Schrottmarktinfo

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Fachverband Schrott, E-Schrott und Kfz-Recycling

Scrap Metal Market Report - April

Increasing Scrap Demand

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Review

On 22nd April 2021 the German Steel Federation (WV Stahl) reported that March crude steel production reached almost 3.8 million tonnes; this represents the highest monthly production volume since March 2017, when 3.801 million tonnes were smelted. This explains the marked increase in scrap demand during March this year and according to trade estimates, April figures will in no way be less than those reported for March. Although, consumers would have liked a correction to the €30 per tonne spike seen last month, traders were not inclined to accept a reduction. Scrap consumers had hoped to take advantage of the supposedly weaker export prices achieved by the market price setter (Turkey) by reducing their offered prices on the domestic market and indeed a few consumers who were quick off the mark were able to drop their offered prices by between €8 and €10 per tonne. However, the willingness to accept markdowns, on the part of the trade, vanished quickly when they realised that their sub-suppliers wouldn't accept any change in prices. In order to secure supplies, consumers offered more or less unchanged prices for industrial scrap, whereas by obsolete scrap some mills did succeed in reducing price spikes by up to €8 per tonne. Offered prices varied from mill to mill and demand levels were the deciding factor as to whether scrap was purchased at unchanged levels or with marginal price differences either way.

It appears that all mills are continuing to enjoy a healthy order book situation. In some cases, demand for industrial scrap outstripped supply. Due to interrupted steel supply chains and sometimes very long delivery times to steel processors, arising interruptions in production negatively affected the outflow of scrap from the plants. The possibility of falling back on import scrap substitutes, such as HBI or pig-iron, was limited and not really an economically viable due to prices for both of the above being higher than scrap prices. The trade reported both quick sales, whereby stock piling was not an option and high volumes of obsolete scrap inflow, as is usual at this time of the year. However, in some regions scrap inflow to the yards remained below expectations as the effects of the Covid-19 pandemic continue to take their toll.

Neighbouring Foreign Markets

Italian consumers succeeded in reducing price spikes with their German suppliers. The preferred grades were shredder and demolition scrap, whereas demand for turnings was lower. On the whole the prices for industrial scrap remained unchanged. Although good mill capacity utilisation levels were seen, the effect on pricing was counteracted by the Turkish mills' pricing policy, so that the price increases expected by the trade didn't materialise. The **Austrian** market is well-known for very quick contract closures, but this month negotiations were rather more turbulent than is usually the case. Demand was high and officially price markdowns of €10 for industrial scrap and, depending on the consumer concerned, €10 - €15 per tonne for obsolete scrap were achieved. It remains unclear as to whether supply was sufficient to cover demand. Demand remained high on the **Swiss** market and, compared to last month, purchasing prices for supplies from neighbouring countries remained on the most part unchanged. **Czech** mills reduced their domestic offered prices by between €6 and €10 per tonne. German mills offered good export opportunities for Czech suppliers as they left their scrap prices either unchanged or, for some grades, offered price markdowns of up €7 per tonne. On the **Polish** domestic market price markdowns of between €5 and €7 per tonne were registered. On the **French** market suppliers were forced to accept price markdowns for both industrial and obsolete scrap of between €5 and €10 per tonne. In **Belgium** and **Luxembourg** industrial scrap prices remained unchanged and obsolete scrap prices fell by up to €5 per tonne. In the **UK**, reduced demand led to general price markdowns of £10 per tonne – good export possibilities stopped prices falling even further. In contrast, UK foundries were showing high demand and were able to cover their demand at unchanged price levels.

Foundries

Despite another increase in foundry demand this month, scrap suppliers were able to push through more or less unchanged price levels in their negotiations with non-index bound foundries, However, for particular grades, marginal price increases were agreed upon. For certain quality grades, such as low-manganese punchings, suppliers were not always able to cover demand in the required timeframe. Due to interrupted supply chains, inflow of scrap in some areas still leaves something to be desired and is momentarily lagging behind demand. A reason for part of the further increase in demand could be that some foundries have turned to the use of scrap in production rather than foundry pig iron, where import prices are very high and the suppliers concerned are showing little willingness to negotiate.

Third Countries

Turkish consumer purchasing tactics worked well during April. Although local scrap demand was high in the typical delivery areas, Turkish consumers were able to take advantage of the seasonal increase in obsolete scrap supply by using tactics, such as day-long market abstinence and behind closed door contract closures; by the end of March/beginning of April they had forced through price reductions of approximately 10 US-$. At the same time, as a result of higher steel prices they were able to increase their margin between scrap purchasing and rebar sales prices by over 200 US-$. It appears that some European scrap traders were still eager to rid themselves of their scrap quantities as quickly as possible, despite the market situation and lower price levels. At the editorial deadline, it was expected that suppliers would make no further price concessions due to the strong Euro against the US-Dollar and rising freight costs. Furthermore, both the national and international steel industry are enjoying a good to very good order book situation. The European steel industry, for example, is profiting from extensive EU protection measures that restrict import quantities, regardless of how urgently they are required by the processing plants. The resulting cap on supply quantities is leading to a marked increase in steel prices.

Closing Remarks

The scrap trade is expecting the market to remain more or less stable during May, albeit marginal price adjustments in both directions are conceivable.
The metal scrap trade is concerned over demands made by the European Steel Association to the European Commission to include scrap export restrictions in the upcoming revision of the EU Shipments of Waste Ordinance. The word ‘waste’ is used here deliberately, as waste in the context of environmental protection and for the underpinning of the realisation of the European Green Deal must stay in Europe. Those affected by such demands have no ball park figures of when and to what degree the steel industry would like to increase the use of which quality scrap grades. The EU has been a net scrap exporter for a good numbers of years now. This surplus supply of scrap, which alone last year was approximately 20 million tonnes, cannot only be put down to scrap which could have been used within the Europe to cut down on CO_2 emissions. Turkey was the largest foreign consumer, importing 62% of EU-exports. Many other third countries also import scrap from the EU, thus making use of the indisputable environmental advantages of this circular flow commodity.
Scrap traders have no interest in withholding quantities from European consumers, especially not when they receive a fair price under fair market conditions. Export restrictions would negatively affect collection quantities, as already seen in other countries, as the price steering function would become dysfunctional and circular economy targets would no longer be achievable. Instead of vague statements and demands for massive intervention in a functioning market, a professional exchange on equal footing between market participants concerning necessary quality, quantity and general timing should take place.