CSN, CVRD holders set swap deadline

By Michael Kepp
Special to AMM

RIO DE JANIERO, Dec. 18 -- The controlling shareholders of Cia Siderurgica Nacional (CSN), Brazil's largest steelmaker, and Cia Vale do Rio Doce (CVRD), the world's largest iron ore producer, plan to swap shares in the two companies by Dec 31.

The Vicunha group, CSN's biggest shareholder, will boost its controlling stake in CSN from 16.3 percent to 46 percent by buying stakes in the steelmaker owned by Banco Bradesco, Brazil's largest private bank, and Previ, the pension fund of the state-owned Banco do Brasil. CSN will then sell its 31-percent stake in Valepar, a holding company that controls CVRD, to Banco Bradesco and Previ. The estimated value of the stakes to be swapped is around $1.1 billion, according to steel-sector analysts.

Untangling these crossed shareholdings will allow both CVRD and CSN to simplify their shareholding structure and avoid a conflict of interest between shareholders--Bradesco, Previ and Vicunha--in both companies. The share swap deal will also allow CSN and CVRD to redefine their long-term strategies....

CSN and CVRD said in a statement sent to the Sao Paulo stock exchange on Monday that the major shareholders in both companies were finalizing the terms of the share-swap contract, which would be signed by Dec. 31. The deal's financial settlement is expected to take place during the first two months of 2001.

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Cleveland-Cliffs cutting pellet production

By John E. Sacco

PITTSBURGH, Jan. 5 -- Cleveland-Cliffs Inc., Cleveland, said late Thursday it would reduce iron ore pellet reduction at its wholly owned Northshore Mine in northern Minnesota by about 700,000 tons this year.

The company said that one of the pellet production furnaces at the mine would be shut for an estimated nine months, beginning early this week. Northshore Mine last year produced at full capacity of 4.3 million tons per year.

John S. Brinzo, Cleveland-Cliffs' chairman and chief executive officer, said that "unfairly traded imports continue to be a major issue for our steel company customers. However, this production cutback at Northshore also reflects the general deterioration in overall steel demand in North America. The company's sales outlook for 2001, along with production levels at all the mines Cliffs manages, are currently under review."

The company said the potential for layoffs as a result of the cutback was being evaluated, although Cleveland-Cliffs was looking at reduced overtime and less outside contract work as alternatives to layoffs.

Meanwhile, the United Steelworkers union said that Local 1938 in Minntac, Minn., and the U.S. Steel Group of USX Corp., Pittsburgh, had reached an agreement that all Minntac union employees would be fully employed with no layoffs. However, the agreement concludes Feb. 28. U.S. Steel has cut iron ore production by 450,000 tons in January and February, citing imports and escalating natural gas costs as the reasons.

Shut import tap or face worse, steel says

By John E. Sacco

PITTSBURGH, Nov. 17 -- Competitors and suppliers of Wheeling-Pittsburgh Steel Corp. used the troubled company's Chapter 11 plight to sound off once again against what they call a high volume of unfairly priced foreign shipments to the United States.Unless some action was taken by the U.S. government, the competitors and suppliers said, more steel companies would declare bankruptcy, as Wheeling-Pittsburgh did late Thursday (AMM.com, Nov. 16).

"We are sorry that yet another U.S. steel company has been forced to file for protection under Chapter 11 bankruptcy laws," said John S. Brinzo, chairman and chief executive officer of Cleveland-Cliffs Inc., Cleveland. "Unless the federal government takes action to halt the high volume of steel imports, including unfairly priced semi-finished slabs, that continue to flood into the United States, we will likely witness additional bankruptcies like Wheeling-Pittsburgh and the devastation of the (U.S.) steel industry."

When rumors of Wheeling-Pittsburgh Steel Corp.'s pending bankruptcy became reality late Thursday afternoon, Andrew G. Sharkey III, American Iron and Steel Institute president and chief executive officer, didn't have to be coaxed to comment.

"The emergency steel trade situation now facing the United States has claimed another major victim," Sharkey said. "The blame can be laid squarely at the door of record levels of dumped, subsidized and disruptive steel imports.

"Before there are additional major bankruptcy filings, it is essential that the administration act now to provide immediate, broad, comprehensive trade relief," he said.

Wheeling-Pittsburgh Steel said that it filed a voluntary petition in U.S. Bankruptcy Court in Youngstown, Ohio, to reorganize under Chapter 11 of the U.S. Bankruptcy Code. The filing was needed because the company was unable to meet its debt obligations and needed to gain access to new working capital....

John H. Walker, president of Weirton Steel Corp., Weirton, W.Va., said that while his company and Wheeling-Pittsburgh had discussed a potential merger or some type of joint business arrangement over the past decade, "no such talks currently exist." Walker did take an opportunity to blast the federal government for allowing the demise of the U.S. steel industry. "It is very unfortunate that another (U.S.) steel company has fallen on difficult times," he said. "It is not appropriate to speculate on the factors surrounding another company's internal business affairs. However, it is fitting to mention that the surge of unfairly priced steel imports is at the center of all steel company bankruptcy filings that have occurred since the import crisis began more than two years ago," he concluded.

