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Scrap Metal Market Report - February

A Dip in the Deep Sea Market Exploited

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Review

At the end of January signs of prices weakening became apparent on the international scrap market. A few consumers attempted to take advantage of this in their domestic contract closures during February in order to counterbalance a large part of the higher prices paid last month; they reduced their purchasing prices by between €50 and €55 per tonne, compared to January. However, the majority of suppliers did not feel that these proposed price reductions were in line with market conditions, which was reflected in a considerable reduction in delivery willingness on the part of the trade. In the end, in the light of high consumer demand, both parties settled for price increases of between €30 and €40 per tonne. As requested to do so by their consumers, many scrap suppliers had already sold scrap for February delivery during January. Consequently, during February these suppliers mainly concentrated on the delivery of outstanding pre-ordered quantities and, in some cases, kept new February contract closures to minimal contact quantities. It is unclear whether all mills were supplied with the quantity of scrap they required. Between the middle of January and the beginning of February Turkish consumers reduced their offered prices for import scrap by approximately 70 US-$ per tonne. Up until the editorial deadline, with rising demand they gradually increased their offered prices to approximately 60 US-$ per tonne. By the 9th of February export prices had already bottomed out.
Industrial scrap inflow was regionally very varied. For example, in those regions where the automotive industry called up orders or manufacturers in the mechanical engineering sector were able to process orders industrial scrap availability reached at least pre-pandemic levels. Disrupted delivery chains as a result of a decrease in or halting of production led to a reduction in the supply of scrap, so that the demand for swarf (for example) could not always be met in some areas. Obsolete scrap inflow was severely hindered by adverse weather conditions as snow and ice brought demolition work, scrap collection and the like to a standstill. With the onset of milder temperatures this should soon change, albeit the pandemic is still negatively impacting many businesses economically. In addition, a price rally on the metal markets, similar to the one at the beginning of 2011, has commenced; for example, the LME-Cash-Settlement price for copper exceeded the 9,000 US-$ mark in the 8th calendar week.
In the east of Germany, consumers lowered their offered prices, depending on the mill and scrap grade concerned, by between €25 and €35 per tonne during February. One consumer showed low demand as a result of technical problems. Mills in the north of Germany, where demand was low, were quickly able to cover their demand with price markdowns of up to €50 per tonne, whilst the mills in the north west offered price markdowns of between €30 and €40 due to high demand. Frozen canals hindered the delivery of scrap. Due to contract closures taking place towards the end of the month, consumers on the Ruhr river were somewhat detached from the real market and were thus forced to dig much deeper into their pockets and pay considerable markups. Along the Saar river and in the south west steel mills reduced their offered prices by between €30 and €35 per tonne. Here too, as in other regions, consumer willingness to negotiate increased as the month progressed. In the south, price markdowns of €25 per tonne for industrial scrap and €30 per tonne for obsolete scrap (compared to last month) were registered. Steel mill capacity utilisation levels were generally high and the order book situation for most mills is looking good. As a result of the increased number of production days in March, scrap demand is expected to increase in the coming month.

Neighbouring Foreign Markets

Once again, there were tough negotiations with some consumers on the **Italian** market. Delivery willingness on the part of German scrap traders was subdued as a result of the offered price reductions of between €35 and €50 per tonne, especially as better prices were achievable on their own domestic market. **Swiss** mills were active on the German market and reduced their offered prices by approximately €30 per tonne, whilst also reducing offered prices on their domestic market by 20 CHF per tonne. On the **Austrian** market prices remained unchanged during February. Considering the price increases seen during January, which were clearly under those prevalent on the German market, the price gap between the two markets has now been more or less levelled. Depending on the point of contract closure, the region and the scrap grade concerned, **Polish** mills reduced their offered prices by between €30 and €50 per tonne. Due to extreme adverse weather conditions, supply to meet German consumer demand was subject to delays. On the **Czech** market, both significant Czech consumers reduced their offered prices by between €30 and €35 per tonne. Depending on the price movements during January, **UK** mills lowered their purchasing prices by between €35 and €50 per tonne. Both steel mill and foundry demand were low, but demand could increase considerably in the coming month. **French** mills showed good demand and purchased scrap at price reductions averaging €40 per tonne. On the **Belgian** market, prices fell by approximately €50 per tonne. On the **Dutch** market, the largest consumer experienced technical difficulties and showed reduced demand accordingly. Disagreement as to the markdown sum led to long-drawn-out negotiations with the consumer in **Luxembourg**. The proposed offered markdown of €50 per tonne at the beginning of the month didn't go down well with suppliers; in the end, depending on the scrap grade concerned, price markdowns of between €35 and €40 per tonne were offered to those suppliers still showing interest.

Foundries
The trade reported a much welcomed ongoing increase in foundry demand, irrespective of whether foundries were producing for the automotive industry or for any other sector. Non-index bound foundries purchased scrap at either unchanged price levels or at price markdowns of up to €30 per tonne, compared to January. Pig iron prices are still tight, despite recent price reductions following a short-term dip in iron ore prices. Consequently, consumers are generally only purchasing sufficient quantities of both scrap and pig iron to cover their immediate demand. Although on the whole foundry price markdowns were less than those offered by steel mills, it is still more lucrative for many suppliers to supply scrap to steel mills, thus avoiding additional treatment costs for foundry grade scrap. As a consequence, not all foundry demand was covered.

Third Country Markets
Turkish consumers have rigorously taken advantage of their possibilities to influence pricing in the last four weeks – not only to secure their required scrap quantities, but also to do so at the best possible price. bvse estimates that Turkish consumer February demand is at the same high level seen in January. The already purchased quantities for March delivery also indicate a similar level of demand for the coming month, especially as the order books of the Turkish mills are well-filled. After the end of the Chinese New Year festivities in the 7th calendar week, it appears that once again China will act as the locomotive for the global economy, which will go hand in hand with rising raw material and steel prices. This situation will be aggravated by rising freight costs, which, for example, have already nearly brought container exports from mainland Europe to the Indian Sub-Continent to a standstill. Whilst Turkish mills were busy taking advantage of lower scrap demand and forcing international prices down, Egyptian consumers succeeded in buying several freight loads from northern Europe.

Outlook
Steel consumers are complaining increasingly about the tight supply situation for flat steel and certain long steel segments. Falling steel prices are not in sight and European steel mills are still being protected by quotas against competition from third countries. The mood on global raw material markets is optimistic and, consequently, falling scrap prices during March are not expected. Many unknown parameters, such as the effects of the pandemic or the actual level of global raw material demand, do not allow a prognosis as to whether supply and demand will be in equilibrium during the coming month.