

## Gemini Corporation: “Turkey is too dominant in MENA for scrap and no one can compete with it”



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The necessity for scrap is increasing in the global steel market, and MENA is not an exception. Nevertheless, it is a question if the region will show more interest in import scrap. Metal Expert had an opportunity to discuss the MENA market in terms of scrap consumption with Mr. Ved Prakash, Director-Commercial of Gemini Corporation, a sourcing, inspecting and logistics company for recyclable and second choice materials, at the 3rd MENA Billet & Steelmaking Raw Materials Conference held in Dubai.

### **Gemini Corporation entered scrap segment almost 30 years ago. What changes did your business and market witness during this period of time?**

We started scrap trading with plastics. We added steel scrap to our portfolio much later. When we started, scrap trade wasn't as respected as it is today. There were multiple reasons for that which we strived to change. There was general atmosphere of mistrust in the market in terms of quality, reliability and commitment.

When we entered the trade, our primary value-addition was that of quality assurance. Quality of the recyclable plastics is very subjective and depends on one's perception. What is good to me might not be good to you. How to bridge this gap? So, we employed a team of in-house inspectors, gave them cameras with reels and trained them. We took photos of the material and loading and couriered real pictures to our customers. These photos gave quality assurance to our customers, eliminating surprises when they would open the container. Inspection became a key point in our business development in the coming years. Our transparency and assured quality helped us build credibility in the market which helped us grow our business in ferrous and other scrap.

### **When did Gemini start dealing with ferrous scrap?**

We started steel scrap trading in early 2000. During those days, ferrous scrap, especially in containers, was heavily contaminated with impurities like mud, different qualities, stones, etc. and there were unreliable suppliers. A lot of our customers who were consuming steel in their secondary businesses asked us to source steel scrap for them. When one of the first customers asked us to source steel scrap for them, we asked, why Gemini? He replied: “I needed somebody who I could trust. I had been deceived so many times.” So we started with small shipment of 100 t back then. Today we handle, in the peaks, up to 70,000 t per month in containers. Every single kilo of scrap that Gemini handles is inspected by our team of inspectors. We have very high standards in quality assurance and it has helped us to strengthen and diversify our operations.

### **What role does the ferrous scrap play in Gemini's business?**

Steel contributes largest volumes for Gemini. We export about half a million tonnes of steel scrap per year. We import prime flat rolled products into Europe. Further, we are a large exporter of prime and excess steel products from Europe too. So, altogether we handle approximately 800,000 t of steel annually.

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**The company is headquartered in Belgium. What is priority for you – sales to European customers or exports outside Europe?**

We are dynamic and open to swift changes. We'll find an opportunity and catch it with both hands. Domestic or international, it is about the opportunity. When European market is strong, we increase our volumes in the domestic market. When the export is more viable we balance Europe volumes with shipments to Asia in containers. For us, it's a kind of business hedging. I won't say we have a favourite market. Balance is important for us.

**Today, the interest in scrap from MENA steel mills is increasing. Is this market really so attractive for scrap collectors at the moment?**

Excluding Turkey, MENA is almost self-sufficient in terms of scrap. Five years ago Egypt used to stand in top ten importers of scrap. Today it is not. If we compare to the Turkish, Indian and Southeast Asian markets, scrap trade in MENA is neither voluminous nor regular. However, Morocco is emerging as an important market. In GCC let's take an example of the UAE. The UAE exports close to 1 million tonnes of scrap but doesn't import scrap. Around ten years ago Saudi Arabia used to export steel scrap, then they banned it. We hear only from time to time that Saudi Arabia imports scrap. So, there is no good trade flow of scrap into GCC and MENA from Europe, but one may expect sporadic opportunities in Morocco and Egypt.

**As you have already mentioned, there are some differences between MENA countries in terms of scrap needs. What are the most promising destinations for your company?**

I would say North Africa. It enjoys special duty-free agreement with Europe for lots of products in addition to ferrous scrap. North Africa is also a gateway to the African continent. To give you an example, a lot of goods are shipped from Europe to Egypt, which has African trade agreement and can sell without any taxes and duties to African nations. There is a lot of trade happening because of tax structure. At the same time, many of the African nations do not have a direct trade agreement with Europe.

Also, GCC is suffering from the lack of petrodollars, so, I won't bet on them. Moreover, there is more trade of billets and re-bars than of scrap in the region. I would say that Turkey is too dominant in MENA for scrap and no one can compete with it.

**So let's talk about Turkish buyers. What are their preferences in terms of scrap?**

Most of the EAFs love shredded material. There is some amount of shredded scrap in every vessel which Turkey buys. As Gemini, we like shredded scrap more because it is homogeneous and processed. Look at HMS business in Turkey, I find it a little weird that prices for European and US HMS are different. That's not the case in shredded scrap because it has unified quality. It is measurable. HMS quality is not measurable. What we call in Europe 80:20 is probably 60:40 in the US. So, there is a price difference of \$8-10/t between European and US HMS scrap. We often hear big claims and problems in HMS business while in shredded we hardly get major quality issues.

We are also in talks with shipping companies to promote containerized shipment of scrap to Turkey. There is still a long way to go. We think Turkish mills should buy more scrap in containers to bring the price volatility down. In my opinion, it is better to buy 5,000 t six times rather than 30,000 t in one go. And then you have a possibility to buy those qualities on a regular basis at a competitive price which you are not doing otherwise.

For example, Europe including the UK has more than 200 shredders altogether. Small shredders can produce only 2,500-5,000 t per month, while the big ones – 30,000-40,000 t. So, small ones are unable to sell shredded scrap to Turkey, while big ones are only few in number. If the trade can also be in containers to Turkey, there is an opportunity to match the markets much better. Customers can reach more suppliers and buy many other qualities of scrap as well; like good quality steel turnings. India is a big importer of turnings from Europe and it all goes in containers.

### **Gemini is a leading promoter for the use of containers to transport shredded steel scrap. Why are you following this strategy?**

Such a way of transportation brought down the minimum purchase quantity to 26 t in theory. When you load HMS 80:20 you can load max 20-21 t. Shredded steel is homogeneous and we can load it to max weight of the container allowed.

In addition, unlike vessels, containers are not restricted to the sea and can also be transported via rail and truck to inland destinations. The flexibility of containers allowed Gemini to pick up material from yards deep inland in Europe or the US and serve customers who were previously ignored due to their low purchase horizon.

So, logistically and cost-wise shredded scrap supplies in containers make more sense. Moreover, this type of material doesn't damage the container. For example, India buys 50,000-60,000 t of turnings in containers per month. It's a very nice quality scrap. The yield of this scrap is much higher for the price you pay. Being in loose form, loading bulk vessels is not possible, but in containers, they perfectly fit.

### **What are your forecasts concerning the price trend for the near future and scrap consumption in 2017?**

I am confident the scrap consumption will increase. More and more countries are going into protection mode against cheap imports. This will help the domestic markets of steel to recover. When the domestic markets recover, raw material demands goes up in general. Therefore, I feel that the prices would remain relatively strong this year compared to 2016. Corrections will always be there. Those are healthy to have from time to time. However, China can be very unpredictable and they have the power to sway the market. Having said that, I am still very optimistic about stronger year ahead for steel scrap.

[Back to top](#)