

Steel Markets Daily

Volume 5 / Issue 131 / July 11, 2011

Platts steel industry assessments, July 11

Flat-rolled market

Asia

	\$/dmt	Close/ Midpoint	Change	% Chg
Iron ore fines 62%Fe				
CFR North China	173.50-174.50	174.00	0.00	0.00
<i>Please see SMD's complete iron price/netbacks table, p. 3.</i>				
Hard coking coal 64% CSR				
CFR China	280.50	280.50	0.50	0.18
Hot-rolled coil				
FOB Shanghai*	675.00-685.00	680.00	0.00	0.00
Reinforcing bar				
FOB China*	675.00-685.00	680.00	-5.00	-0.73

* Assessed July 07, 2011

Europe

	Eur/mt	Close/ Midpoint	Change	% Chg
Hot-rolled coil				
Ex-works, Ruhr	545.00-555.00	550.00	-2.50	-0.45
CIF Antwerp	515.00-525.00	520.00	-7.50	-1.42
FOB Black Sea				
	670.00-690.00	680.00	-10.00	-1.45
Plate				
Ex-works, Ruhr	670.00-680.00	675.00	0.00	0.00
CIF Antwerp	580.00-600.00	590.00	0.00	0.00
Reinforcing bar				
Ex-works, NW Eur	545.00-555.00	550.00	0.00	0.00
Ferrous scrap				
HMS FOB Rotterdam	427.50-432.50	430.00	0.00	0.00
A3, FOB Black Sea	437.50-442.50	440.00	0.00	0.00
HMS CFR Turkey	467.00-471.00	469.00	0.00	0.00
Billet				
FOB Black Sea	670.00	670.00	10.00	1.52

North America

	\$/st	Close/ Midpoint	Change	% Chg
Hot-rolled coil				
Ex-works, Indiana	710.00-730.00	720.00	-20.00	-2.70
CIF, Houston	660.00-680.00	670.00	-25.00	-3.60
Plate				
Ex-works, US SE	1080.00-1100.00	1090.00	0.00	0.00
CIF, Houston	920.00-940.00	930.00	0.00	0.00
Reinforcing bar				
Ex-works, US SE	720.00-740.00	730.00	0.00	0.00
CIF, Houston	675.00-685.00	680.00	0.00	0.00
Ferrous scrap				
Shredded del Midwest US	455.00-465.00	460.00	0.00	0.00
Shredded del dock East Coast	450.00-460.00	455.00	0.00	0.00
HMS del dock East Coast	415.00-425.00	420.00	0.00	0.00

Hot-rolled coil prices in key regions still declining

London—The Platts Black Sea hot-rolled coil assessment fell \$10 to \$680/mt FOB Monday, based on firm bids, offers and deals according to active market participants, as HRC prices in northern Europe and the US also eroded.

One major CIS mill's hot-rolled coil offer to South America was quoted at \$685/mt FOB Russia. Pricing to closer destinations in the Middle East was expected to be at somewhat higher FOB levels, but traders voiced concerns about the persistently weak prices and sagging demand for coil.

Ukraine HRC prices were said to be at \$680-690/mt FOB Odessa. Monthly settlement prices for July heard at higher than \$700/mt FOB Ukraine to Turkey were said to be unrealistic

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	Eur/mt	\$/mt	\$/st	\$/CWT	Prior assessment \$/mt	\$ change	% change
Hot-rolled coil							
Ex-works, Ruhr*	550.00***	771.60	699.99	35.01	786.10	-14.50	-1.84%
FOB Black Sea*	484.71	680.00***	616.90	30.85	690.00	-10.00	-1.45%
CIF Antwerp*	520.00***	729.51	661.81	33.10	750.53	-21.02	-2.80%
Ex-works, Indiana**	566.19	793.65	720.00***	36.00	815.70	-22.05	-2.70%
CIF, US Gulf states, basis Houston**	526.87	738.54	670.00***	33.50	766.09	-27.55	-3.60%
Cold-rolled coil							
Ex-works, Ruhr*	652.50***	915.39	830.44	41.53	928.38	-12.99	-1.40%
FOB Black Sea*	559.56	785.00***	712.15	35.62	795.00	-10.00	-1.26%
CIF Antwerp*	610.00***	855.77	776.35	38.83	867.91	-12.14	-1.40%
Ex-works, Indiana**	656.62	920.41	835.00***	41.75	942.46	-22.05	-2.34%
CIF, US Gulf states, basis Houston**	644.83	903.88	820.00***	41.00	925.93	-22.05	-2.38%
Plate							
Ex-works, Ruhr*	675.00***	946.96	859.08	42.97	960.39	-13.43	-1.40%
CIF Antwerp*	590.00***	827.71	750.90	37.55	839.45	-11.74	-1.40%
Ex-works, US Southeast**	857.15	1201.50	1090.00***	54.50	1201.50	0.00	0.00%
CIF, US Gulf states, basis Houston**	731.33	1025.13	930.00***	46.50	1025.13	0.00	0.00%
Reinforcing bar							
Ex-works, Northwest Europe*	550.00***	771.60	699.99	35.01	782.54	-10.94	-1.40%
East Mediterranean, basis Turkey*	520.35	730.00***	662.26	33.12	730.00	0.00	0.00%
Ex-works, US Southeast**	574.05	804.67	730.00***	36.50	804.67	0.00	0.00%
CIF, US Gulf states, basis Houston**	534.74	749.56	680.00***	34.00	749.56	0.00	0.00%

*LN 16:30 Eur/\$ ex rate = 1.4029; **NY 16:30 \$/Eur ex rate = 0.7134. ***the primary assessments and have not been converted

given the freight and transportation charges, one trader said.

