

Recycling Steel in a Global Market



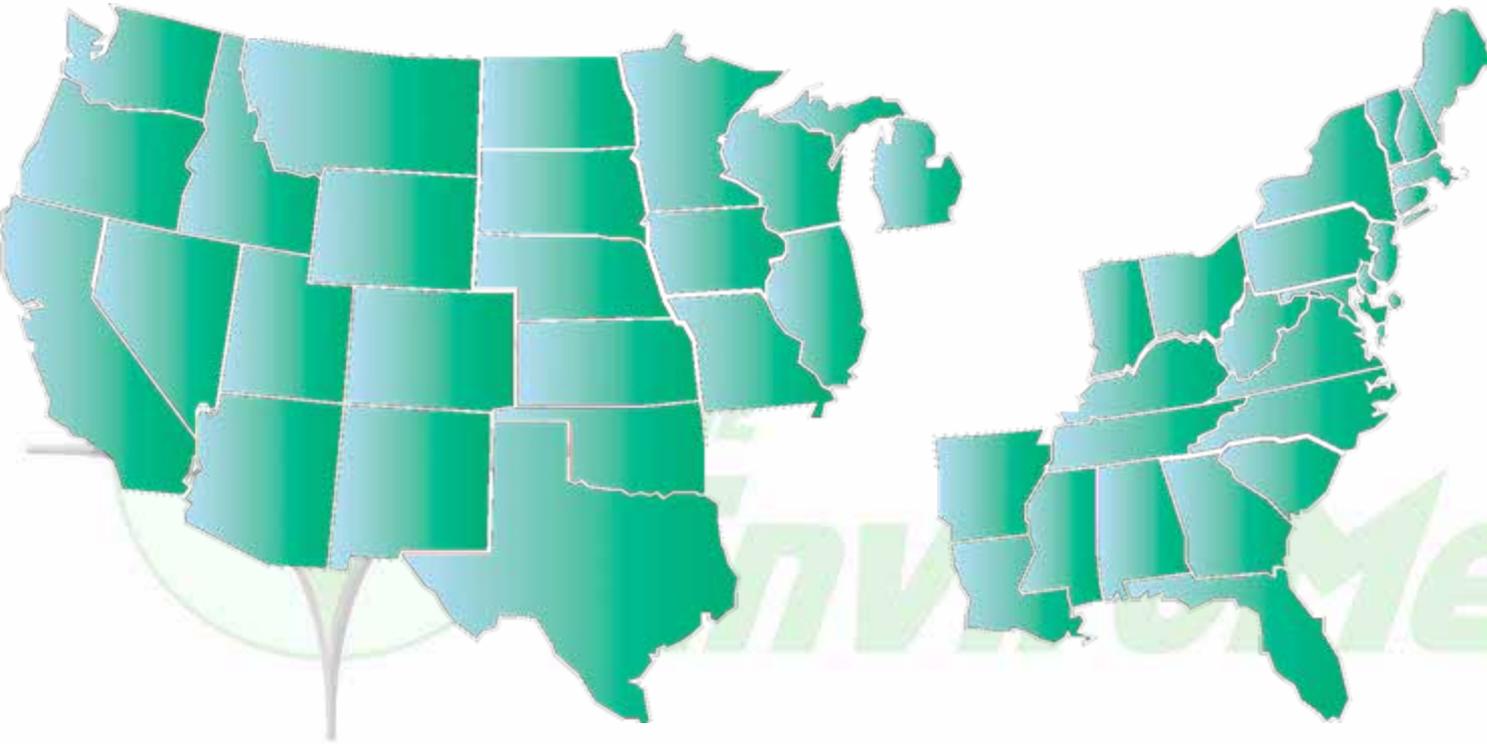
*THE
Enviro*

*David Keeling
General Manager
Western US
Steel Recycling Institute*

*Steel Recycling Institute
Founded in 1988*



Steel Recycling Institute Regional Organization



NATIONAL

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WESTERN REGION

AK,AZ,CA,CO,HI ID,IL,IA,KS,MI,MN,MO,MT
NE,ND,NM,NV,OK,OR,SD,TX WA,WI,WY

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EASTERN REGION

AL,AR,CT,DE,FL,GA,IN,KY,LA ME,MA,MD,MS,
NC,NH,NJ,NY,OH,PA,RI,SC,TN,VA,VT,DC,WV

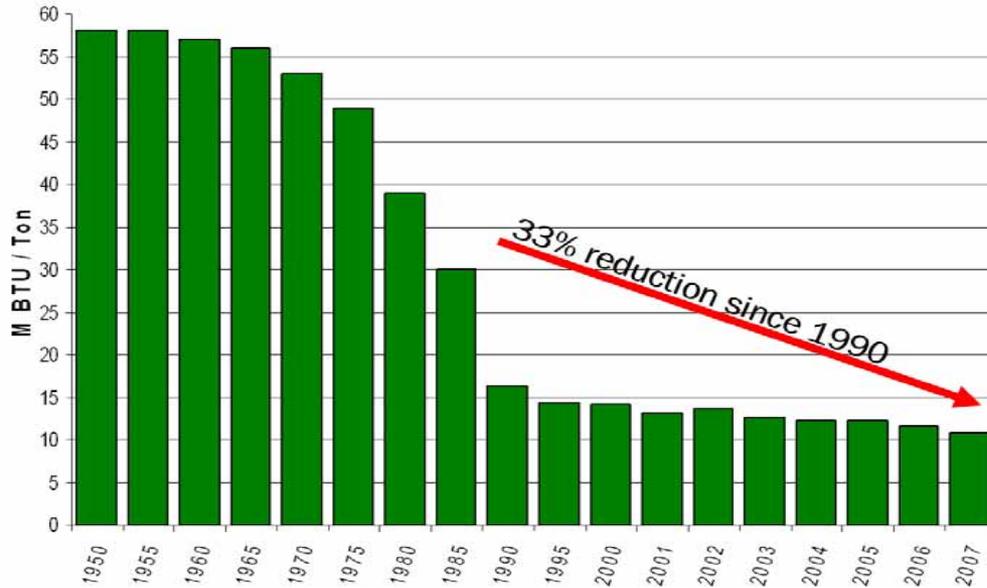
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WHY DO WE RECYCLE STEEL?

- Economics - saves money - substitution cost
- Environment - conserves resources
 - Energy: 5450 BTU saved per lb. Of steel
 - Saves per ton of steel
 - Coal - 1,400 lbs
 - Iron ore - 2,500 lbs
 - Limestone - 120 lbs
- Saves landfill space
 - 1 cubic yard whole steel cans = 150 lbs
 - 1 cubic yard flattened steel cans = 850 lbs

