# Schrottmarktinfo

**Nr. 144** *by B. Guschall-Jaik, 21st October 2021*

bvse
Fachverband Schrott, E-Schrott und Kfz-Recycling

Scrap Metal Market Report - October

## A Turbulent Market

Editorial Deadline: 21.10.2021

### Review

At the beginning of the month scrap consumers stressed their low demand and were thus optimistic about being able to push through price reductions across the board during October. At the end of September, the Turkish scrap import market was weak and showed marked price reductions, so that it was thought unlikely that the EU export market would put a spoke in the domestic market wheel. Those consumers who were quick off the mark by purchasing scrap at the beginning of the month were able to push through price reductions of between €5 and €30 per tonne, depending on the previous month's price levels and the scrap grade concerned. However, in the middle of the 40th calendar week, Turkish consumers resumed purchasing activity on the export market, which led to rapidly increasing prices (CFR Turkey). From the middle of the 40th calendar week up until the editorial deadline exporters increased their purchasing prices (free export yards) by approximately €60 per tonne as a result of lively Turkish demand, thus reaching the high price levels last seen in July. In the light of the rapidly increasing export prices and the accordingly high level of demand, the remaining market participants still active on the German market settled on more or less unchanged price levels for subsequent contract closures; however, there were significant regional differences in pricing and prices became tighter as the month progressed. The trade described overall demand as good.
In some cases, negotiations were described as long-winded, as the offered prices were not acceptable as far as the trade was concerned. As in previous months, consumers pushed suppliers to fulfil contracts that were still open. It appears that not all mills were supplied with the scrap grade quality they required.
North German mills showed low demand and offered unchanged prices. Demand in the east of Germany was normal and prices either remained unchanged, depending on the mill concerned, or fell by up to €15 per tonne, depending on the scrap grade concerned. In the north-west the price picture was very varied. Offered prices ranged from markdowns of up to €30 per tonne to unchanged and even to marginal price increases; these variations were put down to the differing points of contract closure. Due to healthy order books, mills along the Saar river showed strong demand and were successful at procuring their required scrap grades at unchanged price levels. In the south and south-west prices varied depending on the consumer and scrap grade concerned; prices reductions of up to €10 per tonne at the beginning of the month transformed into price increases of up to €10 per tonne at the end of the purchasing period. Delivering scrap to the mills was arduous due to low-water levels on the Upper Rhein and problems associated with rail wagon availability. Italian demand was low, so that suppliers in the south of Germany concentrated on delivering scrap in their home region. Consequently, delays in the clearance of HGVs and the unloading of rail freight occurred, this was especially so for deliveries to the mill located in the south. Obsolete scrap was purchased at markdowns of up to €30 per tonne, whereas for industrial scrap prevailing market prices and conditions applied.
Whilst it appears that some mills had good stock levels, others attempted to procure scrap throughout the course of the month. Industrial scrap availability is already lacking as a result of poor industrial and commercial production levels and will decrease further in the coming months. Taking the current situation into account, the inflow of obsolete scrap to the yards is considered satisfactory, albeit the inflow amounts vary from region to region.
In the light of the tight export market, domestic consumers attempted to put increased pressure on the domestic market by pointing to weaker demand from the automotive industry, which is being negatively impacted by various interruptions along the supply chain and consequent order cancellations. They also stressed the pressure of general rising raw material costs and especially the increased pressure due to exploding electricity charges. Since the middle of October, some of the affected mills have reacted by adjusting production times to take advantage of cheaper energy tariffs, dropping shifts or introducing week-long production stoppages.

### Neighbouring Foreign Markets

At the beginning of the month, **Italian** consumers informed their German suppliers that they intended dropping their offered prices by up to €60 per tonne, depending on the mill and scrap grade concerned. According to the consumers, there was sufficient supply on the Italian domestic market to cover demand at the desired price levels. In addition, it appears that demand was low as a result of good stock levels at the mills. After this announcement, delivery willingness on the part of the German suppliers declined considerably. In the end, those suppliers willing to deliver accepted price reductions of between €10 and €20 per tonne for industrial scrap and €30 per tonne for obsolete scrap. Italian mills have also reacted to rising production costs with production programme adjustments, which again will have a negative impact on scrap demand. For a while now, there are some market participants who suspect that Italian mills have increased third country import quantities. Indeed, the increase in Italian imports for the same period (January – August) 2020/2021 is significant; according to Steel Data the increase was 23%. However, the breakdown of this 23% shows a conspicuous increase in third country (non-Eu 27) imports of 245% - from 228,270 tonnes in 2020 to 788,000 tonnes in 2021. The suppliers who contributed largely to this increase were; the United Kingdom with 255,527 tonnes (46,968t last year), Venezuela with 173,022 tonnes (392t last year) and Switzerland with 162,867 tonnes (140,094t last year). In contrast, imports from Germany remained more or less constant at 1.14 million tonnes when comparing the two periods; Germany remains by a long shot Italy's most important supplier of imported scrap. According to worldsteel, Italian steel production increased from 12.8 million tonnes to 16.3 million tonnes (+27.4%) in the aforementioned period.

