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Scrap Metal Market Report - September

Traditional September Hopes Quickly Dashed

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Review

Many traders had high hopes for a positive market development with rising prices and improved turnover opportunities during September. However, uniform purchasing behaviour on the part of EU scrap consumers soon dashed any hopes of an upward trend. The majority of consumers purchased reduced quantities during September as they had purchased scrap quantities above their actual demand during July and in some cases during August as well. As the September market declined, they concentrated on calling up these previously purchased quantities. The mills lowered their offered prices by €10 to €20 per tonne for industrial scrap and, depending on the grade concerned, lowered obsolete scrap prices.by €30 - €60 per tonne. The glut in shearing scrap, as a result of reduced turnover possibilities on the deep sea market, and the albeit now somewhat reduced gap between import and export prices enabled consumers to exert pressure on market pricing. At the same time, the price gap between industrial and obsolete scrap continued to widen; industrial scrap is and will remain in short supply for the foreseeable future. Whereas, the inflow of turnings has now reached normal levels again, other swarf, such as punchings or metal scrap generated by the automotive industry, are far from reaching these levels; the on-going shortage of semi-conductors is still causing production stoppages or interruptions for nearly all producers and their suppliers accordingly.
All in all, scrap traders had little or even no elbow room during September negotiations. However, not all traditional scrap suppliers were prepared to accept the high price reductions; in effect the obsolete scrap trade volume, particularly that of heavy obsolete scrap, was limited as a result.
In south Germany scrap supply exceeded scrap demand, not least because of weak demand from Italian mills, the announced reduction in demand from mills in the south-west and from the consumer in the south, where a changeover in production programme took place. Price reductions for obsolete scrap ranged from €40 to €60 per tonne. Where there was demand for industrial scrap, price reductions of €10 were registered. In the east of Germany price reductions ranged from €35 to €50 per tonne, depending on the demand for the grade concerned. In the north, consumers lowered their offered prices by €20 per tonne for industrial scrap and by €40 to €55 per tonne for obsolete scrap, again depending on the grade concerned. Since the middle of the month it appears that demand from third-countries is on the increase. In the north-west offered prices also depended on the demand for the scrap grade in question; industrial scrap was purchased at prices between €10 and €20 per tonne lower than last month, whilst the reductions in obsolete scrap prices were between €35 and €45 per tonne. Along the Saar river, obsolete scrap prices fell by up to €55 per tonne and industrial scrap prices by €20 per tonne.

Neighbouring Foreign Markets

Italian consumers were able to rely on adequate stock levels and sufficient scrap availability on their domestic market, so that German suppliers were informed early on in the month that September demand would only be minimal. Taking advantage of the weaker prices on the international scrap markets, Italian mills offered price reductions of up to €50 per tonne for obsolete scrap and between €5 and €20 per tonne for industrial scrap. On the **Austrian** market, depending on the consumer concerned, price reductions of €32 per tonne for obsolete scrap and €15 per tonne for industrial scrap were registered. In contrast, the price for automotive bundles remained unchanged. As was the case in August, import demand from **Swiss** consumers was low, although foreign suppliers received €35 per tonne less than during August. The demand for industrial scrap, in particular, was strong from both **French** and **Belgian** consumers, albeit suppliers still had to accept price reductions of between €10 and €20 per tonne, depending on the consumer and scrap grade concerned. Price reductions of €40 per tonne were recorded for obsolete scrap. Compared to August, the consumer in **Luxembourg** offered price reductions of €60 per tonne for light obsolete scrap grades. Delivery willingness on the part of the **Czech** and **Polish** suppliers was high. In the Czech Republic obsolete scrap prices fell by between €40 and €50 per tonne and in Poland by between €40 and €60 per tonne. The prices for industrial scrap fell by between €10 and €20 per tonne. In the **United Kingdom** scrap suppliers also felt the effect of the weaker demand for scrap, especially with one consumer showing a reduction in demand of 50% (compared to August) due to production stoppages. The pressure on pricing was therefore considerable. In the end, prices fell by between £10 and £20 per tonne, depending on the requirements of the mills concerned.