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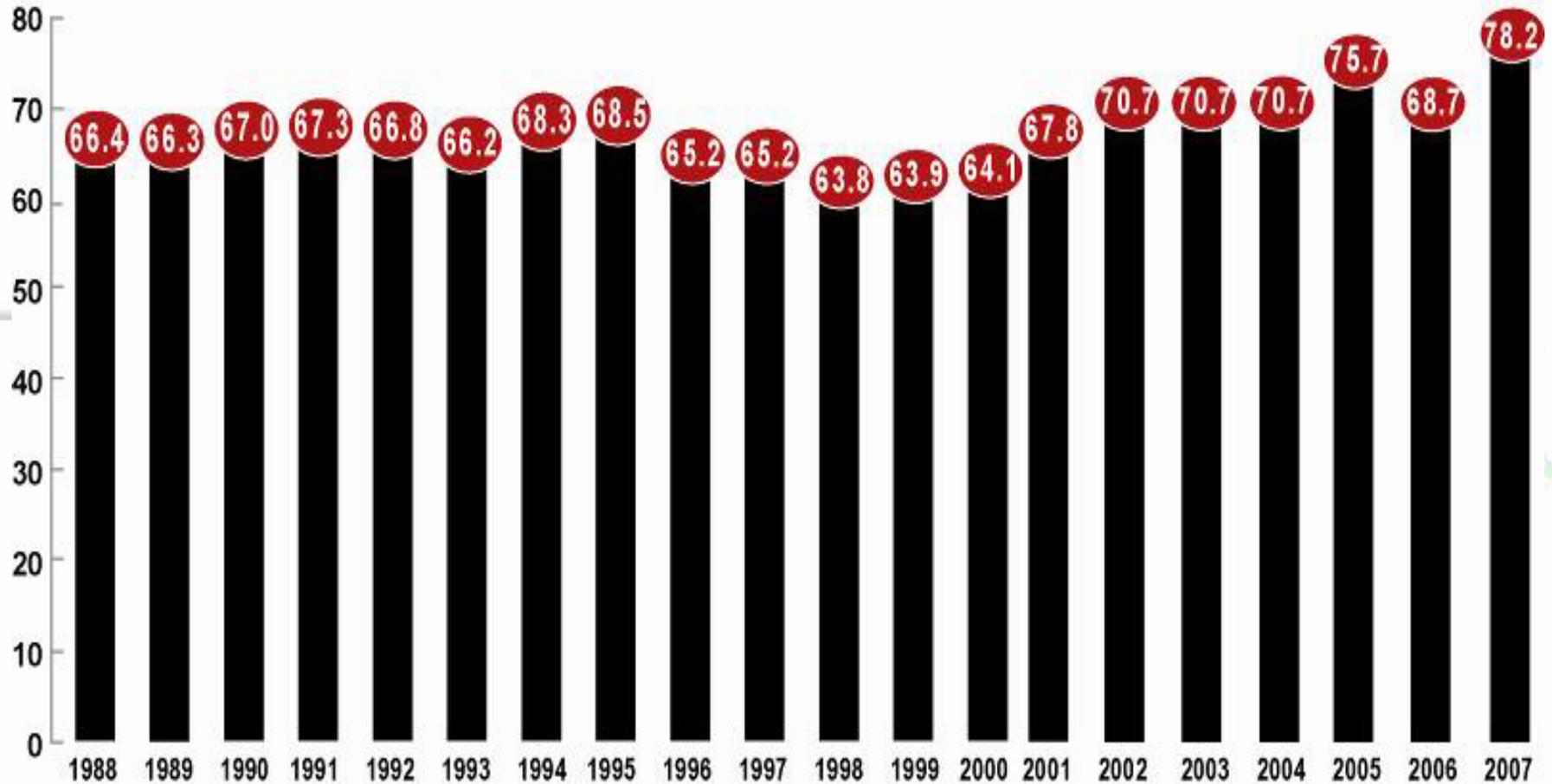
Energy Efficiency



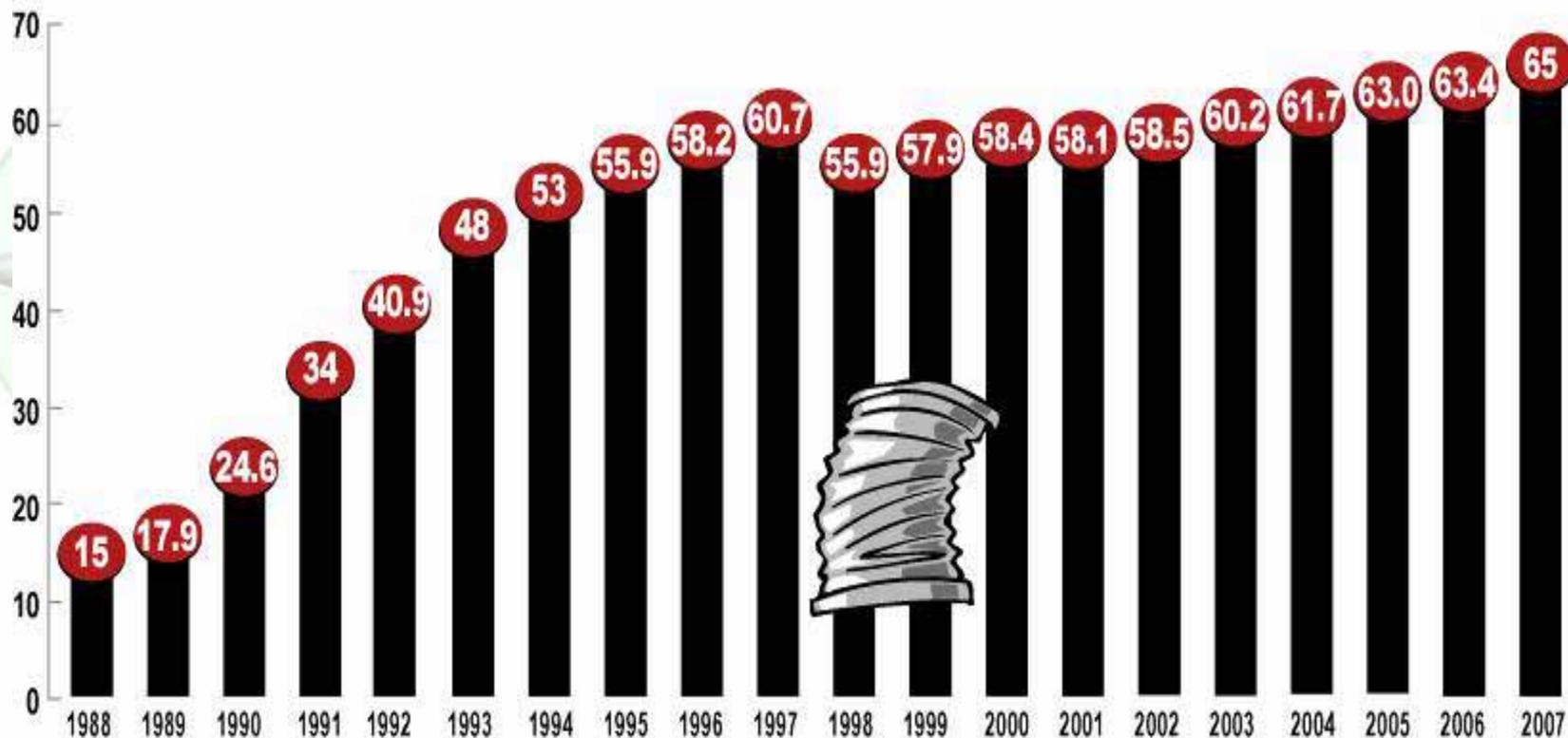
ONLY the North American steel industry has reduced energy demands while still increasing production

- The steel industry has reduced its energy intensity/ton of steel shipped by 33% since 1990.
- 5540 BTU of electricity is saved by recycling each pound of steel.
- Enough steel is recycled every year to provide the electrical needs of 18 million homes.

Overall Steel Recycling Rate



Steel Can Recycling Rate



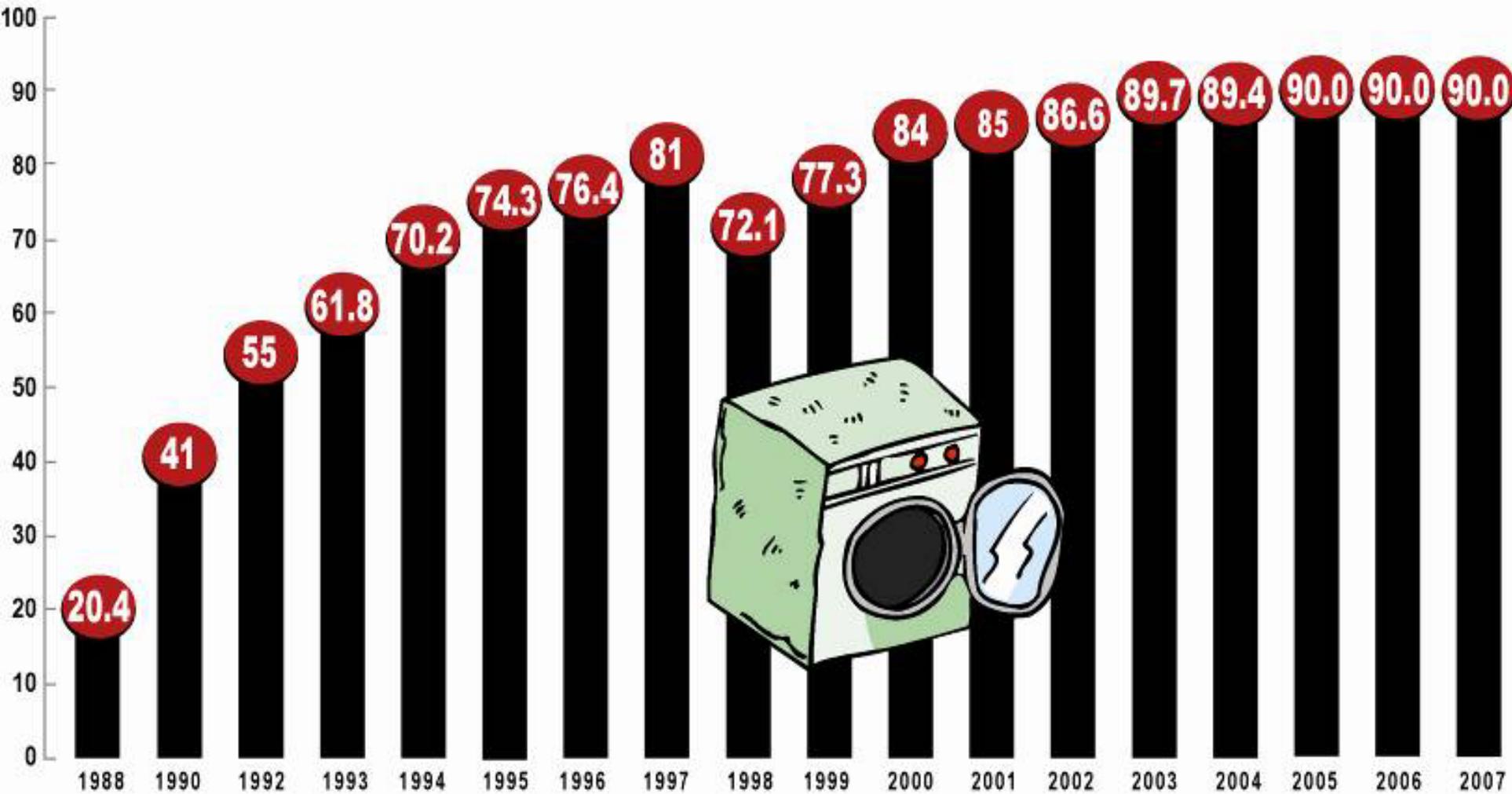
Over 100 million Americans can recycle empty aerosols!

