

# SMU Community Chat

May 18, 2022

Starting at 11 AM Eastern

**Michael Cowden**, Senior Editor, Steel Market Update

**Stanislav Zinchenko**, CEO of GMK Center



[SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars](https://SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars)



SMU Newsletter developed for active buyers & sellers of flat rolled steel.

**Prices – Momentum – Trends – Analysis – with a guarantee**

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# Upcoming Events

Date	Event	Status	Venue
<b>July 12-13</b>	SMU Advanced Steel Hedging Workshop	<b>Virtual</b>	Online
<b>July 19-20</b>	SMU Steel 101 Workshop	<b>Virtual</b>	Online
<b>August 22-24</b>	SMU Steel Summit Conference	<b>Live</b>	Georgia International Convention Center, Atlanta, Georgia

If you would like more information about any of our workshops, you may visit [SteelMarketUpdate.com/Events](https://SteelMarketUpdate.com/Events) or e-mail our team at [Events@SteelMarketUpdate.com](mailto:Events@SteelMarketUpdate.com)



Steel 101 Workshop, Severstal Dearborn 2012

Our goal is to provide quality information to the flat rolled steel industry.

We invite over 600 companies to participate in our surveys.

All responses are kept confidential and are never attributed to the individual or company responding.

To become a data provider, contact [Brett@SteelMarketUpdate.com](mailto:Brett@SteelMarketUpdate.com)



