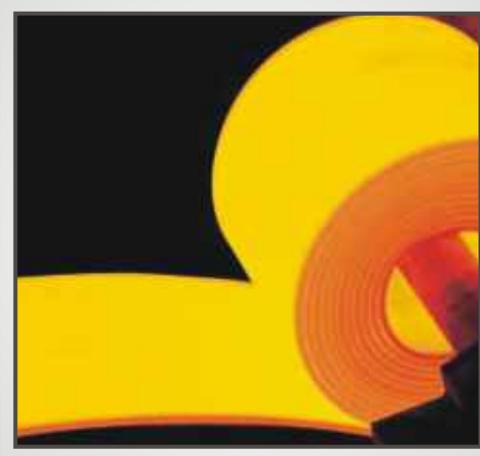


Flat Steel Product Prices - A Review

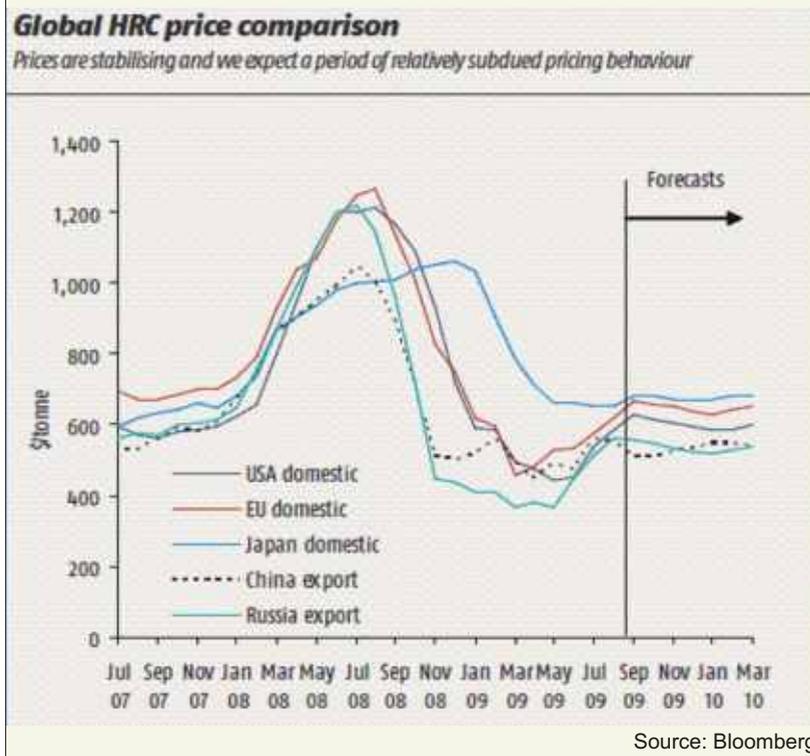
- Namita Naik



The recession has resulted in desperate efforts made by steelmakers to support prices by rebalancing the market through production cuts. It is a usual feature of these production cuts that the deepest trims are made upstream at the HR coil stage, while leaving downstream output, such as coated coil, less affected. US EAF mills, still waiting for Recovery Act spending to be transformed into orders, are sharing the benefits of lower scrap prices with bar and beam customers in lower transaction prices. Dull construction markets in most of the EU holds long product prices down; the rising euro has not prevented EU bar and beam mills from achieving impressive export sales. There are the commercial grounds for this tactic: The strategy would result in steelmakers forgoing less revenue per ton than they would by cutting HDG output to the same extent. US coil mills prices have declined, yet they are steadily raising their capacity usage ahead of the recovery in demand. In these circumstances service centre managers feel safe to operate with record low stocks. EU mills consider re-firing idled furnaces; their control over supply has been threatened by new assaults from mills in China seeking to clear surplus stocks and taking advantage of low ocean freight rates. The EU reaction looks more

