

Buyer's market power: how to drive demand

Unsupported by demand, the steel sector's excess capacity has finally turned into a buyer's market. Following significant volatility in recent years, steel prices are expected to be relatively stable in 2020.



In 2019, global steel consumption reached 1.8 billion tonnes. China remains the main driver of steel-production growth in the world, while India, the US and Southeast Asia have also seen growth. In Ukraine, steel consumption is very low - only 4.8 million tonnes, and it even went slightly further down last year. The protectionist policies that restrict access to international markets, encourages steel producers to focus more on the domestic market.

Igor Tonev, Metinvest-SMC CEO, spoke at the VIII National Conference of Steel Construction Market Participants on how Metinvest plans to drive demand for steel products in Ukraine.

Investments in quality

Metinvest continues to invest in the manufacture of new products. The commissioning of a new

[1700 hot strip mill](#)

(HSM) at Ilyich Steel in Mariupol became the highlight of last year. Investments in the hot-rolling process line, i.e. construction of the rolling mill, the continuous casting machine and the ladle furnace totalled US\$260 million.

Modern equipment has the capability to produce steel coils and sheets with improved technical parameters. About half of the mill's products are thin and extra-thin-gauge material. The revamp of the mill will have a positive impact on the quality of cold-rolled and galvanised steel.

Efficient logistics

Last year, Metinvest opened Ukraine's largest distribution centre in Dnipro. It has space for 40 thousand tonnes of steel goods. Six cranes are operated on-site. The centre will be able to ship daily up to 2.4 thousand tonnes of goods by trucks and up to 1.8 thousand tonnes by rail. "We have consolidated our safety stock there. We can keep in store more niche products without fearing long turnover or inefficient logistics", said Igor Tonev.

The opening of a new centre helped improve the efficiency of logistics: now the company has twice as many contractors and three times more direct carriers, and it takes just one day to find a truck.

On-line shipping queue

By the end of the year, Metinvest-SMC plans to launch the queue booking service, which makes it possible to order a truck for a certain day and time, and metal will be prepared by that time.

Turn-key steel solution

Metinvest moves from supplying steel to supplying comprehensive solutions. In 2019, Metinvest-SMC and the Ukrainian Steel Construction Centre (USCC) launched a service of project-based sales. The developers and buyers of construction services can now purchase not just steel but get a package solution: a pre-project study, a cost and technical comparison of steel construction with other alternatives, delivery of steel goods and installation of steel structures on a turn-key basis.

In project-based sales, the company is as flexible as possible in using its pricing tools. The price can be fixed or

linked to some indexes. Other solutions are also possible. “We already have several successful projects, where we as a steel producer and USCC as a platform that brings together industry and steel structure manufacturers, were able to prove the benefits of steel construction to the customer”, adds Igor Tonev.

Payment deferral

In the last couple of years, banks basically did not provide loans to domestic businesses. This situation changed early this year, when the National Bank began to reduce the refinancing rate, and devaluation expectations of the banks eased up. Metinvest-SMC cooperates with several banks on factoring programs, which help ship steel goods with up to a 90-day deferral.

Particularly, this program can help the steel-structure manufacturers increase their presence in exports, where they often have to deal with a long deferral of payments from their end users. Buying metal with a 90-day deferral can significantly reduce the payment cycle and, therefore, offer an additional competitive advantage.

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