



An executive whitepaper written by Aptium Global, Inc.

## Pricing Perspective Series: Steel

### MetalMiner™

MetalMiner™ is the creation of Lisa Reisman and Stuart Burns, the co-founders of Aptium Global Inc. Both Reisman and Burns have sourced and traded metals products around the world. The authors of dozens of articles, sourcing tools, and white papers, Reisman and Burns write their award-winning blog MetalMiner™ to share strategies, insights, and trends for cost avoidance and cost savings opportunities for metals related purchases. MetalMiner™ is available online at:

[www.agmetalminer.com](http://www.agmetalminer.com)

### A note from the founders

This may sound sad, but it's true: We lie awake at night thinking about how manufacturers could save or avoid spending money on their metal purchases. It's a strange thing to think about, but alas, someone has to do it. Through MetalMiner™, we take a global perspective on the issues, trends, strategies, and trade policies that will impact how you source and/or trade metals and related metals services. From aluminum and steel to rhodium to gallium, from the thinnest gauge foils to the largest castings and forgings available today, we'll cover a wide range of diverse topics—including green sourcing, lean sourcing, global pricing trends, capacity constraints, supply market M&A activity, and more. As always, you can reach us at [info@agmetalminer.com](mailto:info@agmetalminer.com) to share comments and ideas.

**Continue reading for our 2008 price predictions, followed by an in-depth, insider look at the recent and future steel market.**

Lisa Reisman and Stuart Burns



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## Have Steel Prices Peaked?

Stuart Burns  
May 29, 2008

If not, then the peak is possibly in sight. Comments from CIBC Capital Markets and Purchasing.com make us believe that recent price increases have been more than can be warranted by raw material price increases alone—something long suspected by distributors and consumers alike—and levels now being charged are unsustainable.

Feedback from our contacts in the market suggest that some major mills are completing June orders early and have spot capacity opportunities available, an about-face from mere months ago, when requests for additional capacity were flatly declined.

We would be hesitant to call mid-summer as the peak, but the availability of more capacity coupled with the room for some price adjustments could be the ingredients needed to bring some sense to the market.

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## Steel Imports: They're Here

Lisa Reisman  
May 30, 2008

Earlier this year, we reported that steel imports were set to rise. And that's not a minute too soon, given that the price of steel has increased by 49–65% since the start of the year! U.S. steel imports in April increased 14.5% over March and were 3.4% higher than in April 2007. Although the steel lobby might have you believe otherwise, steel imports are great for U.S. manufacturers because they provide much needed competition in the marketplace and will help bring some semblance of normalcy back to the market place. Mind you, we aren't going to see a big price drop off—but we've seen the rate of price increases drop heavily between May orders for June deliveries and June orders for July deliveries.

The other piece of news is where the steel is coming from (hint: it's not from the usual suspects). Canada and Mexico are the leading sources of steel to the U.S. market. China imports dropped 25.7% from the previous month, according to Platts. Brazil and Ukraine provided much of the slab volume along with Japan; South Korea also increased their exports to the US. Let's hope wherever it is coming from, steel buyers will get a little more relief this summer, and not just from the heat!

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## Stainless Steel Has Uncertain Future

Stuart Burns  
May 21, 2008

As we have reported previously, nickel prices have dropped in half from their peak last year, following a combination of grade substitution and massive stock draw-downs combining to hit production. When production drops, one automatically assumes demand must have dropped—but apparently demand has remained reasonably steady as stocks have dwindled, and it is now forecast to grow this year. During 2007, stainless production in the Americas and Europe/Africa declined by almost 12% and 13.3% respectively, but it is forecast to grow by 3.7% and 4.4% this year. You will not be surprised to hear the largest producer and the greatest growth is forecast to be from China, not least because there are several new plants in the commissioning stage that will shortly be coming on stream creating a 7.3% increase in capacity.

It's hard to agree with the ISSF's bullish growth forecasts, since North America and Europe have both proved to be surprisingly resilient in the face of weakness in the housing and automotive markets. We would expect any improvement in demand to be met by the new production capacity coming on stream and prices to hold reasonably steady through 2008. For the U.S., much will depend on the fortunes of the US Dollar. Continued weakness may prevent consumers from enjoying the benefits of wider import supply options and, as with steel this last year, seeing domestic producers take advantage of a tightening supply market.

## Two Steel Mergers Worth Watching

Lisa Reisman  
May 28, 2008

It's nice to be noticed for doing a great job. It's quite another to take the heat from a CFO demanding cost reduction for steel and related metals products. Purchasing managers and their staffs have been riding a commodity volatility wave for a few years now. But some executives are just noticing the impact that these nasty little things like steel price hikes are having on the bottom line. So when normally I might be inclined to yawn through a merger and acquisition article that I stumble upon, now, I read with eyes wide open for any glimpse of what lies in store.

It was with great interest that I saw Severstal (Russia's biggest steel maker) has now made a bid for troubled Esmark, matching competitor Essar's (of India) bid with one interesting addition; namely, a more favorable agreement for the United Steel Worker's union. That's a smart move for a company that seeks to build its U.S. presence. But it's a greater move for U.S. steel buyers. With price increases coming fast and furious, placing domestic steel capacity in foreign hands may actually be very good for the U.S. We believe foreign owners, in an attempt to grow market share here in the U.S. may carry a sharper pencil as opposed to idling operations to keep prices high.

Perhaps just as interesting, the upward integration of steel producers has also generated additional M&A discussions. According to the Financial Times, steel mill ArcelorMittal will spend \$4b to acquire Macarthur Coal to shore up additional raw material supply. Although the consolidation of the steel industry may not be great for competition, securing raw materials will provide better supply continuity and in theory allow for greater control over pricing. Of course, whether or not the mills will pass on cost reductions to their customers, that's another story.

**What else will we see in the future? Continue to read MetalMiner™ for sourcing and trading intelligence for the global metals markets! – <http://www.agmetalminer.com>**

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