straightforward. The production cuts had their desired effect; prices have turned up, and HR coil production responded with a brief downturn during August. If the result of cutting output is to reduce the supply of merchant HR coil, then a non-integrated re-roller may have to pay more for the intermediate product, which makes it less profitable for them to compete with an integrated producer. One of the consequences of concentrating cuts upstream is indeed that HR coil prices rise relative to the prices of CR and coated coil. It is usual for the price recovery after a bout of production cuts to be led by HR coil. Other factors are often at work, so the recovery pattern is not always simple. In response to the most recent price downturn the big production cuts were made at the HR coil stage, but some reductions were made to coated coil output. Japanese steelmakers were quickest off the mark; they cut production at the first hint of a price retreat. In the EU HR coil output was actually increased in September, following August, although the price was already. In both cases output staged a limited recovery, even while prices continued to fall. This was probably a seasonal effect; in Europe the lowest output was in December 08, in Japan it came a little later. More remarkable has been the steep rise

Figure 1: Global HRC price comparison



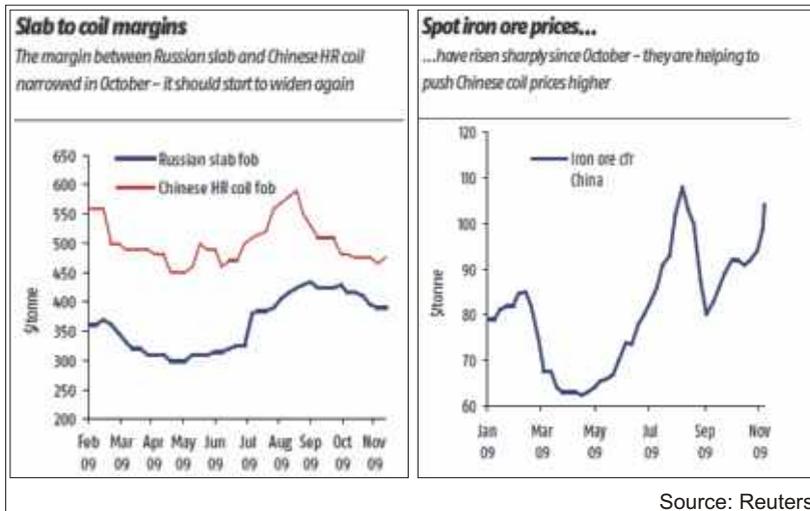
in production in Japan since the beginning of the second quarter of 2009 when prices were falling and then stagnating, which seems perverse. A look at Japanese international trade helps to explain this: Japan exported a large tonnage of HR coil from the second quarter of 2009 onwards.

Coil prices look as though they have bottomed out in China – domestic ex-warehouse prices are rising and some export offers have also increased. This apparent change in market sentiment to rising iron ore prices and expectations that Chinese steel output will fall in the near Future. So far

it make sense at present for south-east Asian buyers to increase their bids for slab. As Chinese HR coil has been available at around \$470- 480/ton cfr, re-rollers in south-east Asia have understandably opted to import coil rather than slab.

Domestic market and rising iron ore costs (see chart above). Inventories of downstream coil products have declined overall in recent months; although HR coil stocks have yet to do the same, there is growing expectation they will do so soon. Chinese offers to Turkey have risen to 530/ton Marmara, a rise of around \$20/ton on the lowest

offers registered in recent weeks. The news has apparently led Erdemir, Turkey's largest flats producer, to raise its December list prices for HR coil above \$600/ton ex works. This might seem aggressive, but it may make sense given that Turkish stockists are likely to be interested only in booking small tonnages in the near term. Given the delay involved in ordering Chinese material, stockists are likely to prefer taking locally produced material at a shorter lead time even though prices are higher. Other HR coil exports active in the Middle East, such as Iran's Mobarakeh, are holding their lowest export offers for 2mm HR coil steady at \$490/ton fob Bandar Abbas. In October Mobarakeh cut its export offers by around \$50/ton in order to attract sales; it clearly feels



Cold-drawn Stainless Steel Bars^(1,2 or 3)