He reckoned \$730/mt FOB Turkey was possible because sales into Europe had slowed since a month earlier, and producers would be seeking sales despite one mill's maintenance in August reining in supply. Indian HRC offered at \$720-725/mt CFR Antwerp as the lowest-cost HRC currently available would pressure Turkish mill prices, he added.

The Platts Black Sea CRC assessment also fell by \$10 to \$785/mt FOB Black Sea.

In Europe, import competition and still low continental demand pushed the Platts HRC assessment down another Eur2.50 to Eur550/mt ex-works Ruhr. Imported HRC prices into Europe dropped by Eur7.50 to Eur520/mt CIF Antwerp.

Ongoing US flat-rolled market weakness

The US market for HRC and CRC deteriorated further Monday, as buyers and traders reported some big-tonnage bids, offers and deals for HRC as low as \$670/st ex-works mills in the Midwest.

After normalization to the Platts standard quantity of about 1,000 st, the HRC assessment lost \$20 to a trading range of \$710-730/st ex-works Indiana, or a midpoint of \$720/st. Cold-rolled coil also declined \$20/st to a midpoint of \$835/st ex-works Indiana.

Likewise, reflecting the global softness for flat-rolled steel, the US import assessments also lost ground. HRC was down \$25 to \$670/st CIF Houston and cold-rolled declined \$20 to a midpoint of \$820/st CIF Houston.

"The lead times for hot-rolled coil are still short," said a major Chicago-area end user. "Integrated mills will generally deliver in about two weeks and some mini mills within one week."

He and others acknowledged more than ample supply and only "so-so" demand. "The market psychology is drifting lower," added a distributor buyer in the Midwest. "We're in the soft patch of the cycle—usually mid-July to August."

New York-based analyst Timna Tanners at Bank of America/Merrill Lynch issued her latest forecast Monday, which pointed to continued weakness in the US market. "We forecast HRC at \$680/st for H2, down from recently reported \$735/st, although our channel

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checks suggest prices are already below \$700/st and we have high conviction short-term further weakness is ahead," she wrote.

— Hector Forster
with Joe Innae in New York

Black Sea market

Black Sea billet increases, Turkey long products steady

London—The long products market in the eastern Mediterranean and Black Sea region remained firm Monday, as billet prices moved higher and rebar, wire rod and scrap held steady, according to traders.

Billet offers out of Turkey were described as peaking above levels reasonable for transactions, at more than \$700/mt FOB Turkey for export billet.

Rebar offers were at much higher levels, particularly in the south of Turkey, aided by short-term interest from overland trade into Iraq and Iran, as well as Syria, noted sources.

Transactions concluded above the Platts assessment of \$730/mt FOB Turkey could not be confirmed, and a trader described current Turkish sales as opportunistic buoyed by firm domestic demand, thus allowing for exports to be offered at such high prices.

Scrap markets were inactive as prices held at overnight levels and further US material was said to be booked against higher than recent rebar and billet prices.

The Platts regional rebar assessment was unchanged from Friday's \$730/mt FOB Turkey, a high so far in 2011.

Wire rod demand was said to be firm. Prices rising to \$750/mt FOB Turkey for sales to Africa from about \$730/mt FOB were quoted. Wire rod is now trading at a premium of some \$20/mt or so to rebar, remarked a trader.

Billet sales prices firm in CIS

A trader with a billet allocation from Ukraine and Russia producers said he would let 130 mm square material go prompt for no lower than \$690/mt FOB Black Sea. He noted the shortages cited for that size compared to the more widely available 150 mm square billet, which was last transacted at around \$660/mt FOB.

One major Russian mill was said to be waiting several days before concluding billet sales for August loadings. In Ukraine, billet supply was said

Platts daily iron ore assessments, July 11

	\$/dmt	Midpoint	Change	% change
IODEX 62% Fe CFR North China	173.50-174.50	174.00	0.00	0.00
63.5/63% Fe CFR North China	180.00-181.00	180.50	0.00	0.00
65% Fe CFR North China	188.50-189.50	189.00	0.00	0.00
58% Fe* CFR North China	146.50-147.50	147.00	0.00	0.00

*AI = 4.0% max

Per 1% Fe differential (Range 60-63.5% Fe), \$/dmt

Range 60-63.5% Fe	5.00	0.00
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FOB netbacks per route / basis IODEX 62% Fe

Route	Vessel Type	Freight rate (\$/wmt)	Moisture (%)	IODEX (\$/dmt)
Australia	Capesize	8.50	8.03	164.76
India West	Panamax	13.75	8.11	159.04
India West	Handymax	15.75	8.11	156.86
India East	Handymax*	15.50	8.00	157.15
Brazil	Capesize	20.75	9.00	151.20
South Africa	Capesize	14.00	3.00	159.57