**Table 1: Italian Scrap Exports and Imports: Jan - August 2021 (in tonnes)**

| | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| | Jan-Aug 2020 | Jan - Aug 2021 | ± in % | Jan-Aug 2020 | Jan - Aug 2021 | ± in % |
| **Extra EU(27)** | 249,334 | 284,496 | 14.1 | 228,270 | 787,690 | 245.1 |
| **Intra EU (27)** | 131,517 | 134,538 | 2.3 | 2,978,429 | 3,159,706 | 6.1 |
| **Total** | 380,851 | 419,034 | 10.0 | 3,206,699 | 3,947,396 | 23.1 |
| Source: SteelData, Table: **bvse** | | | | | | |

**Swiss** consumers are also suffering from the massive jump in electricity costs and as a result are attempting to compensate for price peaks by reducing production levels. As a result of this reduced demand, there was no interest in purchasing scrap from foreign suppliers. Depending on the scrap grade concerned, domestic suppliers achieved between CHF15 and CHF25 less than during September. Early on in the month, **Austrian** consumers lowered their offered prices by up to €40 per tonne for obsolete scrap and between €15 and €30 per tonne for industrial scrap. On the **Polish** market scrap prices remained unchanged, although price increases are expected during November. In the **Czech Republic**, obsolete prices fell by €4 per tonne and for industrial scrap by €12 per tonne. The consumer in **Luxembourg** indicated low demand, and offered unchanged prices accordingly, but was still present on the market later on in the month. **French** consumers showed low demand and offered their German suppliers unchanged prices.

**Foundries**
The majority of foundries are searching urgently for scrap; some even mentioning possible production adjustments, as at present sufficient quantities of the required scrap grades are hard to come by. Production stoppages in the automotive industry and their suppliers means that inflow of foundry grade scrap has shown a marked decline. Non-index bound foundries lowered their offered prices by between €5 and €20 per tonne, depending on the scrap grade and region concerned, although for those grades urgently required they were open to negotiation. The most hard hit foundries were those producing for the energy industry.

**Deep Sea Market**
As previously mentioned, export trade developed rapidly during October. It remains to be seen how strong Turkish consumer demand will actually be for the rest of the year; at present the domestic demand is very strong due to stock replenishment, but it appears that the export trade has not yet achieved the desired momentum. Turkish consumers are also suffering from the marked hike in energy prices and the recent nosedive of the Turkish Lira.

**Closing Remarks**
Although those traders who were asked reported that they were satisfied on the whole with this year's market development, several national and international uncertainties are tarnishing the otherwise positive market mood. Consequently, market participants differ in their opinions as to how the market will develop during November; some are expecting prices to rise, others expect prices to remain unchanged. However, in the light of current developments on the international scrap markets rising prices could well be on the cards, as consumers will have to reduce the existing gap between export and import prices to ensure sufficient supplies to cover their demand. How the export market will develop in the short term is difficult to forecast, as it is dependent on Turkish consumer purchasing behaviour, which at present is difficult to assess. An important factor that will influence domestic prices is the actual demand levels during November and December; the announced reductions in production levels and further restrictive market developments could mean unchanged pricing. On the supply side, a further reduction in industrial scrap inflow is certain. Furthermore, medium sized scrap traders, in particular, will be busy with stock management until the end of the year. The pressure and challenges for the scrap traded are increasing; as an example, the marked increase in costs are not only hitting the steel and foundry industries hard, they are also negatively impacting the scrap trade. Alongside escalating electricity costs for the aggregates and the marked increase in fuel prices, logistic bottlenecks are putting further pressure on procedures, such as the increasingly scarce availability of freight capacity on the roads, rail and waterways, causing freight costs to rise accordingly.