

# Hot briquetted iron down but not out

As a material that is heavily dependent on the demand for steel products, hot briquetted iron (HBI) has also suffered from the impact of the worldwide economic downturn. According to the North Carolina, USA-based Hot Briquetted Iron Association (HBIA), its market members are concerned about the future of the market and are questioning when floor prices for steel products will be established. "Uncertainty is everyone's nemesis," says Frank Griscom, executive director at HBIA. Reduced demand in the automotive, household appliance and many other markets in 2009 will continue to unbalance the HBI sector further.

The association's seven producer members include Comsigua, CVG Ferrmineria Orinoco, Matesi, Orinoco Iron and Venprecar in Venezuela, JSC Lebedinsky Mining & Dressing Plant in Russia, and Vikram Ispat in India. Qatar Steel was a producer member for part of 2008.

HBIA's 2008 production and export data published in March showed that its

As the hot briquetted iron market enters one of its most challenging years yet. Samantha Hodge talks to the Hot Briquetted Iron Association (HBIA) about its members' strategies in the downturn.

members produced about 5.6m tonnes of hot briquetted iron in 2008 – a 4% increase from 2007. About 4.5m tonnes of this was exported internationally.

The statistics also show a 4% increase in shipments from 2007. The largest proportion, over 1.7m tonnes (39% of exports) of HBI were shipped by its producer members to European iron and steel operations, including Russia and CIS countries. This region received the most HBI shipments for the second consecutive year. North America received about 1.2m tonnes, a 3% increase from 2007. This was followed by Asia which received 566,000 tonnes, Africa (514,000 tonnes), and South America (469,000 tonnes).

But, although 2008 was a good year for the HBI industry, the association does not expect further increases in 2009. Instead the market faces further volatility as raw material prices continue to fall in line with supply and demand. As in many other industries, the key issue for the HBI market this year is simply survival as companies struggle to stay positive. "A good deal of what we are experiencing in the steel industry is a reluctance to commit due to the uncertainty of what will be the new, sustainable floor prices and when they will be established. No one wants to be holding inventory that cannot be moved. We are also suffering from the effects of incessant reports of doom and gloom – what we need is some good news," says Griscom.

As a consequence, HBI producers are struggling to secure new sales as mills favour cheap scrap over HBI. Suppliers are faced with the problem of having to shut plants to reduce output by up to

50%. This is a trend which the market needs to avoid according to Griscom: "More HBI and pig iron cannot be collected when the demand picks up, as happens with scrap. The time and cost involved in bringing back an idled or closed HBI plant or a pig iron operation is significant and could affect the production of high quality steels in the electric arc furnace."

There is still some optimism as some plants such as Venezuela's CVG Ferrrominera Orinoco (FMO) remain virtually unaffected. As of early April, the state-owned producer is still producing at almost full capacity, with output at 90-95% of normal levels. "They're the only one that is still producing [near capacity] they have their own raw materials and they have government orders to keep producing no matter what," one producer told *Metal Bulletin* in April.

HBIA is aware that its members are taking measures to increase efficiency and cut costs. "Producer members are using the downturn to study their operations for ways to reduce costs, such as adjusting maintenance schedules, additional training of employees, and reviewing operating procedures and supply contracts," explains Griscom.

HBI also has the advantage of lending itself to a broad range of steelmaking systems and can be blended with other metallics sourced to achieve the most efficient and cost-effective furnace charging practice.

"This year will be extremely challenging," concludes Griscom, "However, we believe that the HBI market will be stronger when the steel industry emerges from the current downturn." ■



HBIA

The hot briquetted iron industry is suffering in 2009 as supply falls in line with demand