

Big River drills into API X80, drives into auto

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CHICAGO — Big River Steel LLC is moving into new grades and gaining new customers - including an auto supply contract - as it continues to ramp up its new steel mill in Osceola, Arkansas, a company executive said.

On the energy front, Big River steel has made commercial sales of steel conforming to American Petroleum Institute X70 specifications and is running internal trials of API X80, chief commercial officer Mark Bula said in an exclusive interview with American Metal Market.

“We’ve had pretty good success with all the trials we’ve run so far. So I wouldn’t think it would be more than a heat or two before we’ve got that [X80] locked in,” he said.

API X70 and X80 are high strength grades of hot-rolled coil that are used to make energy tubular goods such as welded line pipe.

Given the current strength in the hot-rolled coil market - American Metal Market’s hot band index ended 2017 at \$32.63 per hundredweight (\$652.60 per ton), up 8.8% from \$30 per cwt (\$600 per ton) a year ago and only 1.1% below 2017’s high-water mark of \$33 per cwt (\$660 per ton) - the bigger problem for Big River is not the hot mills’ capabilities but finding time at the mill to dedicate to trials, he said.

Product mix

Evidence of that strong demand: The Osceola mill, which was commissioned in December 2016, made 1.35 million tons in its first full year of production, only 15.6% below its rated capacity of 1.6 million tons, Bula said.

The mill also continues to ramp up its cold-rolled and galvanized capabilities. The 1.35 million tons Big River produced in 2017 was heavily weighted toward hot-rolled because the company didn’t start up its cold-rolled and coating lines until mid-year, Bula noted.

Big River’s goal is to rely not on hot-rolled coil but to produce 1/3 hot-rolled, 1/3 cold-rolled and 1/3 galvanized product. The company largely hit that target by the end of 2017 after some initial headaches on the galvanized side and expects to continue to produce a similar product mix in 2018, Bula said.

Demand is strong for both hot-rolled and galvanized product, but it’s a different story on the cold-rolled front largely because of competition from imported steel, Bula said.

Imports

The United States imported 2.04 million tons of cold-rolled coil through the first 10 months of 2017, up 28.3% percent from 1.59 million tons in the same period of 2016, according to Commerce Department data updated on Tuesday January 2.

“That has certainly impacted our ability to sell cold-rolled in the United States ... so it will be interesting to see what the [Trump] administration does with [the Section 232 investigation] and how quickly the president reacts to the 232 report,” Bula said.

The Trump administration launched the Section 232 investigation into imported steel on national security grounds in April 2017. The Commerce Department - after missing self-imposed and rumored deadlines - faces a statutory mid-January deadline to deliver a report to President Donald Trump indicating whether imports pose a threat to the US and, if they do, what the president should do to combat them. Trump then has another 90 days to decide what action to take.

Talk of the Section 232 probe increased across the marketplace following a positive preliminary determination in December in duty circumvention cases against cold-rolled and coated flat-rolled steel from Vietnam. That decision caught traders by surprise and sent a “chill through the market,” Bula said.

Value-added products

Big River plans to respond to import competition by focusing on value-added grades such as cold-rolled motor lamination steels. The company is conducting internal trials of medium grades of the steels - which are used in everything from swimming pool pumps to manufacturing equipment motors - and has customers lined up to conduct their own trials, Bula said.

“If we can get into some of these medium grades of cold-rolled motor lamination, we can really differentiate ourselves from most of the other [cold-rolled mills] ... in the States, which is of course the whole idea of Big River Steel - to try to produce grades that are not fully supported by domestic producers,” he said.

Big River also expects to produce advanced high-strength steels by mid-2018, including dual phase 600 AHSS, Bula said.

Additionally, the company remains committed to making both non-grain-oriented and grain-oriented electrical steels. But doing so will require Big River to build capacity and to add new equipment. Bula declined to say when that capacity and machinery might be added.

Expansion plans

Big River has said it plans to double capacity to 3.2 million tons per year within the next 30 months.

“We continue to look at that expansion and remain committed to doing it - sooner rather than later,” Bula said.

Bula declined to say when those plans might be put into action. He also declined to say whether or where the company might build a second mill.

Brownsville, Texas, has been rumored to be on the shortlist of sites.

“We remain committed to the expansion of Osceola’s mill first. And after that we’ll consider other expansion plans,” he said.

Bula declined to say whether Brownsville was in the running for a new mill.

“There is nothing off the table with us. If we think there is a market that is underserved in the United States that involves steelmaking and steel products, we will look to that opportunity and evaluate it,” he said.

Auto, appliance and ISO

In the meantime, Big River is driving into the automotive sector. The company won a supply contract in December with an automotive company with whom it is working toward qualifying for a variety of products, Bula said.

Big River is focused on qualifications for mild steels with the automaker - which Bula declined to name - and expects to work its way into high-strength low-alloy material as well as AHSS. The latter will require use of Big River’s Ruhrstahl-Heraeus degasser, which was started up in the fourth quarter, he said.

Big River is the only electric-arc furnace (EAF) thin-slab mill in the Americas with an RH degasser, equipment that is designed to allow it to make high-grade steels- such as AHSS - typically associated with integrated steelmakers.

On the galvanized front, Big River has received Underwriters Laboratories (UL) certification for its galvanized coils. That should help the company make gains in the appliance market, Bula said.

The company also expects to receive International Organization for Standardization (ISO) certification in the first quarter. “ISO certainly sends a message to the marketplace - across many markets - that we have our quality systems in place,” he said.

UL certification is specific to Big River’s galvanized product. ISO certification covers the entire mill.

Pricing

As Big River moves into the value-added products arena, it is also trying to shake up how the steel industry prices its products.

Namely, the company would like to price more of its steel at a premium to published scrap prices rather than at a discount to finished steel pricing indices.

“For an EAF producer, one of your largest input costs is scrap. And so if pricing can be tied to the scrap, that helps us minimize our exposure to the fluctuations in scrap prices,” he said. “So if we are able to build pricing mechanisms that factor in scrap, we are more than willing and more than interested to try and work with a customer to try to set that up.”

Big River would like to engage customers in closed-loop recycling programs similar to ones aluminium makers use with automotive customers. Doing so would essentially allow Big River to toll process scrap. “When you think about it, that’s what we do. We convert scrap into steel. So if somebody has scrap they would like us to convert, we would absolutely talk about that,” Bula said.

But the company realizes that different customers prefer different pricing mechanisms, so it intends to pursue several pricing strategies. “We’re big on trying to find a balanced approach to the

marketplace. And so you typically try to develop different mechanisms to offer that balance,” he said.

Personnel

One thing that won't change in 2018 is Big River's leadership team, which received a vote of confidence at a board meeting last month, Bula said.

“The board ... is happy with where the company is right now. So I would certainly anticipate that we are going to continue just as we are,” he said.

Big River employs 435 people - approximately double the 200 to 225 who worked for the company a year ago. Those workers, more than any piece of equipment, deserve credit for the Osceola mill's success, Bula said.

“The experience of starting up a large industrial project like a steel mill is a once-in-a-lifetime opportunity for many of us,” he said. “Oftentimes we talk a lot about the marketplace and the technology and the equipment. ... But when you think of what is truly one of the more enjoyable phases of this, it's being able to hire these 435 people and have them come in every day and be the right team that works together to pull this off.”

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