- Orlando, FL., Des Moines, IA., Annapolis, MD., Toledo, OH., Montgomery, AL., Lexington, KY., Austin, TX.,
- Tampa, FL., Gwinette County, GA.
- 56 OF TOP 100 CURBSIDE PROGRAMS (POPULATION) INCLUDE EMPTY AEROSOL CANS IN STEEL CAN MIX.

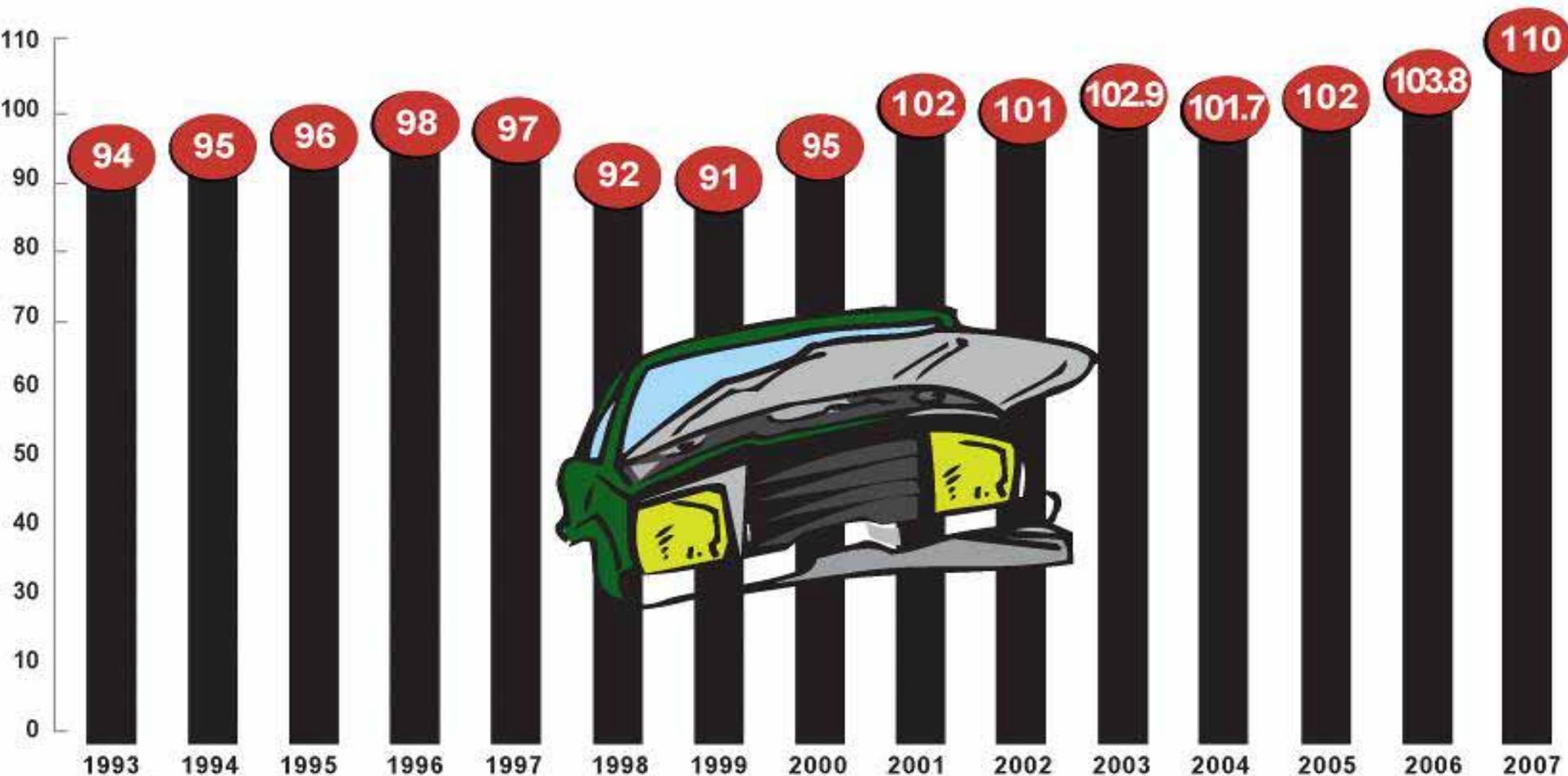
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(Over 4000 programs include empty steel paint cans in their collections)