Market		Grade 304, 20-30mm			Grade 316, 20-30mm			
		Nov 09	Oct 09	Jan - Nov 09	Nov 09	Oct 09	Jan - Nov 09	
Europe:								
Base	Germany	euro/tonne	1340 - 1450	1395	1204	1690 - 1786	1738	1537
	Y-o-Y % chg		10.3%	7.7%	-2.0%	5.7%	4.4%	-2.5%
	Italy	euro/tonne	1320 - 1394	1357	1166	1540 - 1674	1607	1402
	Y-o-Y % chg		11.2%	8.6%	-0.2%	8.6%	7.1%	-3.1%
	France	euro/tonne	1340 - 1506	1423	1231	1710 - 1842	1776	1565
	Y-o-Y % chg		9.9%	7.4%	-1.8%	6.7%	5.4%	-1.9%
United Kingdom	£/tonne	1050 - 1069	1060	892	1260 - 1394	1327	1144	
	Y-o-Y % chg		14.6%	11.0%	-0.2%	10.1%	8.3%	-1.1%
EU import	euro/tonne	1250 - 1350	1364	1164	-	-	-	
Y-o-Y % chg		5.3%	7.8%	-2.5%	-	-	-	
USA:								
Midwest	- Domestic	\$/lb	0.76 - 0.80	0.78	0.71	1.05 - 1.10	1.08	0.97
	Y-o-Y % chg		-8.6%	-9.7%	-15.4%	3.0%	2.0%	-6.8%
Base Import ⁵	- East Coast	\$/lb	0.71 - 0.76	0.73	0.68	1.00 - 1.22	1.11	1.03
	Y-o-Y % chg		-15.8%	-16.7%	-20.7%	-3.0%	-3.8%	-9.5%
- West Coast	\$/lb	0.69 - 0.86	0.78	0.74	0.96 - 1.01	0.99	0.94	
	Y-o-Y % chg		-10.9%	-11.9%	-15.6%	-12.2%	-13.0%	-15.8%
Asia:								
Transaction	China	\$/tonne	3050 - 3260	3150	2815	4096 - 4200	4148	3749
	Y-o-Y % chg		-24.2%	-26.7%	-36.8%	-25.6%	-26.1%	-34.4%
	Japan	\$/tonne	2760 - 2940	2825	2705	3600 - 3800	3700	3501
	Y-o-Y % chg		-33.5%	-36.1%	-41.9%	-32.4%	-32.1%	-40.4%
South Korea	\$/tonne	2993 - 3200	3090	2875	3765 - 4020	3888	3708	
	Y-o-Y % chg		-34.2%	-35.7%	-42.0%	-31.1%	-32.7%	-38.2%
Taiwan	\$/tonne	2993 - 3145	3064	2792	3750 - 4020	3863	3629	
Y-o-Y % chg		-27.5%	-27.9%	-37.6%	-29.2%	-29.6%	-37.4%	

Hot-rolled Stainless Steel Bars^(1,2 or 4)

Market		Grade 304, 50-100mm			Grade 316, 50-100mm			
		Nov 09	Oct 09	Jan - Nov 09	Nov 09	Oct 09	Jan - Nov 09	
Europe:								
Germany	euro/tonne	1180 - 1248	1214	1036	1280 - 1360	1320	1136	
	Y-o-Y % chg		12.4%	10.4%	0.0%	10.9%	14.8%	-5.4%
Italy	euro/tonne	1140 - 1226	1183	1005	1240 - 1316	1278	1089	
	Y-o-Y % chg		13.2%	10.0%	2.3%	13.1%	11.1%	-11.0%
Base France	euro/tonne	1180 - 1282	1231	1051	1440 - 1562	1501	1307	
	Y-o-Y % chg		12.4%	9.4%	-1.4%	8.8%	7.2%	-1.2%
United Kingdom	£/tonne	900 - 1002	951	781	1140 - 1226	1183	1003	
	Y-o-Y % chg		20.4%	16.0%	3.8%	13.8%	11.6%	1.3%
EU import	euro/tonne	1100 - 1180	1183	1007	-	-	-	
Y-o-Y % chg		6.5%	7.5%	0.0%	-	-	-	
USA:								
Midwest	- Domestic	\$/lb	0.74 - 0.77	0.75	0.69	1.00 - 1.02	1.01	0.95
	Y-o-Y % chg		2.8%	1.5%	-5.3%	1.1%	0.1%	-5.1%
Base Import ⁵	- East Coast	\$/lb	0.72 - 0.75	0.74	0.68	1.01 - 1.10	1.05	1.00
	Y-o-Y % chg		2.1%	0.7%	-5.1%	0.4%	-0.5%	-4.7%
Asia:								
Transaction	China	\$/tonne	3050 - 3260	3150	2744	4096 - 4200	4148	3585
	Y-o-Y % chg		-9.5%	-13.8%	-27.4%	-22.0%	-22.2%	-35.3%
	Japan	\$/tonne	2760 - 2940	2825	2466	3600 - 3800	3700	3488
	Y-o-Y % chg		-26.0%	-28.4%	-40.8%	-34.8%	-35.9%	-42.8%
South Korea	\$/tonne	2993 - 3200	3090	2803	3765 - 4020	3888	3474	
	Y-o-Y % chg		-30.8%	-32.1%	-40.5%	-27.8%	-27.1%	-38.0%
Taiwan	\$/tonne	2993 - 3145	3064	2731	3750 - 4020	3863	3632	
Y-o-Y % chg		-26.8%	-26.9%	-37.1%	-28.1%	-27.5%	-35.2%	

