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CHINESE INVESTMENT PUTS FOCUS ON EXPORTS

Following the announcement of Chinese investment into a $10-billion metallurgical complex development in Limpopo's Special Economic Zone (SEZ), the Southern Africa Stainless Steel Development Association (Sassda) has welcomed beneficiation of South Africa's raw materials, particularly chromite.

However, Sassda pointed out that it is rather in the downstream manufacturing and conversion of primary stainless steel to finished products where the potential for job growth and value lies.

"We salute government initiatives to grow the stainless steel industry in South Africa. However, **it needs to be part of an integrated global value chain if it seeks to boost the economy in any meaningful way.** Our industry is calling for beneficiation which will directly impact both jobs and the bottom line. In reality, there is no room for additional supply into the local market," says Sassda director, John Tarboton.

THE CURRENT PICTURE

The industry currently employs 114 000 people and is worth about R40 billion to the South African economy from the primary production of stainless steel through to finished products, handling 500 000 tons per annum (tpa) in steel sheets, plates and coils. South Africa imports a further 40 000 tpa, of which 150 000 tpa is consumed and 390 000 tpa exported.

South Africa and Zimbabwe own 85% of the world's chromite reserves (the key ingredient for stainless steel production) and 70% of the world's chromium is used in the production of stainless steel. South Africa also has about 80% of the world's manganese reserves, which is used in some stainless steel grades.

According to Tarboton, it has long been the vision that South Africa maximises its beneficiation of chromite to stainless steel to move down the value chain and create local employment, together with the call for an export tax on chromite ore to support chromium beneficiation.

STAINLESS STEEL IS BECOMING CHEAPER

Process technologies for ferrochromium, nickel pig iron (NPI) and stainless steel are developing at a rapid pace around the use of backward integration into the mines to reduce energy consumption and create "four-in-one" stainless steel mills.

These are reducing stainless steel production costs dramatically, while production costs for products such as aluminium are rising above inflation (including in China) due to the rise in electricity costs. It is expected that this will support the current global stainless steel growth rates of about 6%, with the possibility of stainless steel production migrating to the mines in support of these new technologies in backward integration.

EXPORT-DRIVEN INVESTMENT

Together with Zimbabwe's recently signed memorandum of understanding for a feasibility study for a stainless steel plant, South Africa's proposed Musina Makhada SEZ plant is set to produce stainless steel to be further processed in China – however, concerns remain regarding logistics and transport costs for its export.

"We have a globally competitive stainless steel producer in South Africa and they export about three quarters of their production. Any new stainless steel producer would have to be export-driven. Currently, beneficiation would make the biggest economic impact to our industry, along with that of employment," states Tarboton.

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