Appliance Recycling Rate

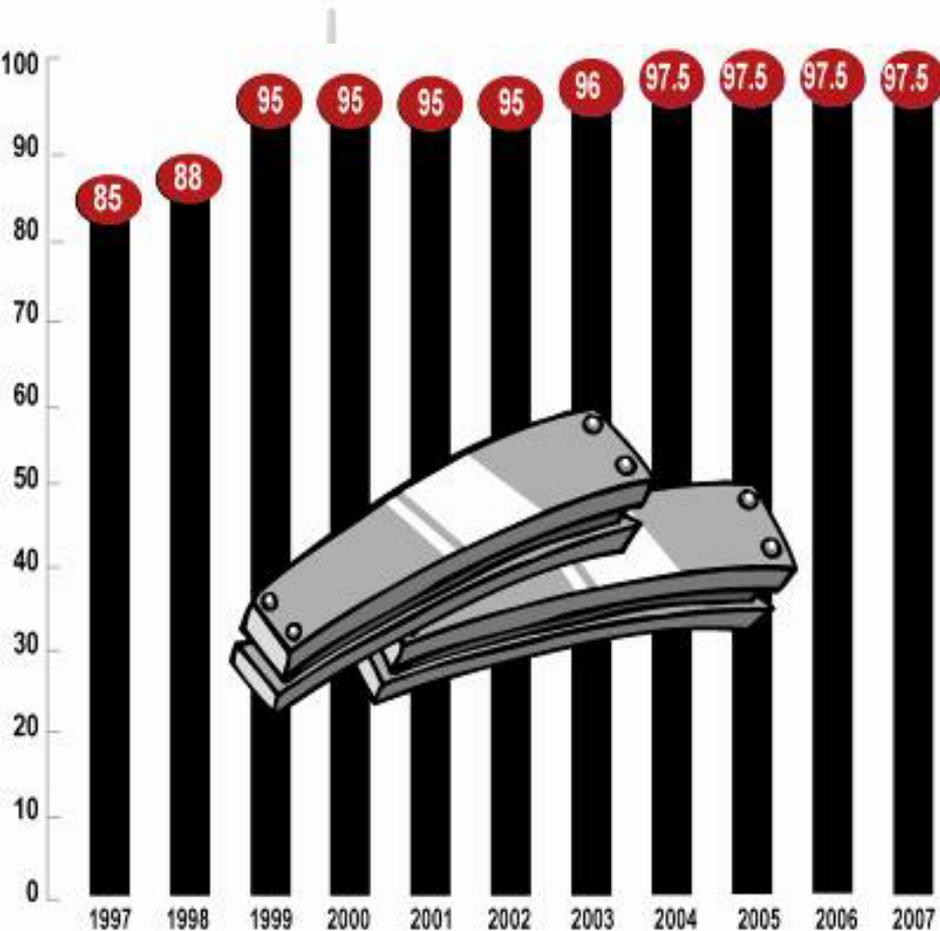


Automotive Recycling Rate

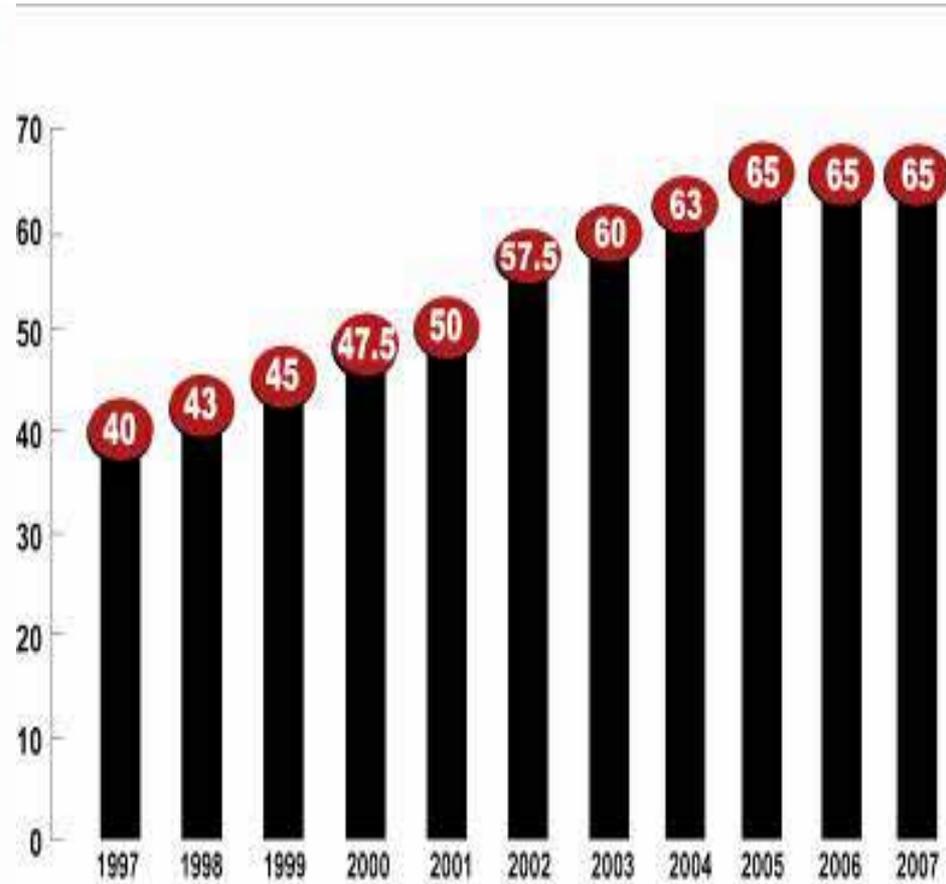


Construction Recycling Rates

Structural



Rebar



A Partnership in Steel Making

- Basic Oxygen Furnace -
25% Recycled Content
- Electric Arc Furnace -
100% Recycled Content



World Steel Market

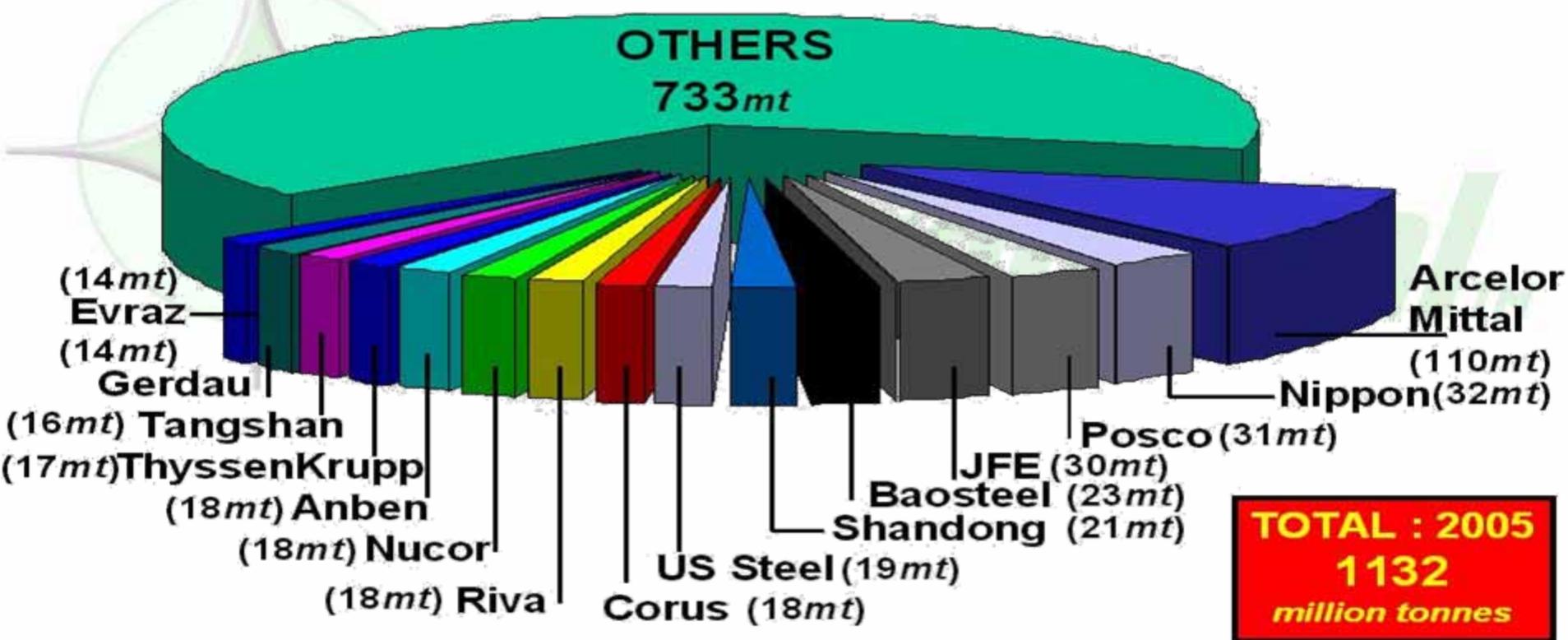
- World Production = 1,125,000,000 tons
(Billion)
- Chinese Production = 500,000,000 tons
- US Production = 100,000,000 tons
- Capacity Utilization
 - The amount of production capacity utilized, versus the amount of production capacity available.

Room for Future Consolidations

GLOBAL STEEL

SLOWLY CONSOLIDATING - BUT STILL FRAGMENTED

Top 15 Steel Producers make 35% of World Steel



TOTAL : 2005
1132
million tonnes

Source : IISI

Iron and Steel Statistics Bureau

Steel 2008- The Perfect Storm

- **THE RISE**

- Mill Integration
- Low Dollar
- Foreign Demand - CHINA
- High Price of Scrap Alternatives (Pig Iron)
- Inventory Control
- HEDGE FUNDS