Foundries

The trade reported that foundry demand was still pleasingly strong; this was especially noticeable in the second half of the month. It appears that many foundries are showing good capacity utilization levels for the rest of the year. The limited supply of industrial scrap meant that not all foundries were able to push through price reductions for all scrap grades, so that unchanged prices were accepted by some consumers. However, generally the price reductions for industrial scrap were up to €20 per tonne. A downward trend in pig-iron prices following the marked fall in prices for iron-ore cannot yet be recognised. The price for Russian foundry pig-iron remained unchanged, albeit the largest Russian supplier thereof was not present on the market and, according to the international trade press, does not intend to return anytime this year. Russian suppliers are reluctant to sell as a result of the levied export tax from the Russian government.

Deep Sea Market

Export opportunities for continental European traders were limited during September. Lower export prices, which have fallen by between 16 and 18 US-$ per tonne since the end of August, and very high freight costs of over 40 US-$ per tonne have made it very difficult for exporters to supply scrap at competitive prices on the deep sea market. In addition, more attractive prices on the domestic market, even when taking September's marked price reductions into account, resulted in a meagre inflow of scrap to the export yards, which further exacerbated the difficult situation for exporters. Furthermore, Turkish consumers were only prepared to purchase lighter scrap grades if the cargo contained corresponding amounts of quality grade scrap; only occasional mono cargoes with HMS 1/2 (80:20) were purchased. The persistence on the part of Turkish consumers to achieve scrap price reductions for quantities for October delivery paid off, as scrap supply was sufficiently high in all procurement regions and exporters from the Baltic countries and the US agreed to Turkish demands. Time after time they were able to further increase pressure on pricing and still purchase their required quantities. During the last three weeks prior to the editorial deadline, Turkish steel producers were also successful in turning over large quantities of construction steel on their domestic market. The lowering of interest rates on 23rd September by the Turkish Central bank has once again put further pressure on the Turkish Lira. This was advantageous for Turkish steel exporters as a large proportion of their raw materials are purchased using the US Dollar and the same goes for the sale of finished steel, whereas their labour and energy costs, for example, can be calculated on the basis of the (for them) more favourable Turkish Lira. Turkish steel producers are also hoping to profit in the near future from the Chinese government's steel production restrictions, as it can be assumed that Chinese consumers will have to fall back on steel imports to cover their demand. This should have a positive effect on Turkish steel producer scrap demand, especially as falling steel prices are not on the cards.
Table 1 demonstrates the strong influence of Turkish scrap demand on inner-European market developments. Admittedly, the increase in German scrap import and export quantities in the period from January - July 2021 are approximately the same in absolute figures (698.341 to 705.704 tonnes) compared to the same period in 2020, which indicates or even reflects a higher domestic consumption in Germany. However, the movement on EU foreign trade figures shows a completely different picture; exported quantities rose by 41.3% (3.65 million tonnes) in the same period and imported quantities increased by approximately 777,500 tonnes, revealing that a large proportion of European scrap was not consumed in Europe. Turkish imports of EU scrap alone rose by 37.4% (2.33 million tonnes). In total, up until July, Turkey imported 15.2 million tonnes of scrap making the proportion of Turkey's scrap imports from the 27 EU countries more than 56%.

Table 1

Foreign Scrap Trade: Germany and EU (27) January - July 2021/2020 in tonnes						
	Imports			**Exports**		
	2020	**2021**	**± in %**	**2020**	**2021**	**± in %**
Germany	2,228,189	2,926,530	31.3	4,633,210	5,338,914	15.2
EU (27)*	2,190,978	2,966,321	35.4	8,844,148	12,492,900	41.3
of which to Turkey				6,243,006	8,576,817	37.4
Sources: Destatis, SteelData, Table: **bvse** *excluding intra-Eu trade						

Closing Remarks

The majority of market participants are hoping for unchanged prices during October. Steel consumers are taking advantage of the weakening market by attempting to push through steel price reductions, however steel producers are reluctant to give in to the pressure by lowering prices. It is unclear how the anticipated increase in EU steel exports will be compensated by the market; this increase is expected due to an increase in the number of orders since the spring and the allocation of quotas from 1st October this year. However, domestic steel mills appear to have good capacity utilisation levels up to the end of the year. The scrap trade is hoping that the increase in logistic problems caused by the train driver strike or the lack of HGV freight capacity will be quickly resolved.