* Typical two-port co-loadings from Haldia and Paradeep

Freight differentials to major import ports, \$/wmt

From Qingdao on a Free Out basis

To North China: Caofeidian, Tianjin & Xingang	0.25
To East China: Beilun	-0.50
To South China: Zhanjiang & Fangcheng	-0.75

Rolling monthly average, \$/dmt

IODEX 62% Fe	173.14
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IODEX 62% Fe CFR North China OTC swaps assessment, July 11

IODEX 62%	\$/dmt	Change	% change
Aug 11	167.500	0.500	0.30
Sep 11	166.500	0.500	0.30
Oct 11	166.000	0.500	0.30
Q4 2011	165.500	0.000	0.00
Q1 2012	161.000	0.000	0.00
Calendar 2012	155.000	0.000	0.00

Detailed methodology and specifications are found here: www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/ironore.pdf

constrained due to operational issues with a new caster, while a major rebar producer had also suffered production difficulties, traders said.

The Platts FOB Black Sea billet assessment for 125 mm material rose \$10/mt to \$670/mt FOB Black Sea.

A regular billet tender from a Russian Far East mill was said to have concluded last week at about \$641/mt FOB Vladivostok for the usual 10,000 mt-size lot. The previous sale was heard at \$652/mt FOB Vladivostok as Platts reported on June 10.

Billet prices in Southeast Asia

increased to around \$675/mt CFR SE Asia, with local offers said to be at \$665/mt FOB from Korean and Taiwan mills.

— Hector Forster

Iron ore market

Asian seaborne iron ore fines prices remain stable

Singapore—Seaborne iron ore prices into China were stable Monday, even as new data for June showed a drop

in the level of iron ore imports—and stocks of imported iron ore at 25 major ports last week remained above 93 million mt.

Platts assessed 62%-Fe fines at \$174/dry mt CFR North China, unchanged from last Friday, as market participants indicated they would trade at that level.

A Hong Kong-based trader was seeking to sell 61.5%-Fe Australian Pilbara Blend fines at \$174.50/dmt CFR North China, although no details about loading dates were provided.

A Hebei-based trader was meanwhile said to be offering 63%-Fe Australian Newman fines at \$177/dmt CFR North China.

"The market is rebounding a little. But actual demand is still slow," said a Singapore-based trader. Others noted that buying inquiries from steelmakers were still plentiful, although they asked without providing firm bids.

Spot prices of square billet in Tangshan rose Yuan 70/mt to Yuan 4,350/mt (\$673) ex-stock, according to JYD Commodities Hub, the highest since June 17.

The most active October rebar futures contract in Shanghai closed Yuan 44/mt higher at Yuan 4,852/mt, a one-month high.

In the Indian market, sellers of 63.5/63%-Fe fines still sought a price higher than Newman fines, known to be of more consistent quality, highlighting how the market for each type of ore is segmented by different groups of buyers.

A large Indian miner was offered 63.5/63%-Fe fines at \$181/dmt CFR North China. A second 63%-Fe cargo loading by end-July was also offered at the same price.

"There is strong resistance to buy 63.5/63%-Fe Indian fines at \$181/dmt, but a seller who's willing would be able to sell it at \$180/dmt," said a Beijing-based trader.

Among other offers in the market were one for a Capesize shipment of Chilean 66%-Fe pellet feed arriving promptly at \$196/dmt CFR China, according to a Singapore-based trader.

He declined to provide details on its specifications as the deal was under negotiations, but earlier data for 66%-Fe Chilean concentrate compiled show such material to contain 0.8% alumina, 3.5% silica, 0.01% phosphorus and 0.5% sulfur.

South African pellet feed of 65%-Fe was transacted last Thursday at \$186/dmt CFR China.

Platts Daily Metallurgical Coal Assessments, July 11

Hard coking coal price assessments (\$/mt)

	FOB	CFR	CFR	Change		
	Australia	China	India	Australia	China	India
HCC Peak Downs Region	307.50	324.00	326.00	+0.00	+0.50	+0.00
Premium Low Vol	305.50	322.00	324.00	+0.00	+0.50	+0.00
HCC 64 Mid Vol	268.50	280.50	282.00	+0.00	+0.50	+0.00

Assessed Specifications

	CSR	VM	Ash	S	P	TM	Fluidity
HCC Peak Downs Region	74%	20.7%	9.7%	0.60%	0.035%	9.5%	400
Premium Low Vol	71%	21.5%	9.3%	0.50%	0.045%	9.7%	500
HCC 64 Mid Vol	64%	25.5%	9.0%	0.60%	0.050%	9.5%	1,700

Penalties & Premia: Differentials (\$/mt)

Sulfur content: Per 0.1% above/below standard of 0.6%:	2.69
Ash content (air dried): Per 1% above/below standard of 9.0%:	2.69
Total Moisture (as received): Per 1% above/below standard of 9.5%:	2.69*

*Equivalent to 1% of HCC (64 Mid Vol) FOB Australia spot price assessment.

