Schrottmarktinfo

No. 140 by B. Guschall-Jaik, 22. August 2014

Fachverband Schrott, E-Schrott und Kfz-Recycling

.

Scrap Metal Market Report - August

Price Recovery in an Insecure Market Environment

Editorial Deadline: 22.08.2014

Driven by Turkish steel mills’ import activity, consumer prices rose by an average of €5 - €10 per tonne (depending on the scrap grade and mill concerned) during August. Purchasing prices for obsolete scrap were at the top end of the scale, whilst those for industrial scrap were lower. Even though demand levels varied considerably, as a result of the vacation period and the associated operational circumstances, the overall level of demand approximately equaled that of the previous month. Compared to last month, mills in the east and north of Germany purchased at increased prices of up to €10 per tonne and in a few cases even in excess of this amount. Technical problems frustrated demand levels in the mill in south-west Germany during August; the initial offered price increase of €10 per tonne was withdrawn during the course of negotiations, but purchasing continued, albeit in reduced quantities. In the west, one consumer showed no demand as a result of the installation of a new blast furnace; the estimated relining period is from July to October. Informed circles report that there will also be no scrap demand from the mill during September. However, their rolling mill is reported to be running at full capacity with imported supplementary input material; under agreement, approximately 50% of the upstream products produced in their subsidiary in South America are sent to the parent mill in Germany for further processing. The other consumers in the west (some also with reduced demand) increased their offered price by up to €10 per tonne. Due to the decrease in demand in the west for E2 grade scrap, the turnover thereof proved difficult. The trade had the impression that the general price increases were due to some mills attempting to pre-empt a possible shortage in supply of scrap in September by trying to purchase quantities in excess of their current demand.

Making a prognosis as to supply and demand levels in September is proving to be difficult, as little is known about stock levels at the mills, their actual levels of demand and the levels of stock held by the trade. All market players are experiencing liquidity problems, so it is assumed that both sides are probably holding limited stocks. Mill capacity utilization appears to be satisfactory, although the mood as to further development appears cautious. According to trade circles, there is sufficient supply of E8 and E5 grades, but the inflow of E1 and E3 grades is still weak and currently demand exceeds supply. According to the mills, sufficient scrap has been procured for up to at least the first week in September.

Neighboring Foreign Markets

Gradually, most of the Italian mills are re-starting production after their summer shutdowns and demand has been low resulting in unchanged prices. Only two or three mills, where production was not halted during the summer, were prepared to pay around €3 more for prompt delivery. Relatively stable prices in the south of Germany and sufficient domestic supplies supported this development. However, for the next purchasing period a price adjustment is expected, thus bringing the market in line with the prevailing levels on the European market. A very welcome high level of demand was registered from the Luxembourg consumer and the offered prices were between €7.50 and €10 per tonne higher, depending on the scrap grade concerned. However, as the scrap dealers’ delivery willingness increased, the Luxembourg consumer’s tendency to make claims increased also; so that all in all, actual price increases are likely to be more moderate. Demand levels on the Swiss market were also negatively affected by the vacation period and the associated operational circumstances, so that the procuration of the required import amounts took place at unchanged price levels. The same can be said for the Austrian market. Polish and Czech suppliers were happy to see price adjustments of €10 per tonne. Consumers in France, Belgium and the Netherlands increased their offered prices by up to €10 per tonne.

Turkey’s Extraordinary Market Presence

According to international reports, since the publication of the bvse July market report Turkish mills have bought approximately 42 cargoes, i.e., around 1.4 million tonnes of scrap on the international market wherever they were able to reach suitable agreements with deep sea exporters. Notable is that Turkish integrated mills purchased scrap on the European market; this purchasing behavior can be attributed to the current situation in the Ukraine as the supply of raw materials, i.e., pig-iron and billet is in danger of ceasing or has already ceased. Russian competitors then tried to take advantage of the situation and offered the same material, but at increased prices. This development promptly led Turkish consumers to turn to scrap as a raw material in order to maintain a sure supply of input material. Despite their high demand, they were still able to keep prices under control. During the last four weeks price markups were between 10 USD and 15 USD, although associated freight costs also showed a slight increase. As with their European counterparts Turkish steel producers are also suffering under the global steel glut and therefore cannot realize the desired price increases for their finished products. Although the global scrap trade is currently profiting from the crisis in the Ukraine, the question arises as to sustainability of this development.

Foundry Market

Non-index bound foundries offered prices ranging from unchanged to an increase of up to €10 per tonne, depending on the scrap grade concerned. The varying capacity utilization situations at the foundries remain unchanged as before. The August market was on the quiet side due to the vacation period. Nevertheless, the scrap trade regards price levels of particular grades of scrap insufficient to cover costs. For example, the meagre price gap between cupola scrap compared to demolition scrap has led to a decrease in supply thereof. Falling prices of import pig-iron, which some foundries had anticipated, is not to be expected; on the one hand the sagging Euro has increased import prices, on the other hand Russian pig-iron suppliers are attempting to raise prices in the light of the shortfall in supply from the Ukraine. Producers whose customers are in Russia and the Ukraine are already starting to feel the pinch as a result of the embargoes and in an attempt to compensate for the associated drop in orders short time has been introduced in some foundries. The German Federal Ministry for Economic Affairs and Energy appears to have realized the effects of the conflict and has now made information available online with respect to the current aspects of the EU-Russia sanctions (www.gtai.de/russland-sanktionen).This information stems from the GTAI (Germany Trade & Invest), the company set up to deal with Germany's external business concerns. Although advice for dealing with temporary liquidity problems is available, information on how to deal with a long-term loss of turnover markets is lacking.

Outlook

Trade circles are expecting price markups for September. The majority of the market players are expecting September prices to be €10 - €15 per tonne higher (compared to the July price levels) when production levels return to normal after the vacation period. The high demand from Turkish consumers will leave its mark on the September scrap market, so that price reductions will not be feasible. The majority of steel mills are reporting satisfactory capacity utilization, although the competition from third country counterparts is intensifying; so that here too, price increases will hardly be realizable. Apart from the continuing problems concerning insufficient margins, it would appear that the scrap trade could, by and large, be satisfied with its lot. However, on close inspection of the fundamental data on the affected markets there are a number of scenarios possible, but the extremely difficult geopolitical conflict situation makes prognoses extremely difficult, if not impossible.