Coal, Iron Ore Prices Revised as Chinese Steel Production Peaks

The ANZ has lowered its forecast price for coal and iron ore, and sees little chance of a recovery for either until 2017. The bank also says the slowdown in the Chinese economy, combined with increased steel exports from that country, point to a bleak outlook for Australia's domestic steel sector.

ANZ head of commodities research, Mark Pervan, has just returned from Beijing and said it appeared steel production in China had peaked about five years earlier than expected.

"Things are all pretty tough over there still," he said. “There's no doubt that key industries like steel are struggling, and areas where we saw some upside on our visit only three months ago are now slowing as well.

"So things like non-residental real estate, like schools and shopping centres, are also

slowing down, and it looks like it will remain that way for some time."

This translates into a lower demand for steel, the result being China is exporting it globally. "There's just too much steel," Mr Pervan said. “Steel production in China is down only one per cent, but consumption is down around seven to eight per cent. So that excess supply is being exported.

"We've seen a 30 per cent increase in steel exports out of China. “And that's a double whammy because that extra steel on the global market is pushing down the price of steel, and it's also driving down the price of iron ore and coal."

Iron ore and coking coal are the two key ingredients in the manufacture of steel, with an average 1.5 tonnes of iron ore and 0.7 tonnes of coking coal needed to make one tonne of steel. Steel manufacturing is energy intensive and the majority of energy production in China is from thermal coal fired power stations.

Mr Pervan said he expected the price of iron ore would decline by seven to eight per cent to $US52 per tonne next year. “The coking coal price is likely to drop by 10 per cent in 2016 from $US97 to $US90t, recovering mildly in 2017 in line with stronger demand. “Thermal coal will remain flat around $US60t for next two years, maybe going a little higher in 2017."

Chinalco Rolls First Coil with New Danieli Steckel Mill

The Chinalco Steckel mill plant was designed to produce 4,000 tpy of plates and 58,000 tpy of coils for stainless and non-ferrous alloys (titanium, nickel and copper) for a total capacity of 62,000 tpy. Thanks to its compact design, a complete line from cast ingot furnaces to plate finishing line can fit into only 200 m.

The exceptional mix of grades, including TA1, TA2, TC2, TC4; nickel and its alloys; copper and its alloys; and stainless steels such as AISI 304 and AISI 316, required a customized layout that has several particular features, such as a shiftable electric reheating furnace, Steckel technology and a four-high mill stand, capable of reaching a separating force of 60,000 kN.

The line is completed by bottom-drive vertical edger, to control material spread during the rolling process; a flying crop shear, to guarantee the good shape of head/tail before the coiling in the coiling drums; U-tube laminar cooling, divided into three zones, to guarantee the proper cooling and ensure the metallurgic characteristic of the end products; and a hot plate leveler. The entire automation system for the mill line, including Level 1 and Level 2 automation and control system, complete with HiPAC® PLC technology, was designed and supplied by Danieli Automation.

Supervision at installation, start-up and commissioning also were included in Danieli's scope of supply, providing a smooth and fast ramp-up curve for Chinalco plant. Danieli started the cold commissioning of this new line in June 2015. The hot commissioning has already started and the first plates were rolled to 25 mm thickness successfully in September.

This good preliminary result confirms Danieli as world leader in the design and supply of Steckel mills.

Baosteel Keeps Main Steel Product Prices Unchanged for October

Leading Chinese steelmaker Baoshan Iron and Steel will keep its main steel product prices unchanged for October delivery, it said.

The firm's pricing moves usually set the tone for the industry as a whole, and its decision to keep prices unchanged suggests that demand will remain relatively weak, despite a seasonal upturn in construction activity.

Baosteel also cut the price of its hot-rolled steel products used in automobiles by 100 yuan ($15.71) per tonne for October. Other products were cut by as much as 200 yuan per tonne.

As a result of severe overcapacity and faltering demand, Chinese steel prices have been in the doldrums this year, with the China Iron and Steel Association's composite index around a third lower than it was when launched in 1994.