The assessed price of HCC Peak Downs* originates with Platts and is based on price information for a range of HCCs with a CSR > 67% normalized to the standard of HCC Peak Downs* (CSR 74%). Peak Downs* is a registered trade mark of BM Alliance Coal Operations Pty Limited BMA. This price assessment is not affiliated with or sponsored by BMA in any way.

Dry bulk freight assessments

Route	Vessel Class	Freight rate (\$/mt)	Moisture (%)
Australia-China	Panamax	16.50	9.50
Australia-India	Panamax	18.50	9.50

East Australia: basis Hay Point port. North China: basis Qingdao port. East India: basis Paradip port.

Source: Platts

The low grade market saw a Hong Kong trader being offered a 50,000 mt cargo of 60%-Fe Indian fines at \$160/dmt CFR North China. This cargo has 4.5% alumina and 4.4% silica and will load early-August.

June imports at 4-month low

China's iron ore imports fell 4% in June to 51.09 million mt, the lowest level in four months, data released Sunday by the General Administration of Customs showed.

The June volume compared with 53.3 million mt in May, but was 8% higher than the 47.17 million mt imported a year ago. Meanwhile, inventory stocks of imported iron ore at 25 major ports remained above 93 million mt last week, according to the official Xinhua news agency.

Buyers turned more to domestic sources after prices of import iron ore climbed in early spring. As a result, China's domestic iron ore production increased 13% to a record high 102.47 million mt in May. Crude steel output also climbed to a record 60.25 million mt in May.

Despite higher steel output, exports of steel products fell for the third month

in June to 4.29 million mt, 10% lower than the 4.76 million mt in May and down 24% from June 2010's 5.62 million mt.

With steel product imports at 1.2 million mt, China's net steel exports in June were 3.09 million mt, down from 3.48 million mt in May and 4.15 million mt a year ago in June 2010.

— Keith Tan and Melvin Yeo

Coking coal market

Seaborne HCC demand and supply balanced; prices static

Singapore—There was no discernible movement in spot seaborne hard coking coal prices Monday, as limited appetite from buyers met with limited availability out of Australia.

The Platts premium low-vol assessment was static at \$305.50/mt FOB Australia, as was HCC 64% mid-vol at \$268.50/mt.

On the bid side, Indian demand could be found around \$295-300/mt FOB for premium coals such as Xstrata's Wollombi, unchanged from last week.

Demand for a typical Australia low-vol with 60-64% CSR, meanwhile, could still be found in the Atlantic basin at above \$270/mt FOB, said one miner.

Offers of Indonesian mid-vol HCC at around \$260-265/mt FOB still somewhat undermined Australian pricing on a CFR India and CFR China basis.

But offers of Australian HCC were generally rare, as most miners said they had no spare tonnage given healthy contract uptake, particularly from Japanese customers.

Elsewhere, a Canadian mid-vol with CSR in the high 50s or low 60s was heard offered for re-export out of a Chinese port's bonded area at around \$280/mt, a source heard, while another Canadian HCC cargo was said to have won a tender issued by a Brazilian steel-maker, though no further details could be immediately obtained.

Overall, traders believed the market was reasonably balanced, but they saw no potential for price rises in the short term. Asked to forecast the price direction, one trader said he saw it flat, or perhaps eroding if desperate sellers appeared.

A Singapore trader said he expected Indian demand could rise in two or three weeks, when new spot orders could be timed to arrive after the end of the monsoon season in late August.

"Outdoor coal storage is problematic right now as the moisture affects quality. The demand side is neither up or down," a mining source said. "The lack of supply [in recent months] has been supplemented by customers eating into their stocks, meaning they're now living hand-to-mouth," he said.

An Indian coke maker acknowledged that the country's coking coal users were buying according to their immediate needs only, but also warned that pig iron producers were closing down because of weakness in the steel markets which is not just seasonal.

Macquarie Commodities Research estimated in a June 28 note that total destocking of Australian HCC from steelmakers during the supply shock last winter reached 4.7 million mt, with Europe and India notably destocking by 2.6 million mt and 1 million mt in Q1 2011, respectively.

"Anything beginning with a three is still a result of the supply shock," Colin Hamilton, an analyst for Macquarie Commodities Research commented Monday. "An equilibrium price would be \$225-250/mt FOB for premium coal, but we won't get there for a while." Hamilton forecast an

Europe and US cold-rolled coil assessments, July 11

	Eur/mt	Close/ Midpoint	Change	% Chg
Ex-works, Ruhr	645.00-660.00	652.50	0.00	0.00
CIF Antwerp	600.00-620.00	610.00	0.00	0.00
	\$/mt			
FOB Black Sea	775.00-795.00	785.00	-10.00	-1.26
	\$/st			
Ex-works, Indiana	830.00-840.00	835.00	-20.00	-2.34
CIF, Houston	810.00-830.00	820.00	-20.00	-2.38

October-to-December HCC contract price of \$290-300/mt FOB.

He added that global steel production could be stronger than usual this summer, estimating that ex-China steel output could weaken by only 3% in July-August, compared to 5% usually. He attributed the strength to rising output in Japan.

