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Scrap Metal Market Report - November

High Demand

Editorial Deadline 19.11.2021

Review

German steel mills were not in much of a hurry to purchase scrap during November. The initial offered prices were accompanied by a statement that their November scrap demand wouldn't be very high. Some mills also expressed the wish to cover their demand for both November and December. At the same time, Turkish consumers were attempting to force through price reductions, despite high demand for import scrap. They were successful in purchasing a few scrap cargoes at lower rates, but the price of standard grade scrap always bounced back to approximately 500US-$ (CFR Turkey) due to high demand and short supply. Consequently, domestic scrap consumers increased their offered prices, especially as market participants considered that the originally spoken of lower demand was in fact comparable to last month's demand levels. On average, consumers increased their offered prices by between €35 and €40 per tonne. At the editorial deadline, it was unclear as to whether all consumers were supplied with sufficient scrap to cover their demand, as a short supply in industrial scrap was accompanied by worsening logistic bottlenecks for rail, road and shipping freight. Furthermore, delivery willingness on the part of the suppliers was weak in some regions, despite agreeable pricing levels, as many have already started end-of-year stock management.
On the whole, the most marked price increases were seen in the east of Germany, where on the one side there was a certain amount of catching-up to do on last month's pricing and on the other, mills in this area are showing healthy order books. Depending on the scrap grade and mill concerned, mills increased their offered prices by between €32 and €43 per tonne. In the north, after a slow start, demand increased and consumers offered price increases of between €30 and €40 per tonne. Demand was strong in the north west, especially for industrial scrap, and market participants agreed to price increases of between €20 and €40 per tonne. One consumer cut production levels due to the ongoing weak order levels from customers in the automotive industry. Consumers along the Ruhr river raised their offered prices by between €40 and €50 per tonne at the end October and this increase enabled them to secure sufficient supplies during November. Other consumers in the west did not purchase scrap from the trade, but instead concentrated on sourcing scrap themselves. Consumers along the Saar river showed strong demand and price increases of up to €40 per tonne were registered. In the south west, in contrast to last month, prices offered by consumers were described by the trade as acceptable, when taking prevailing market prices into account. Depending on the point of contract closure, the consumer and scrap grade concerned, prices rose by between €20 and €40 per tonne, compared to last month. The consumer in the south of Germany profited from lower prices on the Italian market, which are still €5 - €15 per tonne lower than on the German market and accordingly they only increased offered prices by between €15 and €20 per tonne. The above-mentioned logistic problems are hitting steel mills receiving supplies on inland waterways particularly hard; low water on the Rhine river and its tributaries is resulting in a marked reduction of transport volume and greatly increased freight costs. Reports increased that coal instead of scrap was the preferred cargo on the inland waterways, as power plant operators offered higher prices to outbid the mills in order to secure their coal deliveries. Switching freight on to the roads is proving difficult due to the shortage of HGV drivers and existing tight freight capacity. Marked fuel price increases are exacerbating the situation further, as are the rising costs of AdBlue, which have multiplied many times over, where also a possible shortage thereof may be on the cards. Transport companies have already increased freight prices by between 10% and 15% or intend to do so in the near future. Rail freight is still suffering from its usual problems – ordered wagons don't arrive on time and/or in reduced quantity and at worst just don't arrive at all. All these logistic inadequacies are putting more and more pressure on all market participants.