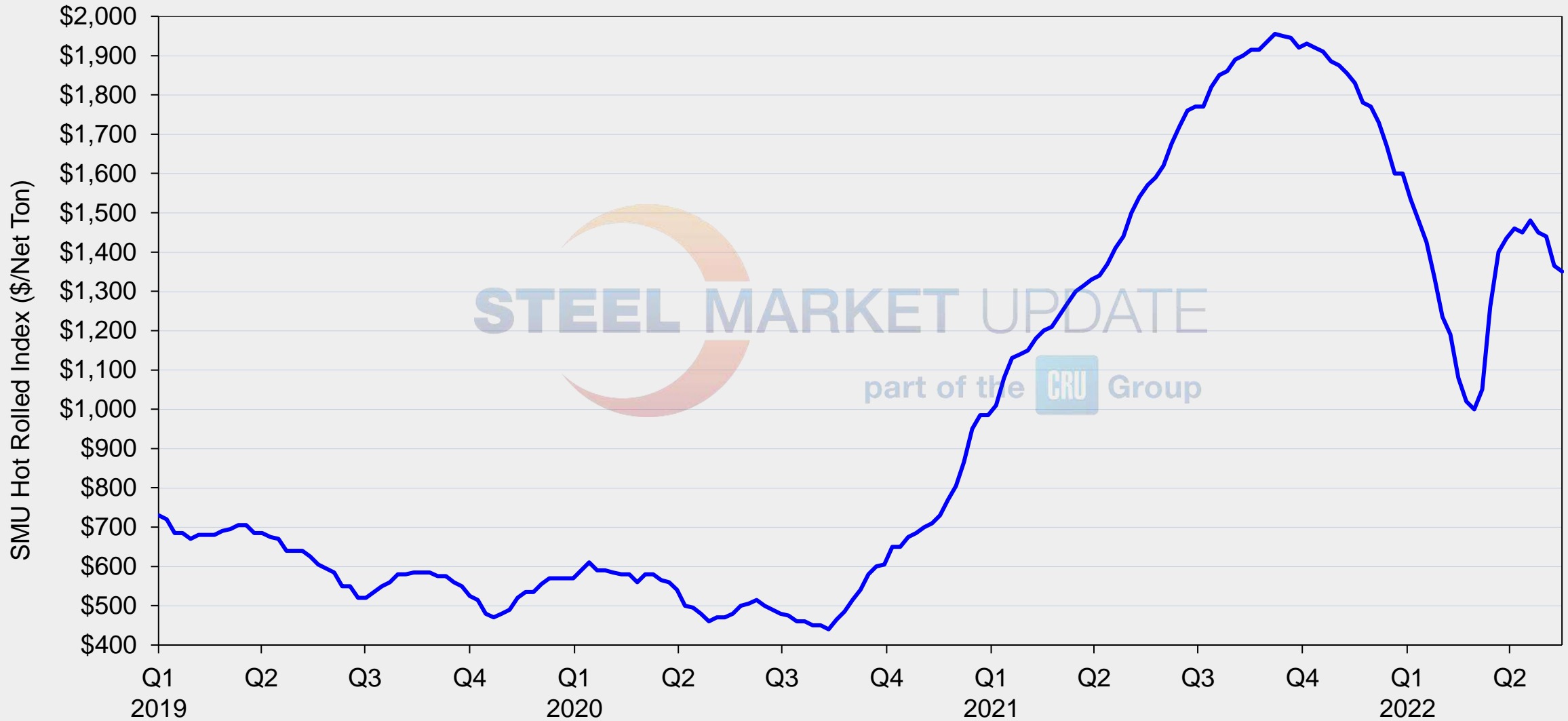
# STEEL MARKET UPDATE

part of the  Group