— Julien Hall

Wesfarmers cuts Curragh Q3 coking coal price 10%

Singapore—Australia's Wesfarmers Resources has concluded quarterly price negotiations for July-September coking coal exports from its Curragh mine in the state of Queensland with the majority of customers at about \$310/mt FOB, down by around 10% from the previous quarter, the company announced Monday.

Approximately 60% of Curragh's July-September sales tonnage of metallurgical coal—hard coking, semi-hard coking and PCI—is forecast to be at the new contract prices, with the balance at carry over prices from the previous quarter, the company said in a statement.

The company also forecast a Curragh metallurgical coal sales volume of 6.8 million-7.2 million mt for the financial year ending June 30, 2012, "subject to no significant wet weather and satisfactory rail and port operations."

Wesfarmers in late May announced a metallurgical sales guidance of 5.1 million-5.4 million mt for the fiscal year ending June 2011, down from an earlier forecast of 5.8 million-6.2 million mt as operations at Curragh continued to be hampered by unseasonably heavy rainfall.

Curragh produced 1.485 million mt in the March quarter, down 37.6% from the previous quarter due to bad weather. About 1 million mt of the total was metallurgical coal, down 41.8% from the previous quarter.

Output from Curragh, located in the world-scale Bowen Basin production region,

is railed 300 km (185 miles) to the port of Gladstone for export.

Wesfarmers Resources, part of the Wesfarmers Group that has a wide portfolio of interests spanning retail, insurance and industry, also operates the Premier thermal coal mine in the state of Western Australia and has a 40% interest in the Bengalla thermal coal mine in the state of New South Wales.

— Kimfeng Wong

News

June's EU steel import applications drop to 2.6 mil mt

London—EU steel import applications in June fell 16% to 2.6 million mt compared with May's 3.1 million mt three-year peak, but still accounted for the second-highest monthly volume so far this year.

China, Turkey and Ukraine were the largest foreign sources of imports into the region's 27 member nations, according to internal European Commission data seen by Platts Monday. The latest total compares with 1.7 million mt registered in June 2010.

China's volume in June totaled 577,000 mt, down from 624,000 mt in May, while Turkey's fell to 370,000 mt in June, from 575,000 mt in May. Ukraine's total dropped to 341,000 mt in June from 536,000 mt in May. Russia's volume in June edged only slightly lower to 233,000 mt, paring 20,000 mt from May's revised total.

Switzerland totaled 181,000 mt in June, up from 154,000 mt in May. Serbia accounted for 93,000 mt in June, down from 97,000 mt in May.

In Asia, South Korean steel applications surged to 198,000 mt in June from 127,000 mt in May. Indian volumes rose to 192,000 mt in June, from 180,000 mt in May. Applications to import steel from Japan fell to 16,000 mt in June, sharply off from the 56,000 mt recorded for May. Brazil's volume fell to 62,000 mt in June from 74,000 mt in April.

HRC volumes fall 24%

Reported by product category, non-alloy hot-rolled coil saw total applications drop 24% to 664,000 mt in June from a revised 878,000 mt in May.

Turkey's share of HRC was 190,000 in June, down from 268,000 mt in May. Russia (95,000 mt), Ukraine (86,000 mt), India (84,000 mt), Serbia (46,000 mt), China (44,000 mt), South Korea (32,000 mt) and Egypt (32,000 mt), Brazil (27,000 mt), and Iran (18,000 mt) were the main sources of June HRC applications.

In the alloyed hot-rolled flat product category, China accounted for 13,000 mt and Ukraine with 5,000 mt.

Cold-rolled sheet import applications fell 19% on the month to 207,000 mt in June. China's total rose to 105,000 mt in June from May's 101,000 mt. Russia (43,000 mt), Ukraine (15,000 mt), Brazil (8,000 mt), Serbia (9,000 mt), India (6,000 mt), Taiwan (6,000 mt) and South Korea (5,000 mt) were the main CRC sources.

Quarto plate, or reversing mill plate, applications bucked the trend, rising 14% to 225,000 mt in June. China's volume rose 49% to 51,000 mt, while India's surged to 25,000 mt from 7,000 mt in May. Ukraine (98,000 mt), Macedonia (22,000 mt) and Russia (15,000 mt) were the other main sources of applicants.

Among long products, June applications to import reinforcing bar fell 40% on the month to 47,000 mt.

Turkey submitted 11,000 mt in applications, down from 27,000 mt in May. Belarus totaled 20,000 mt in June, up from 9,000 mt in May. Ukraine was the other main source at 10,000 mt.

Wire rod import applications for June rose 40% to 147,000 mt on May. Switzerland comprised 59,000 mt, Ukraine volumes totaled 32,000 mt, and Turkey submitted 24,000 mt in applications.

In the semi-finished steel category, mainly billet and slab, applications dropped 44% to 76,000 mt in June on May. Ukraine's total halved to 51,000 mt. Russian volumes surged to 14,000 mt in June from 1,000 mt a month earlier.

The import license applications data provide a view on intentions to sell into Europe in the coming months. They are valid for four months, but do not necessarily reflect actual traded tonnages as applicants are under no obligation to ship the product once a license is obtained.

— Hector Forster

Metinvest acquisition cements lead in flat steel market

London—Ukraine's largest steel and mining group Metinvest Group has acquired a 50% stake in Industrial Group, which owns more than 50% of the shares of steelmaker Zaporizhstal, the companies said in a statement.

