

AMM.com

Ferrous scrap market on upward trek for March

By Michael Marley Published: Feb 24 2010 5:36PM

PHILADELPHIA -- It looks like the ferrous scrap roller coaster is still climbing, as steel industry activity and scrap market forces seem to be aligning toward an uptick in prices for March.

Foul weather, improved demand at the mill level and low inventory levels are working together to drive scrap prices upward, industry sources said. And while the Midwest looks poised for a modest price increase, other regions appear to be bracing for a healthy bump up.

Prices have risen for the past two months, largely as a result of the stronger mill demand for scrap and unusually heavy snowfalls throughout the country this month.

Several brokers and dealers said they have heard of only one confirmed buy in the market—shredded at \$355 per long ton delivered to a Midwest mill. That price is up about \$25 per ton from the level paid this month for the fragmented scrap.

Some steel mills are bringing mothballed operations back online this month, and others have said they plan to raise output, a Chicago broker said.

At the same time, the snowy weather that is now sweeping across the country on the heels of earlier storms in both the Midwest and along the Eastern Seaboard is playing havoc with transportation, he said, adding that it's near month's end and some mills are still awaiting deliveries of scrap they bought weeks ago.

The East Coast export yards have also begun to bump up the prices they're paying to smaller local dealers who are their main suppliers. Some sources are now quoting No. 1 heavy melting steel at about \$290 per ton delivered to their dockside yards.

"Everybody is calling and looking for scrap. This market is hot and everything is in short supply," a Pennsylvania scrap executive said, predicting prices will rise at least \$40 per ton in March. "We are getting calls from buyers we haven't heard from in a while and we are getting calls from brokers asking us, 'Can you help us get covered?'"

Another scrap industry source in the region said a large broker has indicated to him that prices will be up \$30 per ton. "So watch out. They could be up real high," he said.

Anticipating strong prices, he said he increased prices at his scale by 50 cents Wednesday morning. The move was also motivated by low inventory levels at his operations.

"Amazingly bad weather, auto production is double year to date vs. 2009 and steel production overall is the highest it has been in about 14 months," he said.

Increased mill output is driving scrap demand up in Texas, while the persistent rain is lowering inventory levels. "It's a wet winter and industrial customers are not producing much," according to one scrap dealer who expects flows to improve along with the weather. And, "we are getting rain every two or three days."

The Texas source said he hasn't made any deals yet, and while he expects prices to rise between \$20 and \$40 per ton he might hold onto his inventory if the selling price isn't strong.

Another Texas scrap dealer said the market has "quietly heated up and most people are having a hard time filling their orders."

A Midwest mill buyer expects the market to settle \$10 to \$20 higher because of reduced intake at the yards.

A trader at a nearby scrapyards agreed. "We are thinking sideways to up \$20 for March in the Midwest, with shred and prime grades showing the most strength," this Midwest player said, adding that scrap flows have improved dramatically in the past two weeks. "We should be able to complete orders and have small inventory levels going into next month."

Two mills appear to be exhibiting some caution in their buying strategy, the Midwest dealer said. "They are inquiring for next month. They need scrap, but do not want to drive the market up early, so they are inquiring what might be available for next month and indicating they will be buying scrap," he said.

But another Midwest dealer said some brokers have told him they are looking for prices to be unchanged in March. The cold and snow have limited the scrap flow into yards in the region, he said, but added that he hasn't received any calls from brokers saying they were short scrap. Nor have any of the mills indicated that their scrap inventories are too low.

He also said he plans to sell all the scrap that comes into his yard, predicting prices "will take a large drop in April after scrap inflows pick up in conjunction with warmer weather."

A Southeast broker said no mills have made any buys there as yet, but most were aware that shredded prices in the North have risen by about \$25 per ton. He expects prices for prime scrap, No. 1 dealer bundles and No. 1 busheling will be up even higher.

Lisa Gordon, Pittsburgh, contributed to this story.

AMM

Disclaimer/Copyright ©2010 American Metal Market LLC.