Neighbouring Foreign Markets

Italian scrap consumers reappeared on neighbouring foreign markets with strong demand during November. In October they were largely able to cover their demand on their domestic market and were able to fall back on imports from non-EU countries if required. During November they offered their German suppliers prices equivalent to those offered in September and in doing so increased their offered prices this month by between €25 and €55 per tonne, depending on the point of contract closure. There is still a price difference to prices paid on the German market, which now stands at between €5 and €15 per tonne, depending on the scrap grade concerned. Both **Swiss** steel mills showed no import demand; production levels were decreased and domestic supply was sufficient to cover their requirements. Compared to last month, prices paid to domestic suppliers increased by between 15 CHF and 25CHF. Existing high scrap price levels on the **Austrian** market increased once again during November as a result of strong demand, with consumers paying price increases of between €15 and €20 per tonne for industrial scrap and between €30 and €32 per tonne for obsolete scrap. **Czech** mills increased their offered prices by €20 per tonne, whilst in neighbouring **Poland** demand was rather subdued and price increases of between €15 and €20 were seen. In cross-border transactions logistic problems led to disruptions. In order to stay competitive with prices offered by exporters in the deep sea yards, after long drawn-out negotiations the consumer in **Luxembourg** increased the offered price for sheared scrap by €40 per tonne, compared to last month. Demand was high and depending on the scrap grade and the supplier concerned price increases of between €20 and €40 per tonne were seen. Rail services came to a halt once again and further logistic problems also put a strain on the trade's delivery willingness. It remains unclear whether the consumer was actually able to secure sufficient quantities to cover November demand, especially as indicated December demand appears to be relatively high. According to the trade, **French** consumers showed increased interest in industrial scrap, for which they were prepared to pay marked price increases. In the **United Kingdom**, average price increases for higher grade scrap was £25 per tonne and for grades such as turnings £20 per tonne. Important large consumers including Tata Steel, British Steel Scunthorpe and Celsa showed lower demand than last month, which was reflected in overall reduced demand levels during November. In contrast to a previous press announcement, Liberty Steel did not purchase any scrap from the trade once again, due financial difficulties. According to the trade, foundry demand was also unsatisfactory as a result of sluggish production levels in the automotive industry

Foundries

Foundries which supply the mechanical engineering or wind energy industries are showing good to very good order book situations and are urgently looking to purchase scrap; the preferred grade is low-manganese production waste, which is in short supply due to weak capacity utilisation levels in the automotive industry. Foundries were prepared to pay €30 - €40 tonnes more for this grade, regardless of whether they are index-bound or not. For foundries that supply the automotive industry the situation doesn't look so rosy; short shifts are common and lengthened standstills in December and possibly January are already being considered. The financial situation for some producers is somewhat strained. The prices for imported pig-iron are also increasing, as the main Russian supplier hasn't exported any pig iron for months and Ukrainian suppliers are unable to step up and fill the gap due to insufficient quantities. Pig-iron producers are taking advantage of this situation and are little inclined to enter into negotiations, despite marked price reductions for iron ore and coking coal.

