

EU rod processors see supply deficit, urge caution on trade

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EUNIRPA, the European association of non-integrated wire rod processors, is calling on the EU authorities to be cautious and not too aggressive in the use of trade defence measures, its representative told Platts. According to EUNIRPA's latest data European steel mills are increasing their internal use of mesh-grade rod, leaving the independents with fewer European sources from which to buy their raw materials.

According to EUNIRPA, the total installed capacity of EU rod mills in 2015 was 25 million metric tons, but only 19.25 million mt were produced, of which only 10 million mt mesh-quality. In addition, 6.4 mt of these 10 million mt never made it to the merchant market because steel mills kept it for captive use.

"The installed capacity is a lot, but mills are not producing too much wire rod because it is more convenient for them to cut production, and transform it (themselves) rather than sell it in the free market as they have better margins going downstream and killing our market share", EUNIRPA's representative told Platts. "Mills are pushing the EC to stop imports, but we need to buy materials outside EU as there is not much mesh-grade wire rod in the EU market and the prices that we obtain outside of the EU are fair and not the results of dumping."

According to Eurofer's data, in 2015 the EU imported around 1.69 million mt of rod, of which the majority from Ukraine, Russia, Switzerland and Belarus.

"Considering that CIS mills are posting the highest EBITDA in the steel market it is obvious that they are not dumping; they are just performing better than others. It is true that sometimes CIS mills are cheaper, as they have cheaper access to raw materials but this is not dumping – plus most of them are newer than the European mills and are meeting the EU environmental standards," another source commented.

A third source underscored that a large transformer based in Italy started to have problems finding high-quality rod after Lucchini stopped produce it via the blast furnace route, while another source said that in France some mills have reduced their payment terms making more difficult for the local transformers to be competitive.

"It looks very clear that some mills want to go downstream as they see margins there and they are making our life difficult. We also know that they are buying machineries to transform more and more their own products. In an open market they can go downstream and decide what works better for their economic results, but they should not lobby to prevent us from buying material from abroad if we don't find it in Europe. The EC is putting extra measures in place now for all the steel products, making life difficult for the transformers in general... this is happening also in flat products with processors who can't find material... I understand to put measures against China but not on other countries too", the EUNIRPA representative added.

When contacted by Platts, Eurofer's spokesperson said that steelmakers "obviously rely on the EU to defend the industry against unfair dumping by third countries. Defending against dumping is key to preserving jobs in the steel industry and its supply chains".