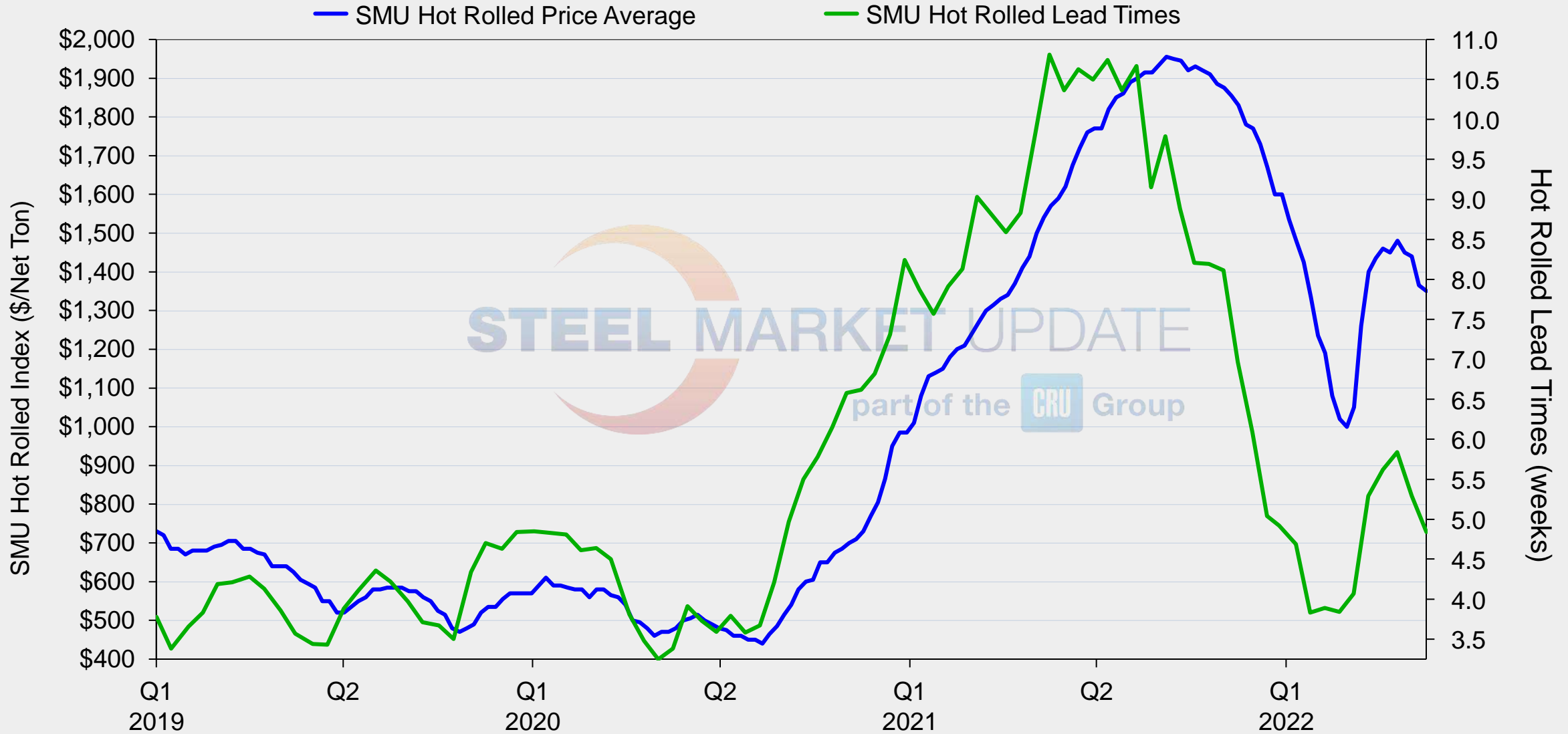
Don't just read our data, see your  
company's experience reflected in it.