"Iron Age" #1 Dealer Bundles

Chicago Market



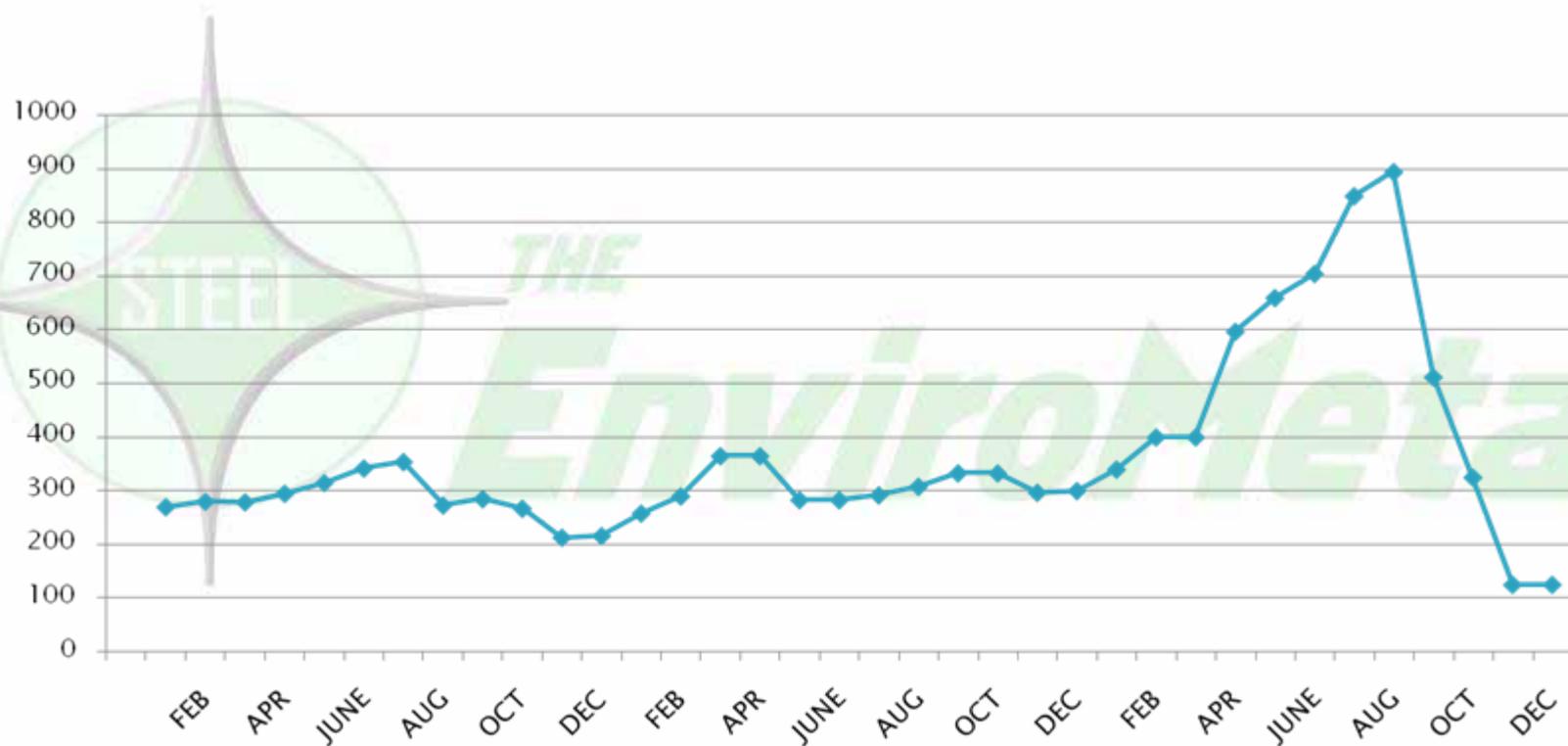
Steel 2008- Like night and day!

- **The Fall**

- Demand Falls precipitously
- Price Collapse
- Scrap begins to accumulate

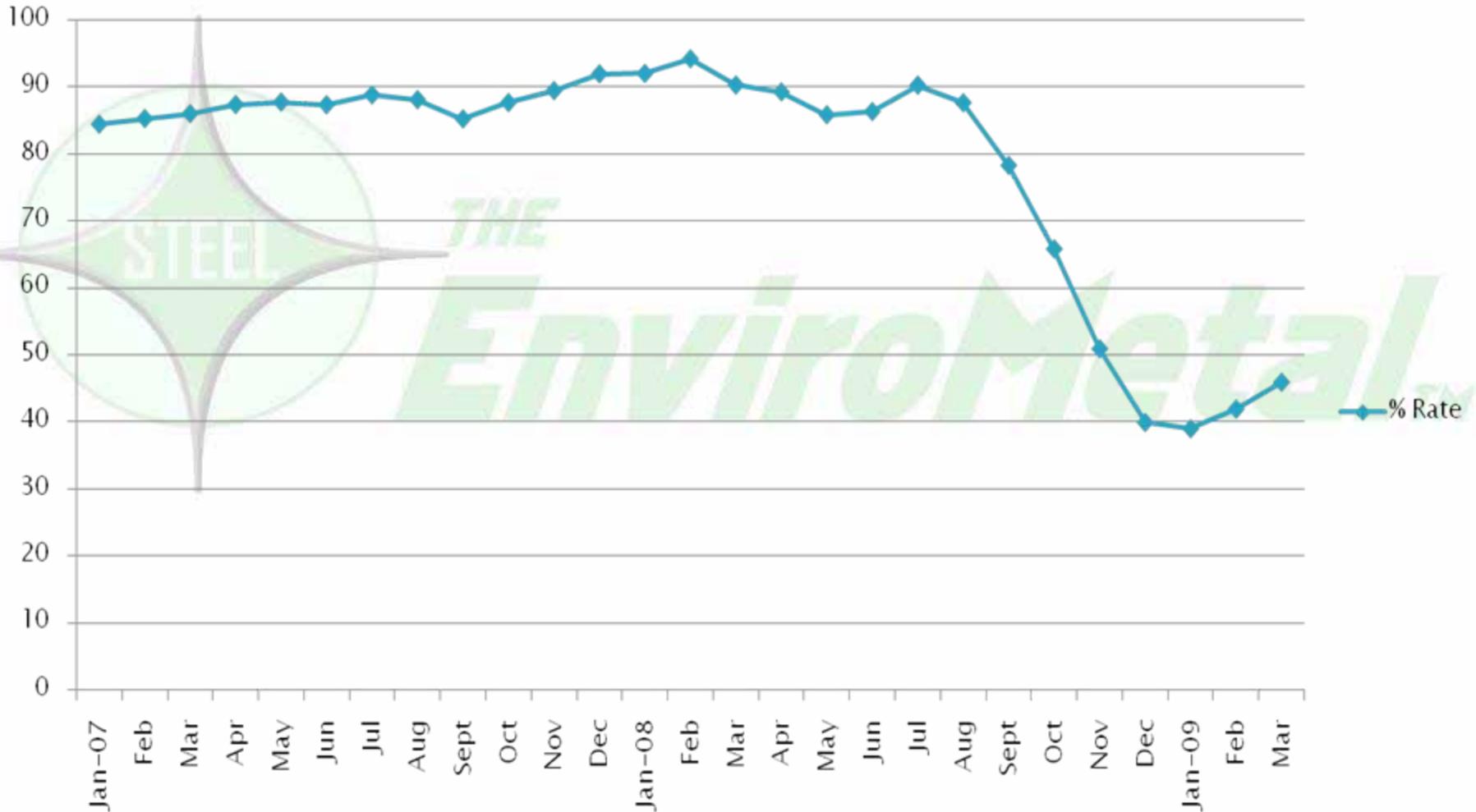
"Iron Age" Ferrous Scrap

#1 Dealer Bundles



Capacity Utilization by Steel Mills

% Rate



Supply vs Demand

August 2008 – Prime Scrap \$900.00 / GT

-Capacity Utilization = 87.66 %

September 2008 – Prime Scrap \$500.00 / GT

-Capacity Utilization = 65.86 %

December 2008 – Prime Scrap \$125.00 /GT

-Capacity Utilization = 39.99 %

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What Happened

- Housing (variable rate mortgages)
- Banking (liquidity)
- Stock Market
- Hedge Funds
- SUMMER OLYMPICS (China)
- Foreign Demand
- Domestic Economy
- Foreign Economies