1. Ex-mill prices for business negotiated in November with large-volume buyers - excludes alloy surcharges applied by European and US producers
 2. Historical prices are quoted as an average 3. Bright-drawn condition 4. Rough turned/peeled condition 5. US import prices are duty unpaid

Business Talk

Cold-rolled Stainless Steel Coil, Sheet^(1,2 or 3)

Market		Unit	Grade 304, 2mm			Grade 316, 2mm ⁽⁴⁾			Grade 430, 2mm		
			Nov 09	Oct 09	Jan - Nov 09	Nov 09	Oct 09	Jan - Nov 09	Nov 09	Oct 09	Jan - Nov 09
Europe:											
Germany		euro/tonne	1300 - 1350	1325	1121	2290 - 2450	2370	2125	1340 - 1450	1395	1193
	Y-o-Y % chg		19.4%	15.2%	-5.5%	4.2%	1.9%	-7.7%	13.4%	11.6%	-9.2%
Italy ⁵		euro/tonne	1240 - 1282	1261	1046	2140 - 2346	2243	1960	1290 - 1338	1314	1106
	Y-o-Y % chg		20.7%	17.3%	-7.1%	12.2%	9.4%	-6.0%	15.3%	13.3%	-9.2%
France		euro/tonne	1290 - 1338	1314	1106	1890 - 2010	1950	1721	1290 - 1338	1314	1115
	Y-o-Y % chg		21.1%	16.8%	-7.8%	5.4%	2.6%	-18.0%	13.8%	11.8%	-13.4%
Base United Kingdom		£/tonne	1170 - 1204	1187	989	1670 - 1820	1745	1521	1270 - 1293	1282	1079
	Y-o-Y % chg		23.6%	17.5%	-5.3%	10.8%	7.4%	-7.3%	19.2%	17.0%	-4.6%
Spain		euro/tonne	1290 - 1338	1314	1079	-	-	-	-	-	-
	Y-o-Y % chg		34.8%	28.2%	-2.3%	-	-	-	-	-	-
Belgium		euro/tonne	1290 - 1170	1230	1051	-	-	-	-	-	-
	Y-o-Y % chg		16.0%	11.8%	-10.6%	-	-	-	-	-	-
Netherlands		euro/tonne	1290 - 1338	1314	1097	-	-	-	-	-	-
	Y-o-Y % chg		20.6%	16.8%	-8.2%	-	-	-	-	-	-
USA:											
Base East Coast	- Domestic	\$/lb	0.75 - 0.77	0.7	0.7	0.91 - 1.00	0.9	0.9	0.50 - 0.62	0.5	0.52
	Y-o-Y % chg		6.4%	2.6%	-6.6%	0.6%	-9.0%	-6.0%	2.2%	-2.6%	-3.4%
Transaction - Import ⁶		\$/lb	0.62 - 0.68	0.7	0.6	0.94 - 1.04	1.0	0.9	-	-	-
	Y-o-Y % chg		-9.7%	-12.8%	-16.0%	4.0%	-5.9%	-12.2%	-	-	-
West Coast	- Import ⁶	\$/lb	2.30 - 2.70	2.5	2.2	-	-	-	-	-	-
	Y-o-Y % chg		28.3%	25.5%	5.7%	-	-	-	-	-	-
Asia:											
Transaction China		\$/tonne	2991 - 3167	3300	2689	4450 - 4800	4946	4113	1400 - 1648	1575	1279
	Y-o-Y % chg		-12.2%	-8.6%	-30.6%	-15.9%	-11.7%	-30.3%	-12.9%	-11.4%	-23.0%
Japan		\$/tonne	3100 - 3200	3100	3285	4000 - 4100	3975	3983	-	-	-
	Y-o-Y % chg		-26.7%	-28.7%	-27.6%	-35.7%	-37.6%	-39.7%	-	-	-
South Korea		\$/tonne	2800 - 2900	2833	2451	3940 - 4140	4017	3676	-	-	-
	Y-o-Y % chg		-20.8%	-21.3%	-38.5%	-30.9%	-31.9%	-40.3%	-	-	-
Taiwan		\$/tonne	2725 - 2800	2846	2408	-	-	-	-	-	-
	Y-o-Y % chg		-25.3%	-25.2%	-39.9%	-	-	-	-	-	-

