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Steelmakers Boost Capacity, Seek Help to Fight Imports

By The Moscow Times

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Russian steelmakers are lobbying for protection against cheap Ukrainian imports while they invest at least $2 billion in new capacity near their customers to cut transport costs and sew up their home market.

In what steelmakers hope will be the first of a series of protective measures, Prime Minister Dmitry Medvedev announced this week that Russia would not extend quotas for pipe supplies from Ukraine in the second half of 2013, a boost for domestic steel pipe makers.

In steel section and rebar, two major types of construction steel, for example, imports from Ukraine account for about a quarter of an annual market estimated at 12 million to 12.5 million tons, Sergei Donskoi, an analyst at Societe Generale, estimated.

Industry group Russian Steel is asking authorities to restrict imports of Ukrainian steel rod. The group, which represents all Russian steelmakers, also advocates the use of anti-dumping tariffs.

Russia must "implement measures to improve the effectiveness of the trade mechanisms for protecting domestic companies", Russian Steel said in a recent presentation.

Meanwhile, Severstal, NLMK and Evraz plan to launch new rolling mills this year and next to produce products such as rebar near major domestic markets.

"The new mills are looking to replace the imports, but it's far from clear if they'll succeed," said BCS analyst Oleg Petropavlovsky, who added that with part of the market locked up in long-term contracts, supply chains could be difficult to break.

"I'd be wary of forecasting a rebalancing of the market. At the moment we're expecting tighter competition and lower prices once the mills reach full capacity."

Medvedev said steel output would probably shrink by 1 to 3 percent in 2013 as he urged that measures should be taken to support Russian producers.

The steelmakers themselves provide differing views of the Russian market for steel.

Demand for rolled products in central Russia could rise by 7 to 8 percent in 2013 over 2012, said Alexander Burayev, NLMK's head of long products business. NLMK, Russia's third-largest steel firm, also forecasts a 5 percent rise in rebar demand this year.

It aims to capitalize on these increases by launching a new mill in the central Kaluga region in the third quarter with an annual capacity of 1.6 million tons of steel and 1.5 million tons of rolled products.

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