Italian blast furnaces consume lower grade ores
Metal Bulletin Research (MBR) examines the consumption of iron ore and coking coal among blast furnace operators in Italy, in an environment of low steel prices and margins.

Despite the restart of operations at Arvedi’s 450kt/py Ferriera di Servola merchant pig iron plant in Trieste in November 2014, Italian iron ore consumption has deteriorated markedly through the first nine months of 2015. This has been largely due to the idling, maintenance and revamping of blast furnace #5 (3.2Mtpy) at Ilva’s Taranto facility since March. For the majority of 2015, only Ilva’s #2 & #4 blast furnaces and Arvedi’s mini-blast furnace have been operating with a combined capacity of 4.5Mtpy. More recently, however, Ilva restarted blast furnace #1 (2Mtpy) at the Taranto iron and steel works on 6th August 2015.

Italy’s remaining integrated-route steel producers, ILVA and Arvedi, which last year produced 27.5% of the country’s steel, have produced 3.4Mt of blast furnace iron/hot metal between January and September, compared with 4.8Mt over the same period last year, according to the latest data released by the World Steel Association. As a result, MBR calculates domestic iron ore consumption has declined by the same 29% year-on-year to 5.5Mt, on a 62% FE basis, from 7.7Mt over the same period in 2014. In fact, Italy imported 30% less iron ore through the first six months of 2015 (3.6Mt 2015 vs. 5.1Mt 2014), according to the ISSB. Therefore, we estimate Italian mills have consumed circa 1.9Mt of iron ore between July and September.

More pertinently, Italian metallurgical coal imports have declined to a lesser extent than the corresponding arrivals in iron ore shipments. Indeed, Italian integrated steel producers imported only 8% less metallurgical coal between January and June (1.6Mt), compared with 1.7Mt over the same period in 2014. We believe Ilva
and Arvedi have displaced a proportion of their higher grade iron ore consumption for relatively lower grade sinter fines, in an attempt to reduce hot metal production costs. As a result, lower iron ore grades require relatively larger volumes of coke, which is the main fuel and reductant in the blast furnace, to reduce lower quality ores.

MBR anticipates Italian iron ore consumption will recover next year if Ilva restart hot metal output from the 3.2Mtpy #5 blast furnace at its Taranto iron and steel works in early 2016. MBR calculates that this could equate to 5.1Mtpy of iron ore consumption. However, it is unknown if Ilva will maintain or displace output from blast furnace #1, #2 or #4 when the larger #5 has been fully revamped. If it is the latter scenario then this will still result in a net 1.2Mtpy increase in blast furnace iron/hot metal/pig iron production and 1.9Mtpy of additional iron ore consumption.

Atilla Widnell joined Metal Bulletin Research (MBR) in April 2013, to launch and manage the Steel Scrap & Metallics Forecaster. He spent almost 3 years at the CRU Group as the author and the editor of the Metallics Market Service and the monthly Metallics Monitor.

Atilla has previously worked as an equities and commodities analyst for Sucden Financial in London’s financial district. He has an undergraduate degree in Economics and a postgraduate degree in Global Financial Management from the University of Northumbria.

Have a question about the Steel Raw Materials Market?
Email: awidnell@metalbulletinresearch.com
With a subscription to MBR’s Steel Raw Materials Market Tracker you’ll get:

- Detailed and clear supply/demand analysis and pricing developments covering the iron ore, coking coal, coke, scrap, iron metallics and ferroalloys markets.
- Concise outlook on the direction of the steel raw materials markets.
- Robust two year iron ore, coking coal, coke, scrap and iron metallics price forecasts.
- NEW Industry developments covering the highlights of the latest news in M&A activity and capacity developments – links to full articles in MB/SF/AMM.
- NEW More in-depth coverage of global weekly and monthly quotations for key iron ore, coking coal, coke, scrap, iron metallics and ferroalloys benchmarks with 20 new prices overall.
- NEW Global monthly trade data for large steel raw material importing/exporting countries.
- NEW Futures commentary on iron ore, coking coal, coke and steel prices, open interest and trade volumes.

Weekly downloadable Excel data includes:

- Historical iron ore, coking coal, coke, scrap, iron metallics and ferroalloys prices.
- Weekly updates to Iron ore, coking coal, coke, scrap, iron metallics and ferroalloys prices.
- NEW Iron ore, coking coal, scrap, DRI/HBI and merchant pig iron trade data by major country.
- Monthly price forecasts for MBR’s major steel raw materials benchmarks.
- NEW Future 3 month prices, open interest and trade volumes for iron ore, coking coal, coke, rebar, wire rod and HRC.

Price: £4,898 / $9,522 / €6,999

All subscribers also receive free consultations with MBR’s steel raw materials analysts. You will be able to discuss the market and MBR’s forecasts, test assumptions and receive additional insight relevant to your specific needs.
New & Updated

What will the cost of scrap be in the future?
What will be the supply demand/balance for DRI and Iron Ore?
What will the local and global supply/demand balance look like?

The Turning Point for Steel Metallics:
A Global Market Outlook to 2021 for Iron Ore, Scrap, DRI/HBI and Pig Iron

FIVE EASY WAYS TO ORDER

+44 (0) 20 7779 8000
+44 (0) 20 7779 8090
marketing@metalbulletinresearch.com
www.metalbulletinstore.com

You are also able to request a brochure, sample extracts and detailed table of contents for more information. Quote promo code 6781 when ordering.