Schrottmarktinfo

Nr. 080 von B. Guschall-Jaik, 20. Mai 2022

Fachverband Schrott, E-Schrott und Kfz-Recycling

Scrap Metal Market Report - May 2022

Fe-Scrap Prices on the Way Down

Editorial Deadline: 20.05.2022

Review

The May scrap market was characterised by marked price reductions for all scrap grades. On average, German consumers lowered their offered prices for industrial scrap by between €30 and €50 per tonne and for obsolete scrap by between €60 and €80 per tonne. Turkish consumers, especially, showed no demand for scrap for a considerable length of time, against all expectations in April; this put increased pressure on export prices during the month and resulted in a US-$200 price drop during this period. Some domestic consumers, who closed contracts in the second third of the month or purchased additional quantities, profited from the Turkish purchasing tactics and were able to purchase scrap with 3-figure price markdowns. The trade described demand as cautious, but good. Scrap availability was temporarily high due to absent export opportunities and this, combined at the same with marked price reductions, led to a certain amount of panic within the scrap trade, thus leading scrap traders to offer more scrap than usual as a precaution. In reality, the inflow of industrial scrap is still weak due to stuttering industrial production and the inflow of obsolete scrap to the yards also leaves much to be desired, despite very high prices. Trade stocks are more or less depleted and after treatment scrap is quickly turned over.

Regional Developments

North German scrap traders were forced to accept the most marked price reductions. Consumers in the north and the north west were able to profit from the full export yards, as exporters greatly reduced acceptance of further quantities to their yards and/or also offered quantities on the domestic market. Depending on the mill concerned, demand was either quite good or as a result of technical and/or logistic issues rather on the low side. Industrial scrap prices fell by €50 per tonne and obsolete scrap prices by €75 to €110 per tonne (ex-works). In the east, one consumer will only return to normal demand levels after completion of its plant modernisation works in June. The other two mills acted differently with regard to offered prices; for industrial scrap they lowered their offered prices by €60, whereas price reductions of between €70 and €120 per tonne were seen for obsolete scrap, depending on the scrap grade concerned and the point of contract closure. Mills in the Ruhr area in western Germany showed reduced demand and entered the market before the start of the month with offered price reductions of between €30 and €40 per tonne. Other mills in the west showed pleasingly high demand. In the south west, demand was high and offered price reductions were moderate. Industrial scrap prices fell by between €50 and €65 per tonne, depending on the supplier and point of contract closure and obsolete scrap prices fell by up to €85 per tonne, compared to April pricing. Defensive prices were offered by Italian consumers; price reductions of €40 per tonne for industrial scrap and €65 per tonne for obsolete scrap. The lack of alternative turnover opportunities led to a strong delivery willingness on the part of suppliers, resulting in logistic bottlenecks both on the road and the tracks.

Neighbouring Foreign Markets

The envisaged price reductions from **Italian** consumers of between €85 and €130 per tonne were of little appeal to German scrap suppliers; if they sold any scrap at all, they only sold contact-keeping quantities. During the course of the month, a few suppliers were successful in selling scrap at the lower end of the above-mentioned range. Only a few mills showed purchasing interest and the price gap between the German and Italian domestic markets widened from €30 to €60 per tonne. As in previous months, Italian consumers indicated sufficient domestic scrap availability; there are, however, first signs that this situation could change during June. The consumer in **Luxembourg** showed higher demand than during April and reduced its offered prices by between €60 and €65 per tonne, depending on the scrap grade concerned. **French** mills showed strong demand and reduced their offered prices by between €60 and €90 per tonne, according to the scrap grade in question. In the **Netherlands**, market developments were shaped by the shortcomings in third country export opportunities. ARAG-exporters, whose stocks were increasing, reacted with defensive pricing. Depending on the scrap grade and exporter concerned, offered prices were between €320 and €380 per tonne (free deep sea yard); this equates to an approximate €125 per tonne price reduction during May. On the **Polish** market, prices for industrial scrap fell by over €100 per tonne and for obsolete scrap by between €80 and €85 per tonne. Corresponding price developments were seen on the **Czech** market. In **Austria**, prices for industrial scrap fell by €80 per tonne and for obsolete scrap by €70 per tonne. Consumers in **Switzerland** showed differing levels of demand and showed different offered prices, accordingly; one consumer with high demand reduced its purchasing price by €65 per tonne for industrial scrap and €75 per tonne for obsolete scrap, whereas other consumers only purchased quantities where price reductions of between €100 and €120 per tonne were accepted by suppliers.

Foundries
In market circles, on the whole foundry demand was described as relatively robust. Albeit, demand for quantities from the automotive industry, for example, are far from good and regular. In addition, disappearing east European trade is increasingly putting pressure on the capacity utilisation levels in the machine and plant engineering sectors as well as the agricultural and agricultural engineering sectors, as orders are either being postponed or cancelled completely. According to the trade, industrial scrap supply to foundries fell short in parts, whereas the supply of obsolete scrap was considered to be sufficient. During May, price reductions from non-index bound foundries were between €30 and €60 per tonne, depending on the foundry and scrap grade concerned. As far as pig-iron is concerned, the situation is difficult and the lack of pig-iron supply from the CIS countries has sent the prices for alternative quantities through the roof. There can still be no talk of easing of the situation in this regard.

Deep Sea Market: Back to Earth with a Thud.
From early April to the editorial deadline, i.e. since over six weeks, Turkish consumers have not showed demand for any noteworthy quantities on the deep sea market. They have shrewdly used their influence on the international scrap market and with their absence have increasingly put pressure on scrap sales pricing. All market participants had expected Turkish consumers to reappear on the market after the end of Ramadan at the beginning of May; something which has proven to be a fallacy. The five orders since 12th May, which were reported in the international press, were probably all from one consumer; the rest are conspicuous by their absence. As a result, European export yards are brimming and, with hindsight, exporters perhaps lowered their prices much too slowly than was businesswise astute. Turkish consumers are justifying their absence with the difficult new steel turnover situation and the opportunity to fall back on low-priced Russian billet if needed. It is questionable whether these billet imports can actually serve as replacement scrap deliveries or rather whether they are being instrumented to put pressure on scrap prices. It is more probable that Turkish mills' stocks are completely depleted by now.

Closing Remarks
The change from a sellers' to a buyers' market means that international scrap prices, as well as steel prices, are on the way down. For a long time now, Fe-metal prices have constantly been at a high level, regardless of any crises. In the scrap trade the euphoric market mood present at the beginning of the year has vanished into thin air. The direction of price developments in the coming month depends entirely on Turkish consumer purchasing behaviour and which turnover opportunities and at what price they become available to them.
Should scrap export prices stabilise at their current level, the marked price gap to European domestic pricing will remain; although, at one point, this price gap will with all probability be closed. The adverse external influences, such as the war in the Ukraine, lockdowns in China or the continuing after-effects of interrupted supply chains caused by the pandemic, make market prognoses almost impossible.