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Cosipa pre-sells slab for restructuring

By Michael Kepp
Special to AMM

RIO DE JANEIRO, Brazil, Nov. 28 -- Cia Siderurgica Paulista (Cosipa), Brazil's third-largest steel mill, said it will firm up the last of four pre-sale slab export agreements by year's end to fund a $700-million operational and financial restructuring program.

The program will allow it to produce 1.5 million tonnes of slabs per year for export by the end of 2001.

Cosipa decided in 1999 to shut down a costly conventional casting production line and replace it with a $175-million line that included a Voest-Alpine continuous slab caster and two LD converters. It also decided to revamp its two blast furnaces, one of which is now deactivated, and upgrade its hot-rolling mill and coke batteries. The revamps will be completed by October 2001 at a total equipment/technological price tag of $400 million.

Cosipa also needed to roll over $300 million in short-term debt, turning it into less-costly long-term debt and bringing the total cost of the operational and financial restructuring to $700 million. To obtain the financing, Cosipa decided to pre-sell output from the new line.

While shutting down the conventional line caused Cosipa's raw steel output to drop to 2.8 million tonnes a year from 4 million tonnes previously, the new line will turn out 1.7 million tonnes more steel and boost Cosipa's output to 4.5 million tonnes a year by November 2001.

But since Cosipa only has the rolling capacity to turn out 3 million tonnes of hot- and cold-rolled coils and heavy plates per year, it plans to turn the remaining 1.5 million tonnes of raw steel into slab for export, with 1.05 million tonnes a year pre-sold to pay off the financing. Those agreements include:

? 250,000 tonnes a year to Canadian steelmaker Duferco over 12 years to pay off $175 million in financing from Voest-Alpine for the continuous caster, a deal firmed up in May. ? 200,000 tonnes a year to steel traders Thyssen and Siderco for seven years to pay off $175 million provided by Germany's West LB Bank, a deal firmed up in October.

? 400,000 tonnes a year to Thyssen and Siderco for seven years to pay off $200 million provided by Holland's ABN Amro Bank, a deal firmed up in November.

? 200,000 tonnes a year to Japanese trading company Mitsui for eight years to pay off $100 million in financing from Mitsui, a deal to be firmed up in December.

Brazil's National Development Bank has provided another $50 million, bringing the financing deals to $700 million, the amount needed for the financial and operational restructuring. Cosipa has pre-sold 1.05 million tonnes of slabs a year, leaving it with 450,000 tonnes to export on a spot basis.

"The financial and operational restructuring of Cosipa will leave it in a much healthier situation," said Cosipa's financial director, Magno Jose Gonfiantini. "It will roll over Cosipa's short-term debt, boost its steelmaking capacity and allow us to export 450,000 tonnes a year of slabs not linked to paying off the financing deals...."

Cosipa will provide the export market with slabs at a time when Cia Siderurgica Tubarao (CST), Brazil's biggest slab maker, will be reducing its exports. CST plans to install a $450-million, 2-million-tonne-per-year-capacity Schloemann (SMS)-Kvaerner hot-strip mill by January 2002, an upgrade which will greatly reduce its slab exports. Currently, CST produces close to 4.5 million tonnes of slabs a year, exporting more than 90 percent.

Cosipa, controlled by Usinas Siderurugicas de Minas Gerais, Brazil's second-largest steelmaker, is located in southeastern Sao Paulo state.

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CSI expects low slab tags to continue

By Frank Haflich

LOS ANGELES, Nov. 29 -- Slab prices for the world's largest buyer of the product are down again--and sharply--in the fourth quarter, and California Steel Industries (CSI) expects the trend to continue into next year.

In fact, the Fontana, Calif., flat-rolled producer anticipates that in 2001 it will enjoy "as good a slab price as there was in 1999," during the last slump in tags, according to Lourenco Goncalves, president and chief executive officer.

CSI, which had been looking to buy slabs in the fourth quarter for $200 per tonne, f.o.b., or slightly below, has ended up with an average price "well below" $200, Goncalves said. For the third quarter, it paid $221 per tonne, f.o.b., and the highest price it paid for slab at any one time this year was $230 per tonne.

CSI's average price of slabs in the third quarter was down about $10 per tonne from the second quarter, reversing a second-quarter $19-per-tonne increase over the first three months of the year.

As in 1999, when the average price paid by CSI was $155 per tonne, f.o.b., Goncalves sees a number of steelmakers who were not particularly active in the 2000 slab market keen to land business for 2001, including Britain-based Corus Plc, Luccini SpA of Italy, Cosipa of Brazil and Benxi of China.

If slab prices are falling and there is a growing number of eager sellers on the world market, why not buy them once again on an annual basis, as CSI did in 1999 in what was regarded then as a pretty much unprecedented move?

Goncalves said that some of the mills which supplied slabs to CSI in 1999 via annual agreements were reluctant to do so again in 2001, wrongly believing that they left money on the table last year. In fact, he maintained, CSI probably paid a bit more for slabs when it returned to the market in early 2000 than it might have because it wasn't continually in the market during 1999.

