meps

Menu

EU stainless buyers shun the mills' "base plus" pricing, as alloy surcharges hit record highs

29th April 2022

European alloy surcharges for austenitic stainless steel increased significantly, in April.

A flurry of end-user purchasing activity and the pulling forward of consignment stocks were noted, prior to their release in March, in anticipation of the hike.

However, by the end of last month, much of the panic-buying had faded. Many market participants observed decreased activity, this month.

In April, resale prices of type 304 cold rolled sheet were reportedly as low as €5.20/5.40 per kg, in Europe.

In contrast with end-users, stockists were reluctant to place new forward orders with local producers. This was due to the exceptionally high material replacement costs.

Outokumpu's alloy surcharge for grade 304 flat products will soar to a record high of €3844 per tonne, in May. This equates to a remarkable 44 percent increase, compared with the published alloy surcharge for March.

The substantial rise is a result of the previous month's nickel volatility, plus inflated input costs for other raw materials.

Using the "base plus" pricing mechanism, the May alloy surcharge is now more than double the average European mill basis price for April.

European stainless producers have been eager to encourage the bulk of their customers to resume ordering on a "base plus alloy surcharge" pricing mechanism, during the past several months. However, many purchasing managers now see this as the least preferred option.

As a result, European steelmakers must choose between preserving the traditional pricing mechanism or securing tonnages at a fixed, generally lower, price.

A number of buyers reported receiving effective price offers for 304 cold rolled sheet, from local mills, in recent weeks, between €5000 per tonne and €5200 per tonne, for delivery in June/July.

European stainless steel mills are also facing increasing competition from suppliers in East Asia, particularly those in China and Taiwan.

Buyers report that they are able to obtain type 304 cold rolled coil at €4200/4600 per tonne, delivered to Europe, with duties paid. This represents a cost saving of around €1000 per tonne, compared with purchasing locally.

However, several market participants suggest that some deliveries from the Far East are being delayed due to the Covid-related lockdowns in China. Nevertheless, while the very large price differential persists, import offers will remain appealing to European customers.

Therefore, it is likely that domestic steelmakers will remain under pressure from buyers to be more flexible with their pricing options, in the coming months.