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Scrap Metal Market Report

Fluctuations

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Review

After a difficult start to negotiations, German steel mills offered scrap suppliers average price increases of €30 per tonne during March. The increases more or less compensated for the price reductions made in February. Despite this, the high expectations on the part of the trade still took a slight damper as some market participants had been expecting considerably higher price adjustments. According to the trade, mill demand was satisfactory for the most part.

The three consumers in the east of Germany showed normal levels of demand and price adjustments of between €25 and €40 per tonne were seen, depending on the mill and scrap grade concerned. In the north and north west the range of price adjustments was wider, ranging from €25 to €50 per tonne, depending on the mill, scrap grade and previous months' pricing.

Good levels of demand were also reported from the west of Germany, although one integrated mill registered no demand from the trade. Despite the differing time scale in contract closures in the west, prices remained similar throughout the area. In the south and south west negotiations were at times difficult and, according to the trade, price levels as seen in January were not always reached despite price increases of up to €35 per tonne. Offered prices from mills situated along the Saar River reflected January price levels.

According to trade circles, the inflow of obsolete scrap to the yards has increased, as is usual at this time of the year. However, the situation regarding the deficit in the supply of turnings has not improved, despite higher prices. Furthermore, not all mills were able to secure their desired quantities of prime scrap. One of the reasons for this short supply is continuing sub-optimal capacity utilisation in the automotive industry; interrupted supply chains have resulted in shorter shifts or week-long production halts, the extent of which is apparent in the reduction in volume of automotive scrap being offered. Although third country scrap demand has dropped noticeably compared to last month, strong demand from European steel mills ensured scrap price increases during March.

Neighbouring Foreign Markets

Price increases from **Italian** scrap consumers varied from mill to mill and ranged from approximately €30 to €35 per tonne. Special steel purchasing prices reached the level prevailing on the German market and delivery willingness increased accordingly. Italian domestic suppliers reached price markups of €30 per tonne as offered prices rose week by week. According to trade circles, on the whole rebar manufacturers were able to cover their demand on the domestic market. Compared to last month, **Czech** market price increases of approximately €20 per tonne were registered; although German mills situated along the Czech border offered price markups of between €30 and €40 per tonne. Covid-19 related restrictions at border crossings led to delivery delays. **Polish** consumers only offered their domestic suppliers markups of €15 per tonne, possibly speculating in the light of the on-going financial difficulties at the Liberty Ostrau mill. However, Liberty's order books are still full and production is running normally, resulting in a normal level of demand. Nevertheless, no reports of raw material shortages came to light. Compared to February, **Swiss** mills offered their domestic suppliers price increases of CHF 30 per tonne and, in addition, still showed lively demand for import scrap, for which they increased their offered prices by between €20 and €30 per tonne, depending on the mill and scrap grade concerned. Compared to February, scrap suppliers active on the **Austrian** market were able to achieve price increases of between €25 and €30 per tonne, depending on the scrap grade and mill concerned. **French** and **Belgian** scrap demand was good and price adjustments reflected those made on the German market. **Dutch** consumers increased their offered prices by between €25 and €40 per tonne, depending on the scrap grade concerned. The consumer in **Luxembourg** was surprisingly quick off the mark in purchasing its March requirements. The initial asking prices, which were slightly lower than at the end of February, but finally settled at an increase of up to €40 per tonne across the board.

Foundries

Those traders asked reported continuing recovery in foundry demand. Non-index bound foundries paid up to €30 per tonne for scrap, depending on the price level paid last month and the scrap grade concerned. According to foundry circles, scrap was delivered in instalments. Short-time work in the automotive industry, due to semiconductor shortages, is putting pressure on upstreamfoundry suppliers. The main Russian pig-iron suppliers are still trying to push through their envisaged price increases, resulting in consumers complaining about their lack of willingness to negotiate.

Third Country Markets
The developments on the deep sea market were unexpected. During March, European exporters were able to ship large quantities of scrap that were outstanding from January contracts, but with the lack of follow-on orders for April delivery, Turkish demand also gradually fell away and all other consumers on third country turnover markets followed suit - including those on the Southeast Asian, the Indian subcontinent and North African markets. Up until the editorial deadline, exporters in the ARAG ports had reacted with price reductions of between €25 and €30 per tonne (free deep sea yards). In general, the mood on the raw material markets is tense and during March deep sea market scrap consumers' behaviour further increased the pressure on the market. Turkish mills achieved price markdowns of over 40 US-$ per tonne. For the Ramadan period, which starts on 12th April and ends on 11th May this year, some Turkish consumers have already announced maintenance work in their mills. The effect this will have on production levels and scrap demand is unclear. It is also unclear as to whether prices have started to bottom out and there is much to suggest they have, especially as demand for steel is high. In Turkey concerns are growing amongst market participants about the strength of the Turkish Lira, which is lacking in stability as a result of decisions made by the Turkish President, amongst other causes. According to provisional statistics from Eurostat and SteelData, 22.6 million tonnes of EU scrap were imported by Turkey in 2020 (over 63% of EU-scrap exports).
A foretaste as to the role of potential Chinese scrap import demand was already seen in January, when China lifted its import ban; some Chinese mills purchased minimal quantities from both Southeast Asia and Europe to test the markets and already these more or less 'homeopathic' quantities stimulated prices on the market. However, these imports under the given circumstances were not considered to be economically sound, but further developments in this area could be very interesting.

Optimistic Mood Deflated

As a result of the weakening international scrap market, both buyers and sellers have more or less just concentrated on watching the market. Contract closures are a rarity, as consumers from the Indian subcontinent, North Afrika and Turkey are biding their time in the falling market, so as not to make the mistake of entering whilst the market is still slowing down. However, in the light of the tight steel market, scrap demand should soon return to a normal level. In the coming month, strong demand from European steel mills is expected on the domestic market. If the domestic market follows recent deep sea market developments, then price reductions will be on the cards.