



Iron Pellet Market Falls before Samarco Accident

Brazilian iron ore miner Samarco's tragic accident and environmental disaster has left a hole in the pellet market, but buyers may not be scrambling for alternatives. The effect on pellet premiums, however, may be helping buttress a sagging market. Premiums will fall next year, but perhaps not by the same degree on account of Samarco's accident, echoed two pellet buyers.

November Atlantic estimated contract premiums at \$30/dmt. Prior to the accident, sources expected a fall in premiums, with buyers indicating a settlement in the mid-\$20s/dmt for 2016 with some suggesting perhaps a drop to the low \$20s/dmt may be appropriate based on what some said was the loosest pellet market in many years. Iron ore pellet premiums had been on a downward



path through the second half of 2015, and Samarco's suspension, on capacity rated at over 30 million m t/year, left markets looking for reactions from participants. Various parties state three months as the minimum time frame exports may possibly come back into the market, with more open-ended worst-case scenarios.

Buyers, mainly in Europe, the Middle East and some in Asia, will ensure they have sufficient cover over the first and second quarters of 2016, and may be revisiting other suppliers to bring forward contracted deliveries or use options to snag extra cargoes.

Just earlier in Q4, some buyers had been managing contract volumes to effectively take less, reducing their near-term loading requirements as global steel demand fell. Spot volumes had been on offer, with SSI UK's distressed cargoes finding homes at what was understood to be vastly reduced premiums against contract levels.

With low prices for steel and scrap and weaker utilization rates, demand for pellets had tailed off. Pellets are used to boost efficiency in the production process of steel and cut waste. The direct reduction (DR) pellet market may be more a wild card.

Samarco was one of three to four key global DR pellet suppliers, and with Voestalpine's Corpus Christi DRI plant coming on stream soon, any long-term deficit in DR pellets may hit buyers in the Middle East, North Africa and North America harder than in blast furnace pellets markets.

Sweden's LKAB is expanding, and Vale may be able to increase DR pellet ratios at its plants, but many are tied to supplying BF grades to steelmakers in Europe and Asia. Vale's 9 million mt/year Oman pellet plant has already ramped up. Bahrain Steel may help step in, as could Metalloinvest, given both have pelletizing capacity that could be turned to more DR grades.

DRI (direct reduced iron) trends for those mills tied to using seaborne pellets are a mixed bag. Lower output in Egypt was blamed on natural gas availability, undermining some industry expectations this year, and the US and Trinidad slowed output recently, with cheap steel imports hot on the heels of Persian Gulf producers' long-term ambitions to operate at steady rates following a string of investments. Iran is looking to import more, and could contribute to further tightness.

A contract buyer sums up Samarco's situation as terrible for the local community with potential changes to mining permitting and regulations in Brazil, but not a huge market event. "There is no reason for premium to go up. DR may see a bigger impact," he said. "The correction may be lower, but still we'll see downside."

Arcelormittal Belval Commissions World's Largest Straightener for Sheet Piles



ArcelorMittal Belval, based in Esch-sur-Alzette, Luxembourg, has started up the CRS® Compact Roller Straightener supplied by SMS group. It only took four-and-a-half weeks to dismantle the previous equipment and install the new straightener, including successful commissioning. The new straightener can handle the largest sheet piles currently produced in the world, expanding the range of products producible at Esch-sur-Alzette.

SMS group supplied the double supported CRS® sheet pile straightener on a turnkey basis.

The scope of supply comprised the mechanical equipment, electrics and automation, the media supply systems and all the roller change equipment.

The straightener, which features a fully hydraulic adjustment system, is the first of its kind to be used exclusively for sheet piles. It has been specially designed for straightening



Z-type and U-type sheet piles as well as flat sheet piles. Equipped with double supported design instead of the conventional cantilever design, the machine provides for a balanced force distribution, leading to better straightening results especially for extra wide sheet piles.

The manipulator can change all nine straightening rollers in less than 40 minutes. To facilitate roller changing, operator side housing can be moved out.

Straighteners of the CRS® design, an SMS group development, have been successfully in operation in numerous rolling mills for sections and semi-finished long products. The machines are today's state of the art.

The challenging revamping project for ArcelorMittal Belval, implemented on a turnkey basis, is yet another proof of the SMS group's leadership position as a supplier of technology for section mills.