The deal adds to Metinvest's recent takeover of major steel mill Ilyich, cementing its dominance over the former Soviet Union nation's flat steel capacity.

Metinvest has steelmaking capacity of 15 million mt/year. Zaporizhstal produced 3.45 million mt of crude steel in 2010, and 2.86 million mt of finished products such as hot-rolled and cold-rolled coil. Zaporizhstal is Ukraine's only other coil producer and together their capacity is about 7 million mt/year, according to Platts' sister publication, *Steel Business Briefing*. It requires a complete overhaul, including new furnaces, estimated by some observers to cost \$2 billion-3 billion, SBB reported.

Industrial Group is selling Metinvest 50% of its corresponding steel and mining assets with an option for Metinvest to buy out the remaining 50% of the assets. It has signed an agreement on joint management of the business, said the companies' statement, dated July 8.

Metinvest is majority-owned by Ukraine's richest individual Rinat Akhmetov and controls Ilyich, Ukraine's second-largest steelmaker, as well as Azovstal, the third-biggest steelmaker, Yenakiyev Steel Mill, seventh largest and Makiyivka Metallurgy Plant, the eighth-largest rolled steel producer.

ArcelorMittal has Ukraine's largest steel plant at Krivy Rih, producing long products.

Midland Resources Holding held a sales process for its stake in privately held Zaporizhstal last year that involved Akhmetov and a Russian investment bank, of which the result was not fully clarified.

Metinvest owns 24 assets across Ukraine, Europe and the US, and makes semi-finished and finished flat- and long-rolled steel, as well as rail and tubular products.

Metinvest owns Khartsyzsk Pipe Plant, the country's biggest producer of large-diameter pipe used for natural gas pipelines, and is the world's seventh largest iron ore producer, accounting for about 60% of Ukraine's iron ore output.

— Hector Forster

Peabody, ArcelorMittal bid \$5 billion for Macarthur Coal

Singapore—US-based coal mining group Peabody Energy and the world's largest steelmaker ArcelorMittal have made an indicative, conditional offer to acquire a controlling stake in Australia-based Macarthur Coal for A\$4.7 billion (\$5 billion), Macarthur said in a statement to the Australian Securities Exchange Monday.

Macarthur is the world's largest producer of seaborne low-volatile pulverized injection coal, or PCI, used to offset coke dependency in blast furnaces. It has been a longtime attractive target for investment and control by a series of miners, including a previous approach by Peabody, and from Gloucester Coal, controlled by Hong Kong trader Noble Group.

Macarthur was at the center of a takeover tussle last year when several companies showed interest, including Peabody, Australian miner New Hope, and Switzerland-based mining group Xstrata. Macarthur rejected Peabody's A\$3.8 billion bid in May last year.

Under the latest proposal, Peabody and ArcelorMittal would make an off-market takeover bid to acquire at least 50.01% of Macarthur through a bid company 60% owned by Peabody and 40% by ArcelorMittal.

ArcelorMittal is Macarthur's second-largest shareholder with a 16.2% stake, while South Korean steelmaker Posco owns 7%. The largest shareholder is China's state-owned investment group CITIC with a 24% interest in Macarthur.

The indicative offer is subject to a number of conditions, including regulatory approval, satisfactory due diligence, and the bid achieving a 50.01% interest from shareholders. Significantly, the transaction would have to be approved by Australia's Foreign Investment Review Board.

Macarthur's board made no recommendation, and advised shareholders to take no action in relation to the offer. Macarthur's board "will seek to engage with Peabody and ArcelorMittal in relation to the price and terms," the company said in its statement to the ASX.

Attractive PCI coal assets

Prices of PCI coal have been supported by high coking coal prices, and contract prices of both steelmaking raw materials were at record-high levels in the second quarter. Australian benchmark PCI contracts reached \$275/

mt FOB Queensland in Q2, and then dropped to \$230/mt in Q3, still an historically high level and far above thermal coal prices, which act as a natural floor.

"We believe there is significant value that can be created by managing Macarthur's portfolio of coal assets using Peabody's industry-leading operating, development and commercial skills," Greg Boyce, Peabody's chairman and CEO, said in a company statement.

Peabody owns a number of metallurgical and thermal coal properties in Australia, which has proved to be the source of the company's highest operating margins rather than its stalwart US coal operations that are the largest of any other producer in North America.

Macarthur aims to double production by 2014 to reach sales of 9.2 million mt/year from levels in 2009.

Macarthur is being advised by JP Morgan Australia and Corrs Chambers Westgarth. UBS, Bank of America Merrill Lynch, and Freehills are advising Peabody. RBC Capital Markets and Mallesons Stephen Jaques are advising ArcelorMittal.

— *Julien Hall and Hector Forster*

Shagang cuts July 11-20 prices of major long products

Huaihua, Hunan—China's largest private steelmaker Shagang plans to cut the ex-works prices of major long products by Yuan 30-50/mt (\$4.64-7.73) for deliveries July 11-20, according to a price adjustment notice from the company Monday.

