



Brazilian Gerdau Plans Broad Reorganization



Gerdau SA, the Americas' largest steelmaking group, announced a broad corporate reorganization that aims at taking better advantage of the firm's growing size in markets other than home turf Brazil amid weak demand and pricing for steel products.

Under the plan, which the Porto Alegre, Brazil-based firm announced in a securities filing, Gerdau will pay 1.986 billion reais (\$633 million) to buy out minority shareholders in four units, integrate South American operations outside Brazil in a single unit and merge the company's iron ore unit into its Brazil operations. Gerdau plans to formally present the new structure in the third-quarter earnings report, the filing added.

Whitehaven's Metallurgical Coal Sales Down 3% in Q2

Australian miner Whitehaven metallurgical coal sales fell by 3% year-on-year in the April-June quarter amid a gloomy market. The coal company sold 514,000 tonnes of the steelmaking raw material during the period, compared with 529,000 tonnes a year ago, according to its latest quarterly production report. The volumes were also 9% less than the 565,000 tonnes shipped in the first quarter of 2015.

Whitehaven's average realised price for metallurgical products during April-June was \$75.90 per tonne fob Australia, down by 19% from \$93.63 per tonne in the corresponding period last year.

The miner expects prices to dip lower, to \$70-75 per tonne fob Australia, in the September quarter. Fob Australia premium hard coking coal index was calculated at \$84.17 per tonne on July 15, sinking by nearly 26% since the start of the year. Slowing demand from the seaborne market, especially a sharp decline in Chinese buying because of new import policies, has pulled down coal prices, it said.

Higher metallurgical coal production from Queensland's Bowen Basin miners,



together with a slowdown in China's steel output, has "left the seaborne metallurgical coal market oversupplied" and caused prices to fall, it added. The company produced 1.4 million tonnes of pre-commercial run-of-mine coal from its Maules Creek mine in the past quarter, after delivering its first shipment in December 2014.

The Maules Creek operation was declared commercial on July 1 and the next ramp-up phase is planned to come to an annualized rate of 8.5 million tonnes later this year, according to the statement. Total run-of-mine coal production, including both thermal and metallurgical coal, reached a record of 5.46 million tonnes in the June quarter, 16% more than 4.7 million tonnes mined in the previous quarter and up by 44% from 3.8 million tonnes a year ago. Whitehaven did not publish a breakdown of thermal and met coal production in its statement.

Arkansas Looks to Big River Steel

Despite a flurry of layoffs at tube & pipe mills in the US state of Arkansas since the beginning of the year, one local official is hopeful that a new steel mill project can boost employment in the region.

"At our peak, between Tenaris, Atlas Tube and TMK IPSCO about 1,600 people were employed," said Clif Chitwood, economic developer, Mississippi County Economic Development Area. "In the past six months, about a third of those jobs have been lost," he added, but he is hopeful that the new Big River Steel plant, currently being built at Osceola in Mississippi county, will replace some of the lost jobs.

In January, Tenaris cut about 300 workers at its Blytheville mill, explaining at the time that it was laying off about 500 workers across the USA due to the downturn. Atlas Tube, a subsidiary of Chicago-based JMC Steel Group, temporarily laid off 35 workers at its Blytheville operations in February and, according to a spokesman, nothing has changed at the facility since then. And TMK Ipsco declined to comment on recent



- Clif Chitwood

employment changes in Arkansas. "We are used to cyclical times in our business prospects, but the price of petroleum products has dropped so much that it just kills the appetite for exploration," Chitwood said. "As soon as we see higher prices and more [exploration and production], those plants will power back up again."

In the meantime, Chitwood hopes that the \$1.3-billion Big River Steel project will employ displaced workers until the market improves. "Steel workers can do construction work, and that can hold them over for a few

months and [they can] maybe even get hired at the facility when it opens," he said. And Mark Bula, chief commercial officer at Big River Steel, shared his optimism.

"While we are sorry to see difficult times for some of our industrial neighbours in Mississippi County, we are pleased to be a local company that is growing and intends to add hundreds of permanent, good-paying jobs," Bula said. He said the construction of the mill is being carried out by contractors, but he was open to the suggestion that many of those workers whether former steel employees or not could find a place at Big River.

"I anticipate we will give a strong consideration to hire from the construction group at the end, or near the end, of the construction phase," he said.

The start-up steel company plans to make electrical steel products at its \$1.3-billion mill, and aims to target the automotive, construction, transportation and energy sectors.