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for participation information.

# SMU Hot Rolled Steel Prices



# SMU Steel Prices vs Lead Times





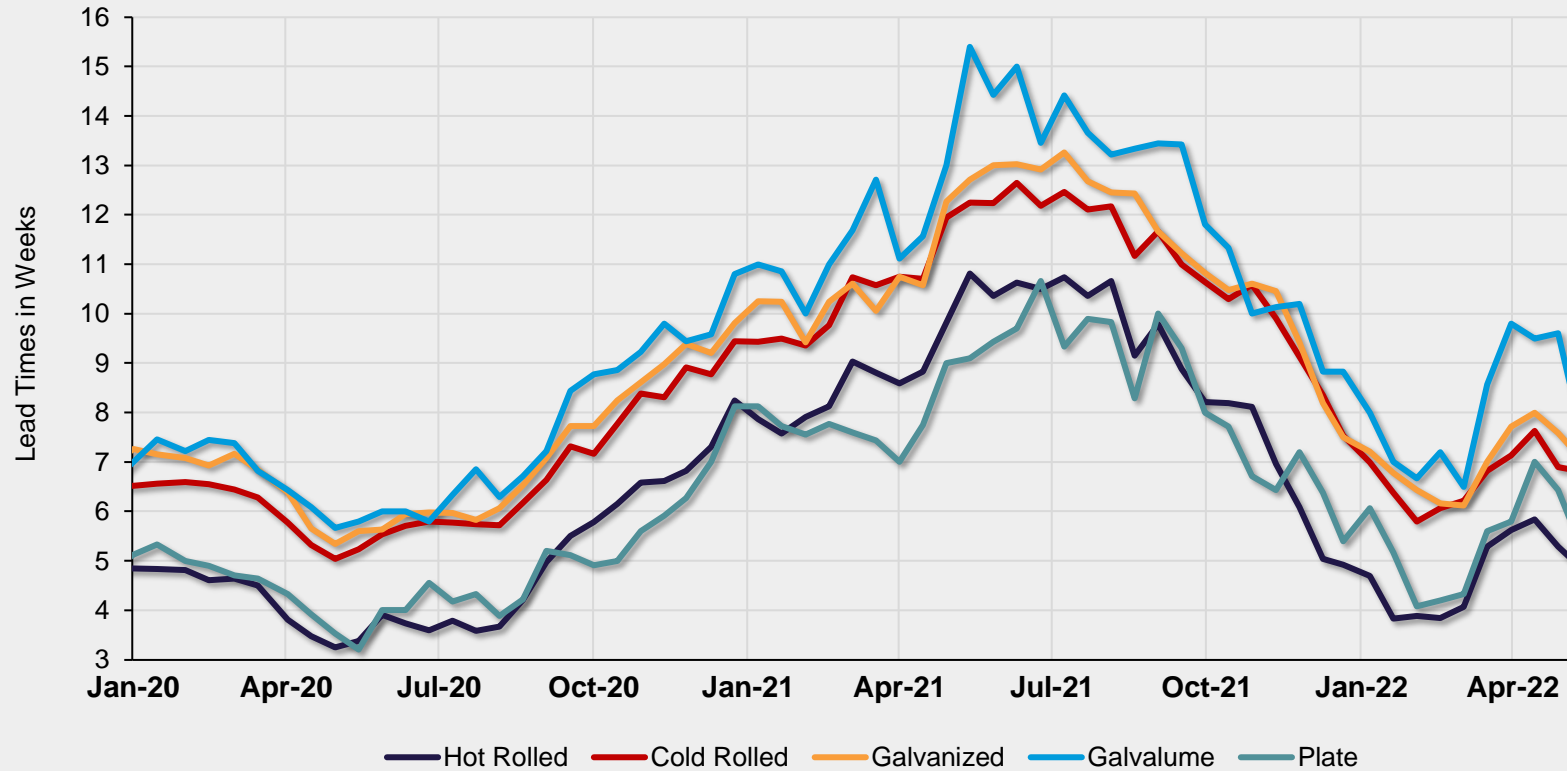
# HRC Lead Times: A Closer Look





# Steel Mill Lead Times

**SMU Lead Times Comparison**  
January 2020 through May 12, 2022