"My forecast: We will be buying cheap slabs over the year; we'll just be negotiating quarter by quarter," said Goncalves,....

CSI will purchase 1.7 million tons of slabs this year compared with about 2 million tons in 1999, when it hedged a bit in order to capitalize on last year's low prices. In 2001, Goncalves expects the company to increase its purchases to between 1.8 million and 1.9 million tons.

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US consumption of iron ore jumps 10%

By John E. Sacco

PITTSBURGH, Dec. 5 -- U.S. steelmakers consumed 54.2 million tons of iron ore in the first nine months of this year, up 10 percent from the same 1999 period, according to data released by the Cleveland-based American Iron Ore Association.

U.S. steelmakers consumed 5.7 million tons of iron ore in September, unchanged from the same month last year.

Iron ore inventories in the United States at the end of September totaled 27.9 million tons, up 4.1 percent from 26.8 million tons at the end of August and a year earlier. Consumption of iron ore in Canada through September totaled 10.8 million tons, up 4 percent from the first nine months of 1999,.... Canadian inventories at the end of September totaled 8.4 million tons, down 4 percent compared with a month earlier and with September 1999.

Shipments of U.S. and Canadian iron ore destined for North American unloading points during October were 7.6 million tons, a 10-percent increase from the same 1999 month. Shipments through the first 10 months of this year totaled 63.3 million tons, an 11-percent increase vs. 1999.

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LTV Steel Mining to cease production

NEW YORK, Dec. 6 -- LTV Corp. said Wednesday that iron mining and pellet production by LTV Steel Mining Co. in Hoyt Lakes, Minn., would cease permanently on Feb. 24.

LTV Steel in May disclosed plans to permanently close the iron mining operation (AMM.com, May 24) but gave no timetable for the shutdown.

The mine can no longer provide LTV Steel with taconite pellets of competitive quality and cost, the company said in a news release.

The mining unit currently employs about 1,100 people. LTV did not say how many would lose their jobs as a result of the closure, but it did note that an "undetermined number" would stay on to mothball the facility "and to preserve it for possible future use."

LTV said the flood of unfairly traded foreign steel, lower prices and lower demand for its products have reduced its need for taconite pellets and required additional cost reductions.

"We had expected to operate the mine until the middle of 2001," Richard J. Hipple, LTV Steel Co. president, said in the release. "But the extremely difficult business conditions now facing LTV and the domestic steel industry have made this action unavoidable."

Hipple said business conditions also have caused LTV Steel to reduce production and lay off about 500 people at its steelmaking facilities. One of LTV's three blast furnaces at the Cleveland Works has been idled.

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Brazil set to boost steel capacity

Rio de Janeiro 15 December 2000 02:06

Brazil will expand its crude steel production capacity from current levels of 31m tpy to nearly 34m tpy by the end of 2001, according to the Brazilian Steel Institute (IBS).

This will be achieved through the bringing on stream of enlargement projects already under way, IBS technical director Rudolf Buhler said during an seminar organised by the institute in Rio. Thereafter, a further expansion of capacity up to 40m tpy by 2006 is seen as possible, on the strength of new projects for which firm plans are being made in the light of current domestic market growth prospects, he said.

Actual production levels will nonetheless always remain slightly under capacity levels, due to the probability of continuous maintenance work, including blast furnace relines, he said. Brazil's crude steel output this year is expected to be between 27.5-28m tonnes, representing 90% of installed capacity.

Next year's capacity expansion will come about as a result of the reline of CSN's major No 3 blast furnace, which should increase its capacity by 1m tpy in mid-2001, and the new steel shop and slab casting line installation at Cosipa, which, together with Cosipa's planned reline and enlargement of its No 1 blast furnace, will add some 1.8m tpy to the company's current capacity by the end of 2001.

CSN's total crude steel capacity will rise to 6m tpy while Cosipa's will be 4.5m tpy following completion of these expansion programmes, the respective companies said.

The further capacity expansion foreseen after 2001 includes projects which have not been given a formal go-ahead but which are widely expected to materialise: firstly slabmaker CST's plans for a third blast furnace of around 3m tpy capacity, which is expected to gain approval from the company's board in early 2001 for start-up in late 2004. In addition, CSN continues to air plans for a new 5-6m tpy capacity slab plant at Itaguaí, Rio de Janeiro state, which would probably occur in a two-phase development and is in theory linked to the company's planned acquisition of a rolling mill in the USA, which would process the slabs.

Another project which is currently still embryonic but could occur by 2005 or 2006 is long products maker Belgo-Mineira's plan to set up a new DRI-based 500,000 tpy steel mill in Corumbá, western Brazil, using iron ore from the Rio Tinto iron ore mine there and natural gas from Bolivia. Steel production would be aimed at the Paraguayan and Argentinian markets, which the plant would access via the River Paraguay.

Buhler said that the Brazilian steel sector has invested around $10bn, mainly in modernisation, since the completion of its privatisation process in 1994, and that a further $4bn is being invested up to 2002. Some 48% of the investments made so far have been on improving rolling mill facilities, he said.