Hot-rolled Stainless Steel Plate^(1,2 or 3)

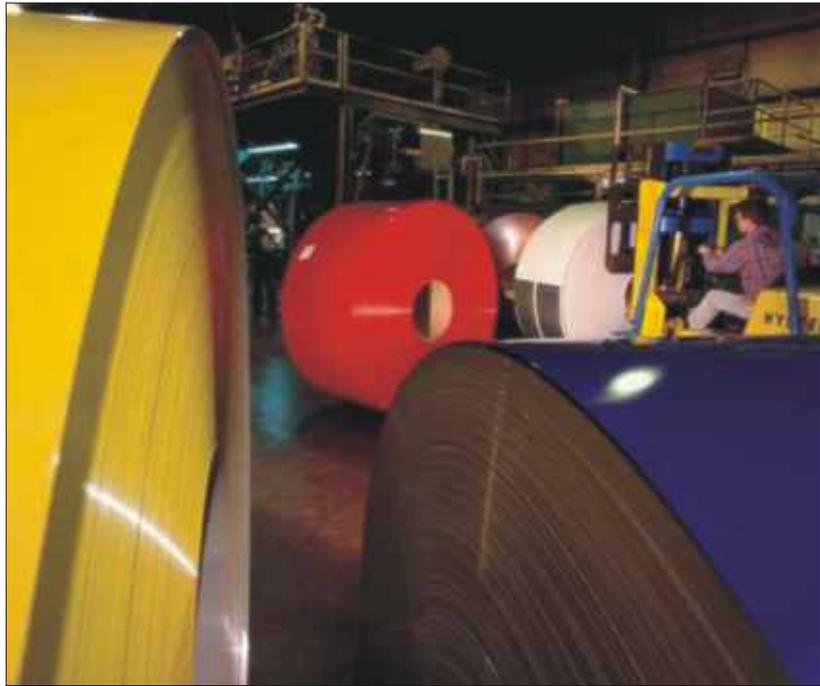
Market		Unit	CMP, Grade 304, 3-8mm			CMP, Grade 316, 3-8mm			PMP, Grade 304, 8-30mm(6)		
			Nov 09	Oct 09	Jan - Nov 09	Nov 09	Oct 09	Jan - Nov 09	Nov 09	Oct 09	Jan - Nov 09
Europe:											
Germany		euro/tonne	1690 - 1786	1738	1524	1940 - 2122	2031	1807	1940 - 2066	2003	1775
	Y-o-Y % chg		7.3%	5.3%	-4.4%	4.7%	4.2%	-8.6%	5.7%	4.1%	-8.3%
Italy		euro/tonne	1440 - 1562	1501	1301	1890 - 2010	1950	1727	1740 - 1898	1819	1608
	Y-o-Y % chg		9.6%	7.2%	-6.2%	5.7%	4.0%	-11.4%	5.8%	3.9%	-8.0%
Base France		euro/tonne	1640 - 1786	1713	1492	2040 - 2234	2137	1918	1790 - 1954	1872	1655
	Y-o-Y % chg		9.1%	7.1%	-5.5%	2.7%	1.8%	-8.6%	5.8%	4.0%	-11.4%
United Kingdom		£/tonne	1340 - 1394	1367	1175	1590 - 1786	1688	1486	1500 - 1618	1559	1363
	Y-o-Y % chg		11.1%	8.5%	-4.5%	6.2%	5.5%	-7.0%	7.5%	6.1%	-4.1%
Spain		euro/tonne	1490 - 1618	1554	1349	2040 - 2178	2109	1874	1690 - 1786	1738	1525
	Y-o-Y % chg		9.4%	7.2%	-6.3%	5.2%	4.1%	-7.0%	7.3%	5.3%	-12.8%
USA:											
Base East Coast	- Domestic	\$/lb	0.81 - 0.84	0.8	0.8	0.95 - 1.20	1.1	1.0	1.10 - 1.20	1.2	1.13
	Y-o-Y % chg		-0.5%	-1.7%	-3.8%	6.4%	5.4%	-1.0%	-2.3%	-3.1%	-4.6%
Transaction - Import ⁶		\$/lb	0.75 - 0.85	0.8	0.8	1.05 - 1.10	1.1	1.0	1.10 - 1.15	1.1	1.10
	Y-o-Y % chg		-1.8%	-3.6%	-5.2%	0.5%	-0.9%	-3.8%	-3.8%	-5.5%	-6.9%
West Coast	- Import ⁶	\$/lb	2.15 - 2.29	2.2	2.1	3.26 - 3.28	3.3	3.2	2.61 - 2.55	2.6	2.51
	Y-o-Y % chg		-5.5%	-6.5%	-9.1%	-0.4%	-0.8%	-3.5%	-0.2%	-0.5%	-3.1%
Asia:											
Transaction China		\$/tonne	3000 - 3400	3180	2532	4780 - 5100	4929	4401	2876 - 3000	2915	2618
	Y-o-Y % chg		-6.7%	-18.1%	-35.5%	-17.5%	-18.3%	-28.7%	-23.6%	-26.3%	-35.4%
Japan		\$/tonne	2500 - 2600	2550	2345	3900 - 4200	4050	3956	2600 - 2700	2650	2551