After the adjustments, the ex-works price of Shagang's 6.5 mm drawing quality wire rod will be cut by Yuan 30/mt to Yuan 4,820/mt (\$745.49), including the 17% VAT, for deliveries July 11-20. The ex-works price of Shagang's 16-15 mm rebar will remain unchanged at Yuan 4,850/mt for July 11-20.

The ex-works price of Shagang's 8mm coiled rebar will be cut by Yuan 50/mt to Yuan 5,200/mt for deliveries over July 11-20.

Shagang adjusts the ex-works prices of its long products every ten days and adjusts the prices of its flat products on a monthly basis.

Meanwhile, China's largest steelmaker Hebei Iron and Steel Group will roll over the ex-works prices of its long products for deliveries July 11-20, according to a price adjustment notice from the company Monday.

Hebei Steel's three subsidiaries—Tangshan Steel, Xuanhua Steel and Chengde Steel—will keep the ex-works

price of their 6.5 mm drawing quality wire rod unchanged at Yuan 4,830/mt (\$747.04, including the 17% VAT) for July 11-20.

The price of 16-25 mm rebar will remain unchanged at Yuan 5,000/mt, while the ex-works price of 8-12 mm coiled rebar will also remain unchanged at Yuan 5,130/mt.

Hebei Steel last cut the ex-works prices of its major long products by Yuan 30-120/mt for deliveries from July 1-10.
— *Reggie Le*

Ukraine's AMKR H1 2011 steel output falls 13.4% on year

Kiev—Ukraine's largest steelmaker, ArcelorMittal Kryviy Rih—a unit of Luxembourg-based ArcelorMittal—produced 2.65 million mt of crude steel from January through June, down 13.4% from 3.064 million mt produced the same period a year ago, the company said Monday.

At the same time, AMKR reduced rolled steel output 10.5% year on year to 2.36 million mt and pig iron production 14.6%

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year on year to 2.27 million mt, the company said.

AMKR produced 358,100 mt of crude steel in June, down from 463,300 mt produced in May and down from 485,700 mt produced in June 2010.

June rolled steel output fell to 331,700 mt from 428,500 mt in May and from 415,200 mt in June 2010, while pig iron output fell to 311,400 mt from 396,300 mt a month ago and from 420,100 mt a year ago.

Production decreased in June because of unstable operations at blast furnace No. 9, AMKR's chief operations officer Oleksandr Ioskov said in the com-

Marketplace

- Iron ore, 66%-Fe Chilean pellet feed, Capesize, arriving promptly, trader received offer at \$196/dmt CFR China, specifications not available
- Iron ore, 63.5%-Fe Brazilian fines, trader said offered at \$182/dmt CFR North China, loading early July, specifications not available
- Iron ore, 63%-Fe Indian fines, offered at \$181/dmt CFR North China last Friday, to Dalian trader, Al 4%, Si 3.75%, P:0.08%, S:0.06%, moisture 9%, loading by end-July
- Iron ore, 63.5/63%-Fe Indian fines, 50,000 mt, Al 3.5%, Si 3.5%, P:0.08%, S:0.06%, cargo on the way to China, Hong Kong trader said offered at \$181/dmt CFR North China by large Indian miner
- Iron ore, 63%-Fe Australian fines, offered at \$174.50/dmt CFR North China, by Shanghai trader, without specification on loading
- Iron ore, 60%-Fe Indian fines, 50,000 mt, offered to Hong Kong trader at \$160/dmt CFR North China, Al 4.5%, Si 4.5%, P:0.08%, S:0.06%, loading early August
- Coking coal, HCC, US mid-vol blends, offers at \$245-250/mt FOB US East Coast, trader said
- Coking coal, Canada mid-vol HCC, 30,000-80,000 mt, Asia mill was offered by trader at around \$280/mt FOB China bonded area, 60% CSR, ash below 10%, sulfur below 1%
- Coking coal, premium HCC, India coke maker said would pay \$295-300/mt FOB Australia for a part cargo of Wollombi
- Coking coal, HCC, 21% VM, 65-70% CSR, 0.6% sulfur, domestic Liulin HCC pegged at Yuan 1,900-2,000/mt delivered North China port, by China coke maker
- Coking coal, HCC, 32% VM, A-grade US high-vol, offered at \$255/mt CFR India, to India coke maker
- Coking coal, freight, Panamax, East Coast Australia to North China, pegged at \$16-17/mt, by Beijing trader
- Coking coal, freight, Capesize, East Coast Australia to North China, pegged at \$12-13/mt, by Beijing trader

(This is a sample of trade and market information gathered by Platts editors as they assessed the daily iron ore, coking coal, steel, scrap and freight prices. They were first published on Platts Metals Alert earlier in the day as part of the market-testing process with market participants. For more related information about that process and our real-time news and price services, please request a trial to Platts Metals Alert or learn more about the product offering by visiting <http://www.platts.com/Products/metalsalert>)

pany's statement.

"Measures, taken in this regard, are already showing positive results, so in July we expect the output to increase back to previous levels of production," Ioskov said.

AMKR is the largest steelmaker in Ukraine, producing about 20% of the country's steel output.