## Lead Times in Weeks

**Galvalume: 7.6**

**Galvanized: 7.1**

**Cold Rolled: 6.8**

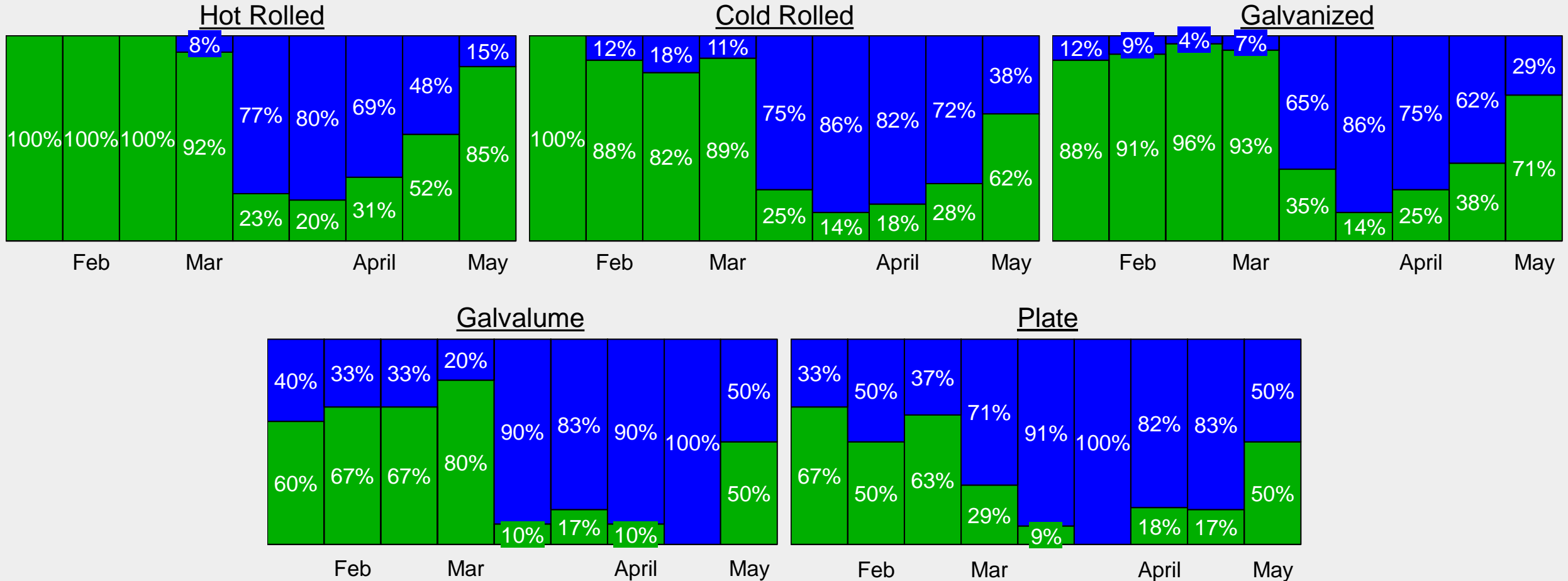
**Plate: 5.3**

**Hot Rolled: 4.8**

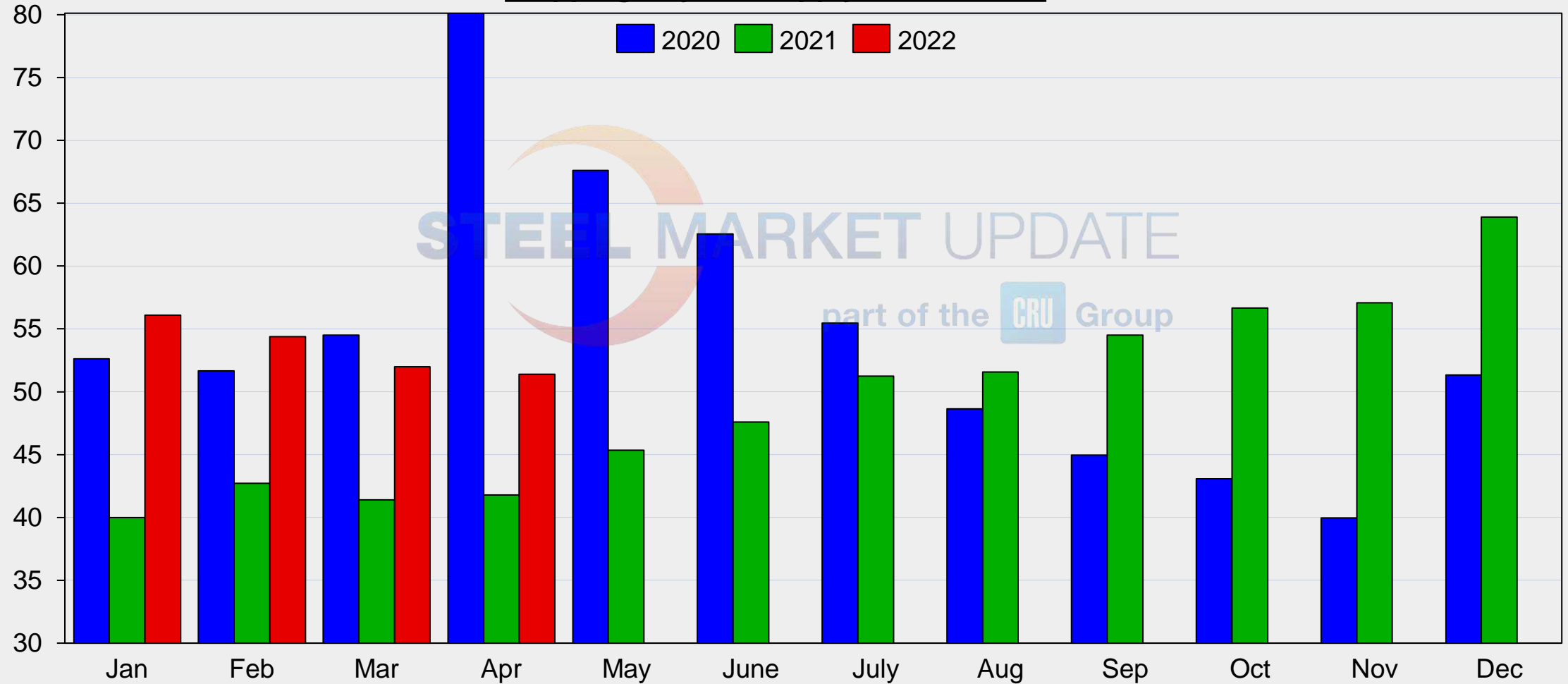
# Mill Negotiations

Are you finding the domestic mills are willing to negotiate pricing on brand new orders placed this week?