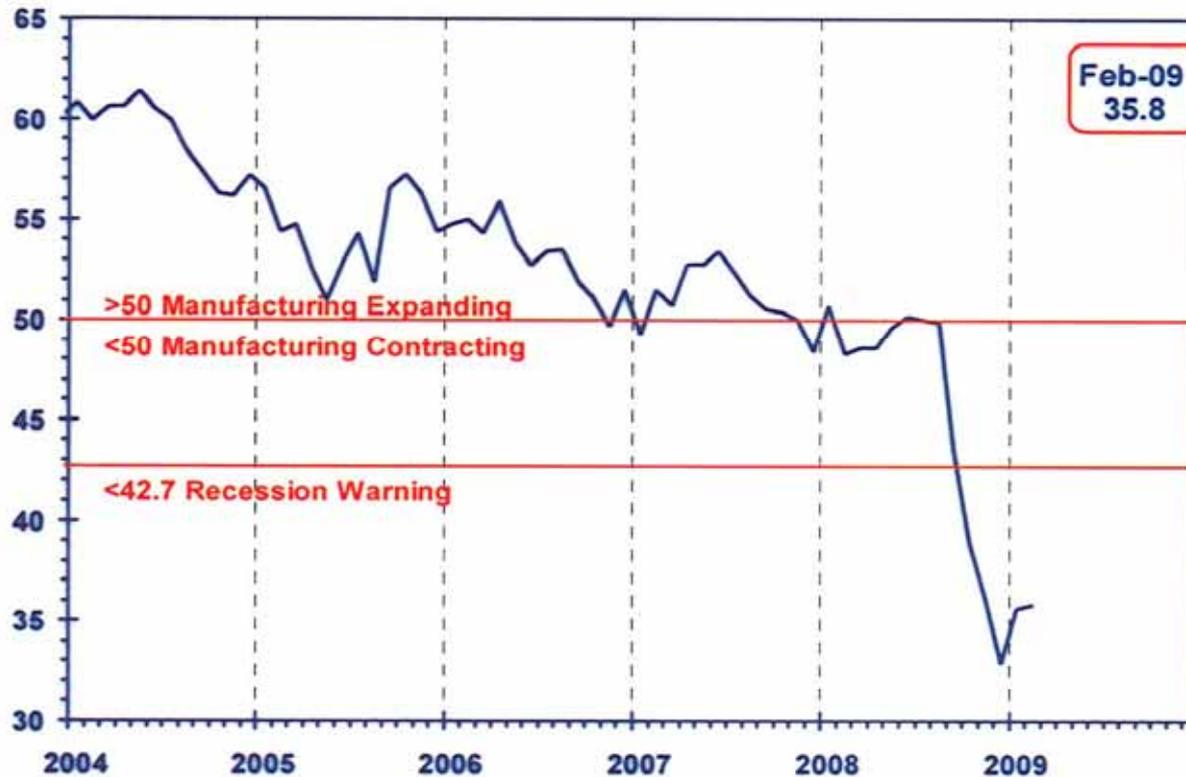
Housing Starts



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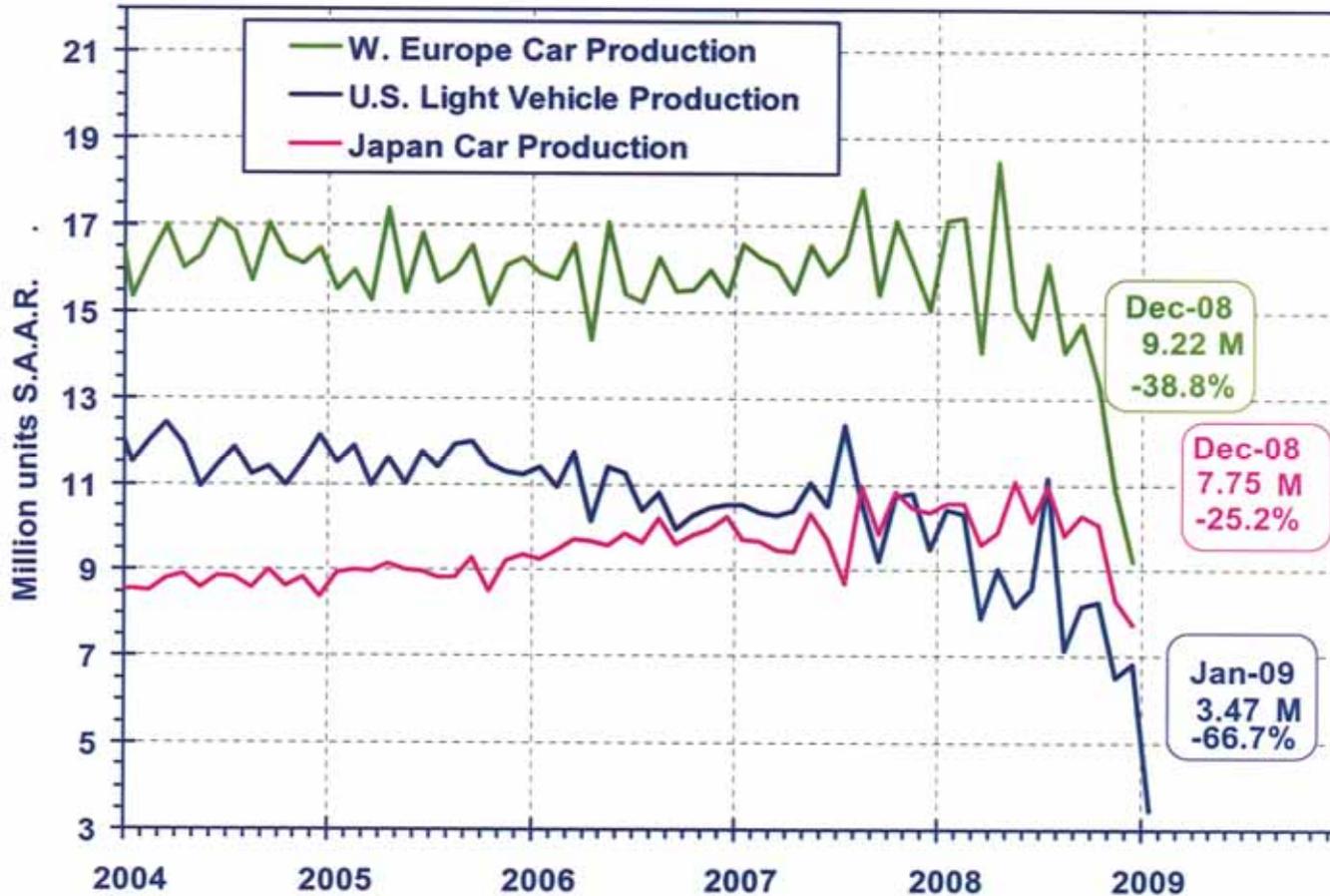
Manufacturing

Purchasing Managers Index



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Auto Production



Spill Over

- Steel Mills (Oct 2008)
 - C.U. = freefall (65.86 %)
- Manufacturing (Dec 2008 – Jan 2009)
 - PMI = Freefall (24%)
 - Down 30%
- Foundries (Feb 2008)
 - Down 30-40%
- Dow (Feb 2008)

You don't want to know

Future of Steel

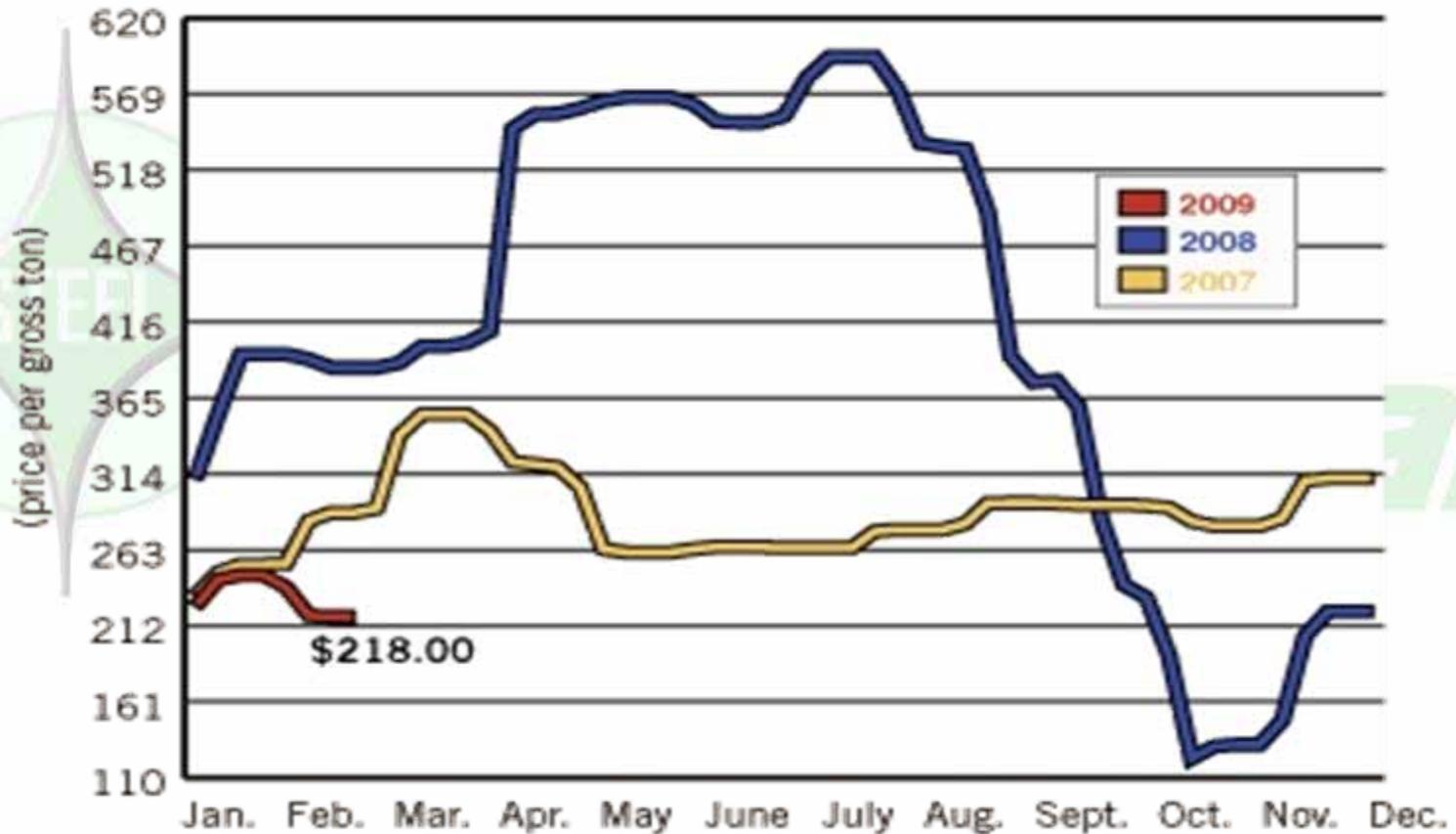
- Inventories
- Production
- Demand
- Production Costs
- Domestic Economy
- World Economy
- Price Stabilization
- Supply vs. Demand

