the first quarter of next year."

But the macroeconomic problem at the heart of the stainless steel industry is one of falling consumption, which is shrinking the market, the analyst added.

"Mass consumption will decrease by 10% next year [or 2.5 million tonnes]," he said. "The stainless market has never shrunk like this before."

The base price for grade 304 2mm cold rolled stainless strip remained stable at €950-1,000 per tonne for November production.

WINDHOEK, NAMIBIA

Delta Mining, Tata Steel readmitted into Liberian iron ore bidding process

A Liberian panel has ruled that South African company Delta Mining Consolidated and India's Tata Steel may join a rebidding process for the $1.6 billion Western iron ore project, according to documents obtained by MB.

Nevertheless Delta Mining that was – together with Tata – disqualified from participating in the relaunched bid for the iron ore deposits, said it might dispute Liberia's cancellation of its rights to the project even after the investigative panel of Liberia's Public Procurement and Concession Commission (PPCC) ruled that it might participate in the bidding process.

Delta Mining had a provisional contract that was undergoing a due diligence study, according to the company, after beating Tata Steel, Sinosteel Corp, Xingxing Group, Rio Doce South Africa, ArcelorMittal and Bahlodi Africa.

However, the Liberian government cancelled the provisional contract, as well as disqualified it from the project citing alleged "acts of violation" by the two companies in the earlier round of bidding held in December 2007 and January 2008 (MB Sept 17).

➔Click here for full story

LONDON

Turkish rebar buyers stay out of the market

Turkish rebar mills are struggling to make export bookings as buyers are reluctant to build up stocks at the end of the year.

Small parcels are being booked to the Middle East at $450-480 per tonne fob for December production.

Some mills are supplying central and eastern Europe, mainly Poland, Romania and Bulgaria, where buyers are replenishing stocks.

The main Turkish rebar producers such as Icdas, Diler and Habas are offering rebar to the export market at $490-500 per tonne fob and are resisting making lower offers.

"Our customers are just buying small quantities but no serious buyers are in the market right now," said a Turkish rebar mill representative.

"They have enough stocks to last them until December/January. We're expecting more enquires in January," he added.

Iron and steel

Cheaper Australian iron ore fines not expected to dampen Indian prices

SINGAPORE
BY HONGMEI LI

Market participants do not expect cheaper Australian iron ore fines to drag down Indian spot prices in the Chinese market.

Australian iron ore fines with 62% ferrous content, with some from Rio Tinto and BHP Billiton, are selling into China at $60-62 per tonne cfr, whereas Indian iron ore fines with 63.5% ferrous content are selling at $72-73 per tonne cfr, up from last week's $68-72 per tonne cfr, according to market participants.

"Australian iron ore fines has its sales limitation in that it is mainly transported with Capesize vessels, so anyone who wants to buy has to buy in large quantities, whereas Indian supplies are more flexible in quantity, so their markets are a bit different," an iron ore trader in Shanghai said.

Other market participants agreed.

"Under present market conditions, Chinese steel mills and trading houses are still acting very cautiously. Besides, the Australian shipment period is longer than for Indian cargoes, so being cheaper does not indicate a definite advantage in the market," said an iron ore trader in Shandong province.

Meanwhile, cheaper Australian iron ore fines and still-high port inventories are expected to prevent Indian iron ore spot prices from rebounding too high too fast, according to market participants.

"Steel mills will make price comparisons, and they will turn to other available sources if Indian offers are beyond their acceptance, and so far, that has not been the case," an iron ore trader in Tianjin said.

➔Click here for full story

China's HRC export offers rise with domestic market

SHANGHAI

Chinese hot rolled coil export offer prices have fallen up to $40 per tonne as domestic prices continued to rise, although trading volume remained thin.

A trader in eastern China told MB she was able to sell small quantities to the Middle East and Vietnam but declined to disclose the specific transaction prices.

"Enquiries are still quite low, and the lowest offer prices made by Chinese domestic steel mills should be $470 per tonne fob, but this isn't profitable at all for traders," she said.

However, most market participants told MB that prevailing export offers of hot rolled coil are around $510-520 per tonne fob, as buyers stayed out of the market.

"Our export offers of hot rolled coil should be above $500 per tonne fob as [we have to offer higher than] the rising rapidly domestic market, but buyers have not shown any interest so far," said a mill official from northern China.

A Vietnam-based buyer told MB that offer prices from Chinese steel mills are changeable in the unstable market.

Taiwan's CSC slashes first quarter prices by 23%

SHANGHAI

Taiwan's China Steel Corp (CSC) has slashed its domestic list prices for the first quarter of 2009 by 22.56% or NT$7,058 ($212) per tonne on average, its biggest ever price cut.

CSC hopes to "get closer to market levels and boost downstream industries' international competitiveness" through the move, it said.

"As the local economy is undergoing the most serious recession in seven years, [Taiwan's] downstream industries are bearing the brunt of a steep tumble in the global economy and are facing the harshest ordeal since the 1973 oil crisis," said the company.

CSC is cutting its plate price by NT$4,550 per tonne, rod by NT$7,000 per tonne, hot rolled products by NT$7,840 per tonne, cold rolled products by NT$7,510 per tonne, galvanized coil by NT$8,000 per tonne, electric magnetic coil by NT$8,000 per tonne and hot dipped galvanized coil by NT$7,680 per tonne.

In addition, the company will also subsidise its clients on the basis of their fourth quarter contracts.

China's local HDG prices up but trade still slow

SHANGHAI

Chinese domestic hot-dipped galvanized coil prices have picked up slightly by as much as 80 yuan ($12) per tonne this week, but transactions remained weak.

Traders told MB that hot-dipped galvanized coil is changing hands at 4,150-4,180 yuan per tonne in the Shanghai market this week, up from 4,060-4,120 yuan per tonne last week.

Most traders have tried hard to push up their prices but efforts have been restricted by weakening demand as the market outlook worsened.

"I am able to conclude some deals, but at a very small quantity, and there are no signs of any recovery in market demand," a Shanghai trader said.

"It is hard to attract house appliance-makers to buy hot-dipped galvanized coil at the moment, and enquiries are still very thin," a second trader said.

Chinese domestic steel mills have continued to drop prices or provide subsidies, and China's top mill Baosteel is expected to cut its January or first-quarter prices soon.

"Steel mills continue to cut production. Benxi Steel is offering a 1,900 yuan per tonne subsidy on cold rolled coil and hot-dipped galvanized coil contracts while Baosteel's listed prices are also quite low," said the first trader.

US steel buyers 'resentful' of price increases

NEW YORK

It will probably not be a happy new year for US Steel Corp, according to one analyst.

Mills are in a weaker position in contract negotiations – some taking place now – with big consumers such as auto and appliance makers, UBS AG analyst Timna Tanners said in a research note, "Further '09 Pain on Tougher Contract Talks".

"We hear customers are resentful of some forced price increases mid-year," Tanners said.

The Pittsburgh-based integrated steelmaker discusses customer relations and pricing with customers only and, as a matter of policy, does not comment on operations beyond earnings calls, a company spokeswoman said.

UBS has forecast a 10% rise in contract prices but now thinks that may be "generous" in the wake of a steep fall in spot prices, Tanners said.