In 2010, AMKR produced 6.15 million mt of crude steel, up 21.7% from 2009; 5.37 million mt of rolled steel, up 19.3% from 2009; and 5.32 million mt of pig iron, up 20.3% from 2009.

— Alexander Bor

Australian steelmakers get A\$300 mil in carbon tax plan

Singapore—Australian steelmakers Monday welcomed a four-year, A\$300 million (\$321 million) government assistance package aimed at offsetting the cost of the country's newly-adopted carbon tax.

The package will be split approximately 60% to Bluescope Steel, and 40% to OneSteel, and will provide support for innovation, investment and production in the steel sector, Bluescope said in a statement to the Australian Securities Exchange.

The A\$300 million will be distributed in 6-month payments over the four years and cover eligible expenditures on slab-making, hot-rolling, cold-rolling, metallic coating and painting, among other uses.

The two steelmakers campaigned hard to highlight the potential impact of the carbon tax on their businesses, predicting it could shut down the domestic steel sector within 20 years. This included the potential for "carbon leakage," or for steel production to simply migrate to countries with less stringent environmental laws. The two have recently suffered from a high Australian dollar, high raw material costs, and low domestic steel demand and prices.

"The government has listened to our arguments and our deep concerns about the carbon tax," said Paul O'Malley, Bluescope's managing director and CEO. "In the STP [Steel Transformation Plan] it has produced a package that, if implemented as explained to us, deals with the steel sector's carbon tax issues in a significant way for the first four years."

The plan also sets the framework for an ongoing review of the impact of the carbon tax on major internationally competitive industry sectors, including

steel. Its also allows for an independent review process to monitor and assess whether coal suppliers attempt to pass through carbon-tax related cost increases to their customers, Bluescope said.

The Australian government Sunday revealed the long-awaited details of its proposed carbon pollution reduction policy, pegging the carbon tax at an initial A\$23 (\$24.72) per metric ton of CO₂ emitted beginning with the fiscal year July 1, 2012.

The carbon tax will rise by 2.5% a year in real terms until July 1, 2015, when the mechanism will transition to an emissions trading scheme under which the price will be determined by the market, according to the package revealed by Prime Minister Julia Gillard.

Around 500 businesses will be required to pay for their pollution under the carbon pricing mechanism, with more than half of this revenue to be used to assist households with tax cuts, increased family payments and higher pensions, benefits and allowances. The government also plans to direct revenue from the tax to support jobs and invest in clean energy and climate change programs.

— Julien Hall

News in Brief

Indian iron ore exports for the 2011-12 fiscal year (Apr-Mar) will be in the range of 70 million-75 million mt, compared with 95 million mt a year earlier, according to the Federation of Indian Mineral Industries. The drop in exports is due to the delay in lifting the iron ore export ban by Karnataka state in southern India. The ban was lifted on April 20; however, according to RK Sharma, secretary general of FIMI, mine owners have yet to receive mining permits, which would affect the production and transportation of iron ore. Rising rail freight costs and a higher export duty are also contributing to the fall in exports, which have made Indian iron ore uncompetitive on the international market, Sharma said. In February, the government raised the export duty for all types of iron ore—excluding pellets—to 20% to conserve it for the domestic steel industry. Earlier, iron ore was subject to an export duty of 15% for lump and pellet and 5% for iron ore fines. "The iron ore pellet production was 10.5 million mt against a capacity of 26.7 million mt during last fiscal [year] because there's no demand in the country," said Sharma. Of the 10.5 million mt of pellet output, 3 million mt was exported during 2010-11.

China plans to shut 27.94 million mt/year of inefficient steel-making capacity in 2011, the ministry of industry and information technology said in a release Monday. The steelmaking facilities from 58 companies include basic oxygen furnaces and electric arc furnaces with a respective melt capacity of less than 30 mt. Outdated ironmaking capacity of 31.22 million mt/year from 96 companies and inefficient coking capacity of 19.75 million mt/year from 87 companies have also been slated for closure. The iron facilities mainly include blast furnaces with hearths of less than 400 cubic meters and coking facilities mainly include coking batteries with carbonization chambers less than 4.5 meters high. Provinces including Hebei, Shanxi, Shandong and Henan will bear the brunt of the elimination campaign. China's national crude steel output is estimated to reach 700 million mt in 2011, up from 626.65 million mt in 2010, as previously reported. China's steelmaking capacity estimates range from 750 million-770 million mt.

Germany's basic metal producers increased output in the first quarter in value terms to Eur24.70 billion (\$34.73 billion) due to broad-based growth that was led by the iron and steel segment and supported by a steep rise in copper output values, quarterly data by the federal statistics office (Destatis) showed Monday. Sales values of pig iron, crude steel and ferroalloys made at 118 companies rose 38.4% on year to Eur9.21 billion, making up 37.3% of the metal sector total. The increase was mostly price-driven as output volumes for pig iron and primary iron in pigs, blocks and other primary forms firmed in the same period by 0.8% on year to 7.36 million mt, including non-sales volumes, and pig iron and steel ex-works prices were up 27.4% on-year. Destatis' quarterly manufacturing output survey includes data from 1,134 metals companies with at least 20 employees each. Sales values are based on ex-works sales prices achieved or achievable at the time of reporting.

— Briefs edited by Andrea Brown