

Metal Bulletin

‘Tailor-made ferro-titanium products are our strength’, says FE Mottram’s new owner, Metraco

Metraco will gradually increase ferro-titanium production at its newly acquired plant in Sheffield, UK, to 500 tpm from 250 tpm, FE Mottram director Olivier Esquenet told Metal Bulletin during a site visit.

High-quality and custom grades will be in focus at the former Sims FE Mottram site, as the company shifts towards a more bespoke business model, he said.

Belgium-based ferro-alloys and metals trader Metraco completed its acquisition of FE Mottram on June 30 this year, with Tivac Alloys as a partner on the operations side.

The FE Mottram site was put up for sale by US-headquartered Sims Metal Management in February this year following a steady decline in the steel and titanium market, and after a review concluded the plant was not a core part of Sims’ business model.

"The more difficult times are behind us. I can’t see ferro-titanium prices falling much more. The big challenge is to work in a falling market," Esquenet told Metal Bulletin during the visit to the plant at the end of August.

Ferro-titanium operations at FE Mottram in Sheffield, UK

"If you work in a market that’s at the bottom or close to it, there’s actually less risk...you may sit on [inventory] for a while but interest charges are low and financing costs are cheap."

"Even in a declining market, you can be profitable," Hans

Tanghe, manager at FE Mottram, added. "We want to have tailor-made products – that’s our strength. Customers pay for that service and quality as their specifications become more stringent."



Higher grade material is being produced at the plant, alongside standard lumpy ferro-titanium, and will be produced on an order-by-order basis.

The capacity is already there to return to 500 tpm of production, although some additional labour may be needed to ensure this target is reached, Esquenet said.

The new owners also said they have benefitted from the site's existing reputation, and the skills of long-standing staff members, making FE Mottram well-suited to a higher-end customer base.

"What we clearly noticed is that the company has a very good reputation. That opens doors and customers are very responsive to working with us," Esquenet said.

Price outlook

The high-quality focus is key, as ferro-titanium prices have declined more than titanium scrap, and an uptick in prices for standard grade material is not on the horizon in the near term, according to the new owners.

Scrap prices have stabilised this year, with unprocessed turnings with a maximum tin content of 0.5% trading in a range of \$0.60-0.80 per lb, cif European ports, as of August 31, down 0.7% in the year-to-date.

In contrast, ferro-titanium prices have seen more pronounced falls, with a range of \$3.20-3.50 per kg, delivered in Europe, as of August 26, down 15.2% since January, according to Metal Bulletin's assessment.

Ferro-titanium's demand profile is "stable to slightly positive", although this is unlikely to result in significantly higher prices in the coming weeks, Esquenet said.

This stability is important for the viability of the plant, as in a falling market, producers can find themselves holding scrap that is too expensive by the time it has arrived.

"You have to buy [raw] material ahead to hedge your production and you can end up buying [scrap] too expensively – this is what happened when the market was falling," Esquenet said.

*Molten ferro-titanium
at FE Mottram in
Sheffield, UK*

At the same time, although a surge in demand for standard ferro-titanium is unlikely, the company does not see any more major declines in product prices, he said.

"We don't see high increases [in demand for ferro-titanium] but perhaps more demand for better quality material," he added.



Buyers of standard lumpy ferro-titanium in the spot market are only picking up what they need in the short term, rather than buying forward.

"There could be a spark that pushes the market up suddenly [but] market moves can be short-lived, so you need to be well-positioned to take advantage," Esquenet said.

A stable or oversupplied market can very quickly move into a shortage, he said, for example, if traders begin covering their short positions at the same time as end-users return following the traditional summer lull.

The FE Mottram site will be viable with ferro-titanium prices at current levels, as long as there is a margin in terms of the cost of production, Esquenet added.

Meanwhile, it is unlikely that scrap stocks will build up, despite unappealing purchase prices, as dealers are unable to keep holding material for long, not least because of the risk of fire if scrap is stored for too long.

"Scrap dealers are active in different products. If they see a better opportunity, they will get rid of titanium and put their money into another area," Esquenet said.

"It doesn't seem like there's going to be a big shortage nearby, though. They're probably inclined to keep selling [at the moment]."

"If prices do go up, the problem will be getting access to raw materials. We will have the production capacity, but it's going to be a matter of getting the scrap in time," Esquenet said.

Cost cutting

Doubling the plant's output also has the benefit of halving costs for every tonne produced, Tanghe said.

Fixed costs have already been cut substantially since the acquisition was finalised, according to Esquenet.

Cost-cutting measures, including plans to end the lease on an additional warehouse known as the Butcher's Building by the end of September, and the decision to outsource accounting services, have "added up to a very big saving, very quickly", Tanghe said.

"If it's not being used, it goes," he said.

As newcomers, Tanghe explained, Metraco has been able to look with fresh eyes at potential savings and cuts.

"It's like the Belgian saying: 'new knives cut better'," he added.

Ahead of the takeover by Metraco, FE Mottram had not been profitable for three years, he said, but after the initial wave of cost-cutting measures, the plant is "theoretically now at breakeven point", without taking fluctuations in scrap and ferro-titanium prices into account.

There were seven to eight employees in office functions previously, which has now been cut to four full-time equivalent staff members, with any additional support available from Metraco's team in Belgium. There are twelve production staff, outsourced from Tivac.

"We can make it lean enough to survive in this climate. [Low prices] hurt us, but they hurt our competitors too," Esquenet said.

"I think the company is much more cost efficient than it used to be. We will probably still have a few ideas on how we can streamline on costs, but we should be able to make it efficient enough to get through this," he added.

The company's competitors in ferro-titanium production are largely located in the UK, which also places it on a level playing field when the effects of the UK's departure from the European Union are felt.

"We will still have to see what the final impact will be. It's not fully positive, but I don't see it that bad either. You could make an investment in the business when [ferro-titanium] prices are at \$6-7 per kg and then when they drop to \$3, you still have to get on with it," Esquenet said.

"Having our competitors working on the same parameters makes it slightly easier... Just because there's a Brexit, it's not the case that you can just move to the continent. The expertise is here," he added.