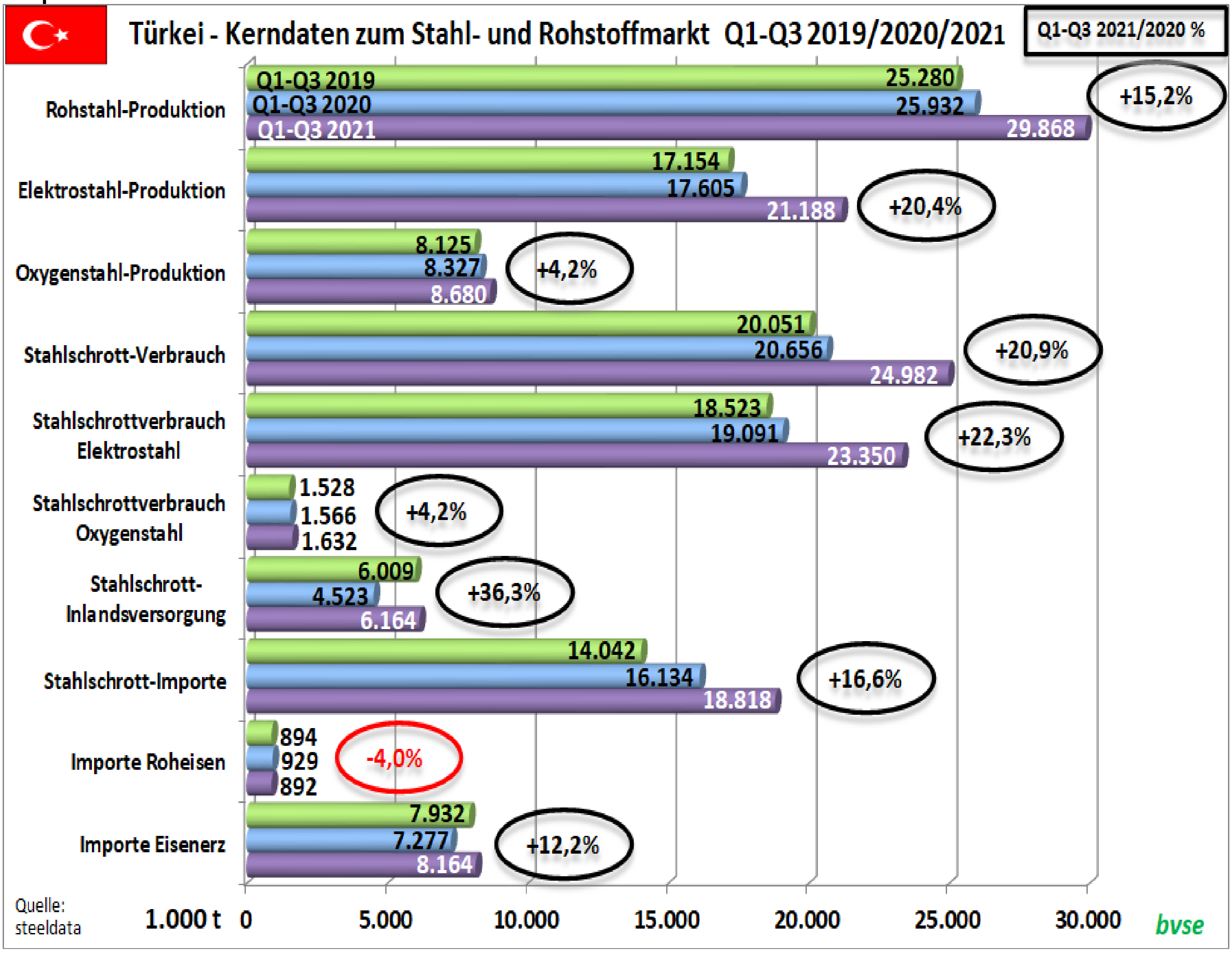
Deep Sea Market

In recent months, the demand both domestically and internationally for Turkish steel was strong and resulted in increased import quantities in the first three quarters of the year to 18.9 million tonnes (an increase of 16,6% compared to the same period in 2020). Deliveries from EU(27) countries amounted to 9.8 million tonnes revealing a 52% market share. Consequently, planned scrap export restrictions in the traditional supply regions, such as the EU or the Eurasian Economic Union, are causing concern amongst Turkish steel mills; Turkey's scrap import share was registered at 73.5% for the above-mentioned period (see **Graphic 1** – Core Indicators for the Turkish Market). For December delivery, Turkish consumers have already purchased large quantities of scrap from third country suppliers and have already started procurement for January. Due to the Turkish interest rate policy, the Turkish Lira has reached an all-time low against the US-Dollar and inflation in the country is soaring at 20%. Steel producers are constantly adjusting their domestic prices accordingly, but on the export market they have been forced to make price concessions. Turkish consumers, alongside their European counterparts, are also suffering under the yoke of massive energy price hikes. Whereas in Germany, some mills have made or are planning to make production adjustments to enable them to produce steel at times when electric tariffs are lower, this does not appear to be the case yet in Turkish steel mills.

Closing Remarks

Forecasts for the coming months are optimistic. Due to the tense freight situation and an expected lesser amount of available scrap as a result of current economic trends and traditional scrap inflow reduction at the end of the year, most traders are expecting a slight increase in prices during December, despite the fact that EAF-mills will be showing lower demand. One of the largest scrap consumer~~s~~ is modernising its plant and will not produce during December and part of January as well. Other mills will only curb production over the festive period, although those mills upstream of the automotive industry could well make production adjustments for this reason as well. According to the trade, due to the overall shortage in supply no quantities of scrap worth mentioning were purchased to cover December demand during November, so that it well may be the case that the envisaged price increases amongst some suppliers will actually become reality. All in all, both the scrap and steel industries are very satisfied with the year 2021; this applies to ferrous and non-ferrous scrap and is reflected in an increased willingness to invest in the sector. January has already come into focus and many market participants are as usual anticipating rising prices at the end of the year. It remains to be seen, whether all influencing factors, such a weather, scrap inflow, demand etc. do actually come together to enable such an eventuality.

Graphic 1 – Core Indicators for the Turkish Steel and Raw Material Markets – 01.03.2019/2020/2021



Source: steeldata