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AMM Weekly Shredded Scrap Price Composite (3-2-09)

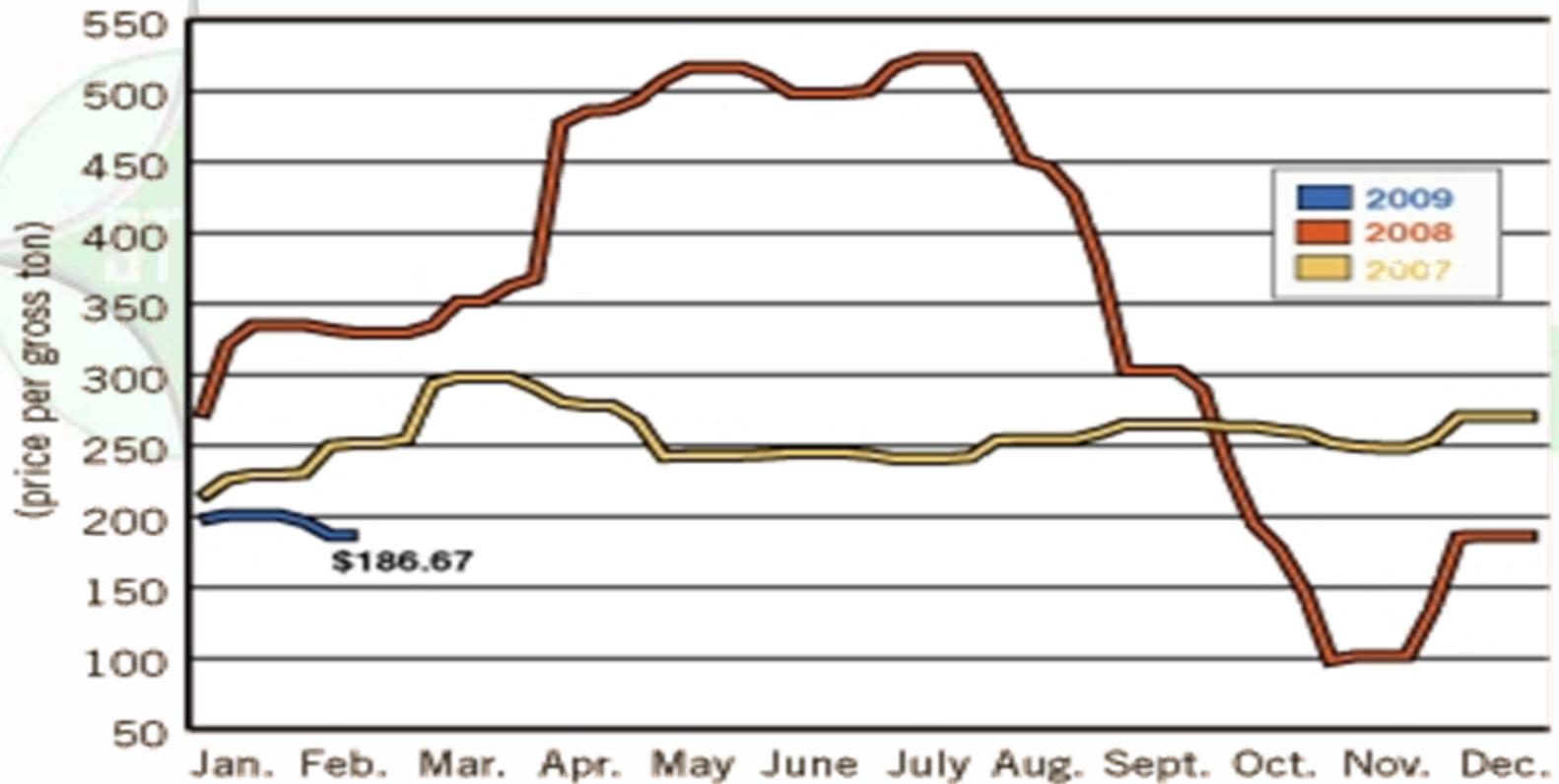
AMM Weekly Shredded Scrap Price Composite



Based on markets in Birmingham, Pittsburgh, Chicago, Philadelphia and Houston.
Source: AMM

AMM Weekly Steel Scrap Price Composite (3-2-09)

AMM Weekly Steel Scrap Price Composite



Based on No. 1 heavy melting steel at Pittsburgh, Chicago and Philadelphia.
Source: AMM

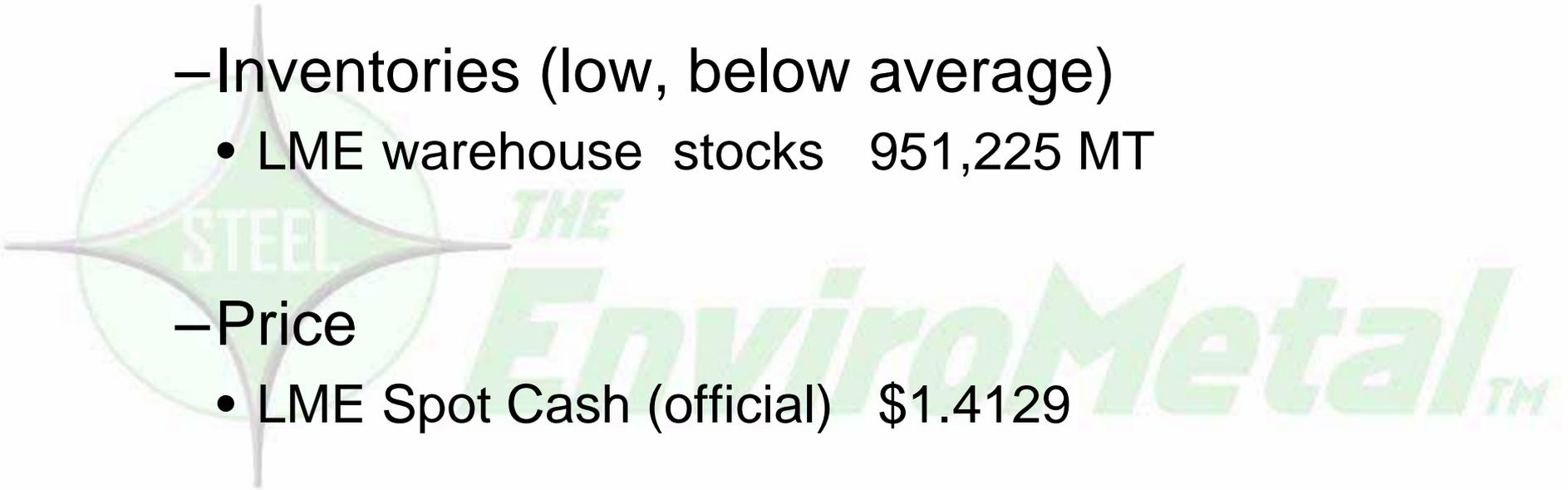
Change in 2009 World Steel Production Worldwide decrease of 26%



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Aluminum 2008

- March 11, 2008
 - Inventories (low, below average)
 - LME warehouse stocks 951,225 MT
 - Price
 - LME Spot Cash (official) \$1.4129
 - Hedge Funds
 - US Dollar (low)
 - Demand (strong)