	Y-o-Y % chg		-26.2%	-26.7%	-33.6%	-34.1%	-34.8%	-38.5%	-34.8%	-36.5%	-39.0%
South Korea		\$/tonne	2859 - 3200	3009	2787	4100 - 4375	4233	4015	2760 - 2890	2805	2686
	Y-o-Y % chg		-28.0%	-30.0%	-37.8%	-31.1%	-31.3%	-37.6%	-31.5%	-33.4%	-38.8%
Taiwan		\$/tonne	2630 - 3100	2858	2564	-	-	-	2700 - 2890	2781	2483
	Y-o-Y % chg		-26.5%	-27.8%	-39.2%	-	-	-	-26.9%	-28.2%	-40.2%

1. Ex-mill prices for business negotiated in November with large-volume buyers. Excludes alloy surcharges applied by European and US producers

2. Unless specified, prices refer to sheet/cut plate 3. Historical prices are quoted as an average 4. For France prices shown are for 316L material

5. Coil basis 1mm for sheet. 6. Quarto plate 7. US import prices are duty unpaid

that market sentiment does not justify another cut. Erdemir's decision to go for aggressive price rises is good news for CIS producers; indeed, there has been a slight rebound in Russian and Ukrainian HR coil export offers within the last week. Ukraine's Ilyich is still making the lowest offers – around \$465/ton fob Mariupol. Meanwhile, Russian mills Severstal and MMK are understood to be pushing for prices above \$500/ton fob for January shipments. Rising Turkish and Chinese coil prices will take some of the pressure off CIS mills in coming weeks. Ukrainian HR coil export offers rising to around \$485/ton fob within the next few weeks, with Russian offers rising to around \$510/ton fob. News of higher Chinese coil prices look to have influenced pricing discussions between Japanese mills and South Korean re-rollers. Japanese mills are looking to settle three-month contract prices for HR coil supply at around \$580-600/ton fob, up from their current levels of \$560/ton fob.



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