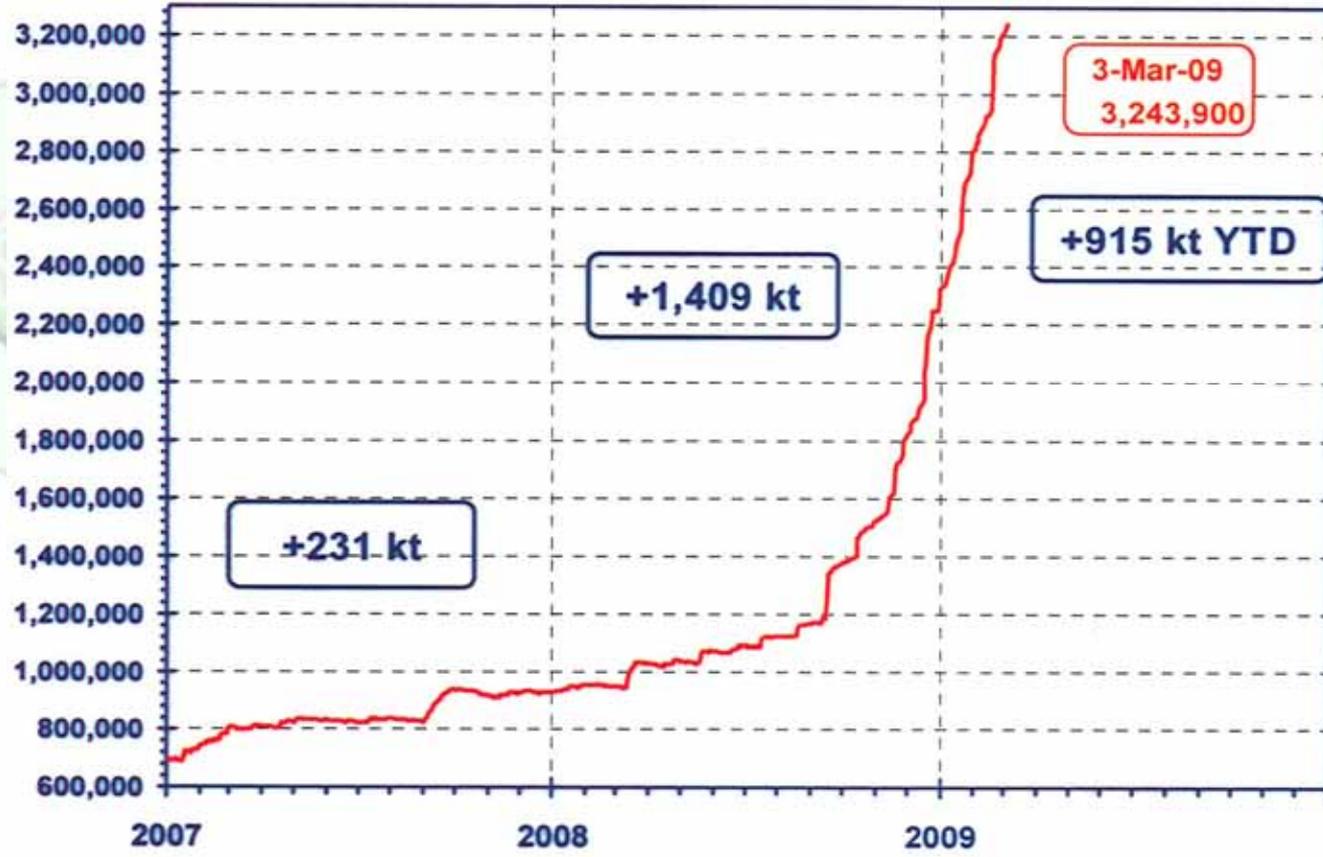
Aluminum 2009

- Inventories (high)
 - LME warehouse stocks 3,285,850 MT
- Price
 - LME Spot Cash (official) \$.5901 / lb.
- Hedge Funds
- US Dollar (rising)
- Demand (weak to nonexistent)



Aluminum Inventories

LME Inventories 2006 - 2008



Now What?

- SURVIVING THE SECOND DEPRESSION

- 1. Keep telling yourself

- “THIS IS TEMPORARY”

- 2. Cash is KING

- 3. Credit worthiness

- 4. Relationships

- 5. PRODUCT QUALITY

- 6. Consumer quality

- 7. Tighten your belt (reduced hours, no overtime, reduced work days, layoffs, pay freezes, salary reductions, cuts)

Ferrous Scrap Dealers

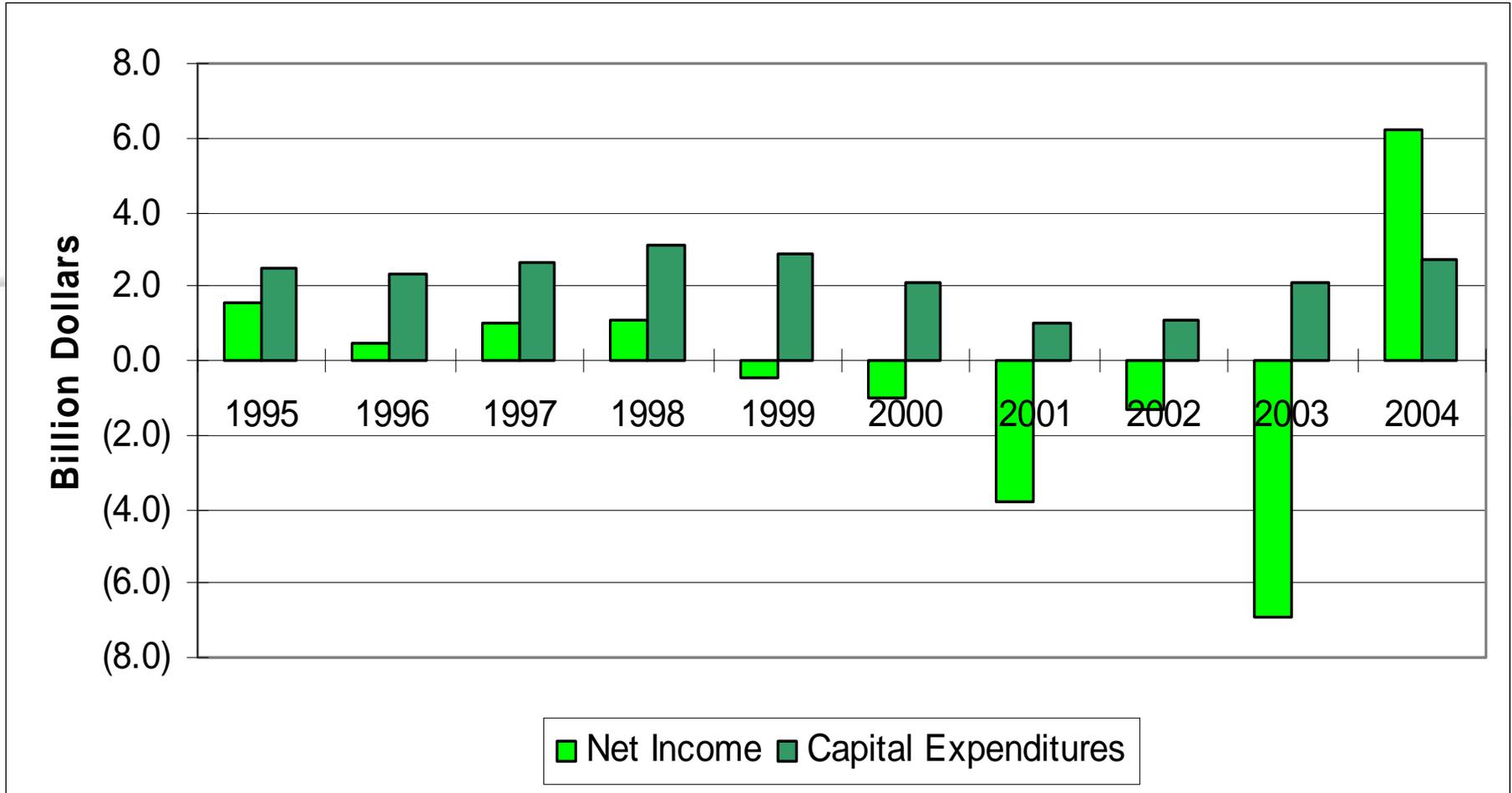
- Years of steel recycling experience
- Convenient locations
- Container and transportation capabilities
- Complete processing equipment
- Strong relationships with end markets
- Look for additional consolidation/ vertical integration



Good News!

- Leveling of the down cycle
- Excess capacity is being removed
- Interest Rates are low
- Commodity prices are low
- Bank TARP and regulation
- Federal Stimulus
- World Markets
- **CONFIDENCE is KEY**

Continuing to Invest in our Future



Future Steel Products Generate Demand For Steel Scrap

- **Ultralight Steel Auto Body**
- **Steel Bridges**
- **Steel Utility Poles**
- **Residential Steel Framing**



*That's all folks!
Please recycle your steel!*





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THE EnvironmentalMetal™