Yes No



### Shipping Days of Supply – Flat Rolled

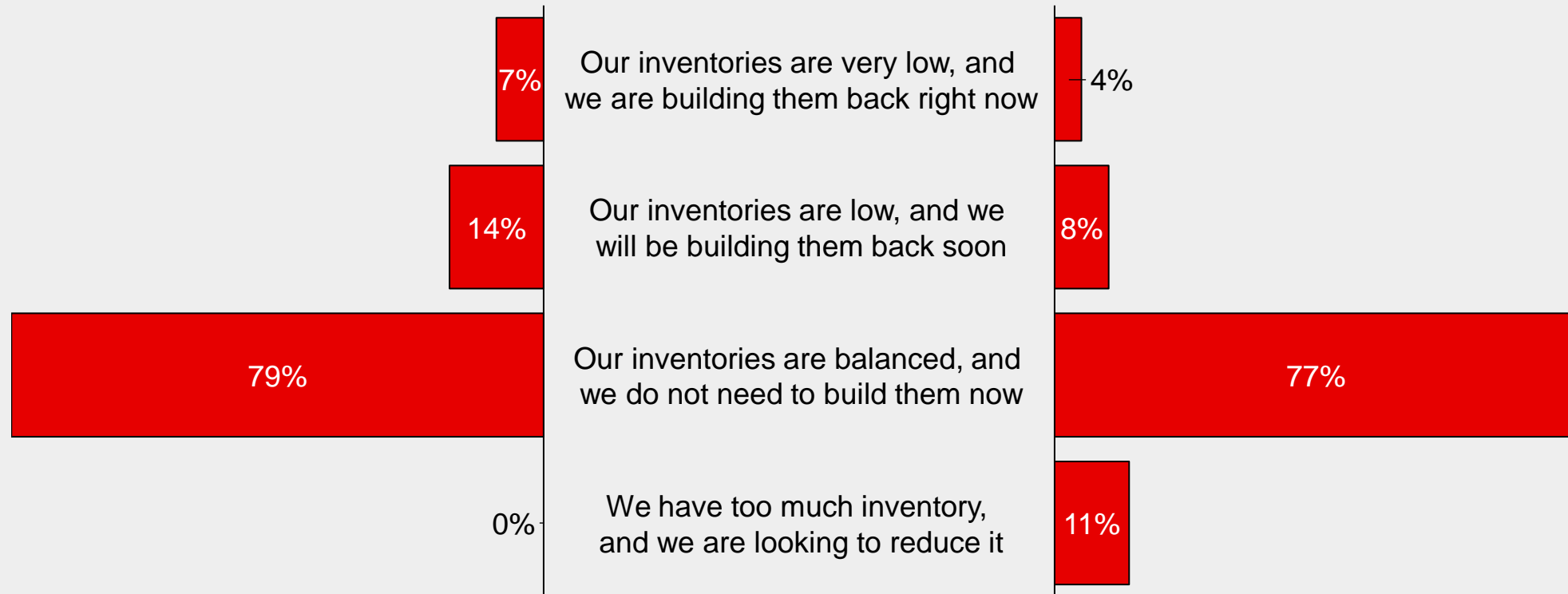


# Service Center Inventories

**Service Centers-** Does your company need to build back inventories or are you comfortable with the levels you are holding on your floor?

April 28, 2022

May 12, 2022

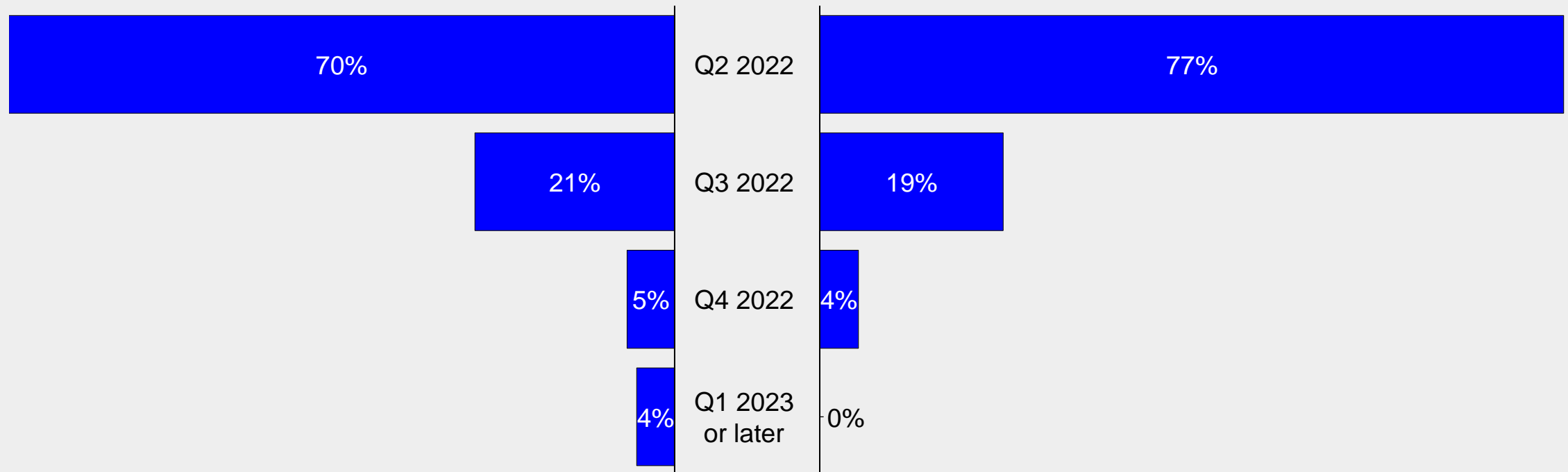


# HRC Price Peak

When do you think HRC prices will peak and why?

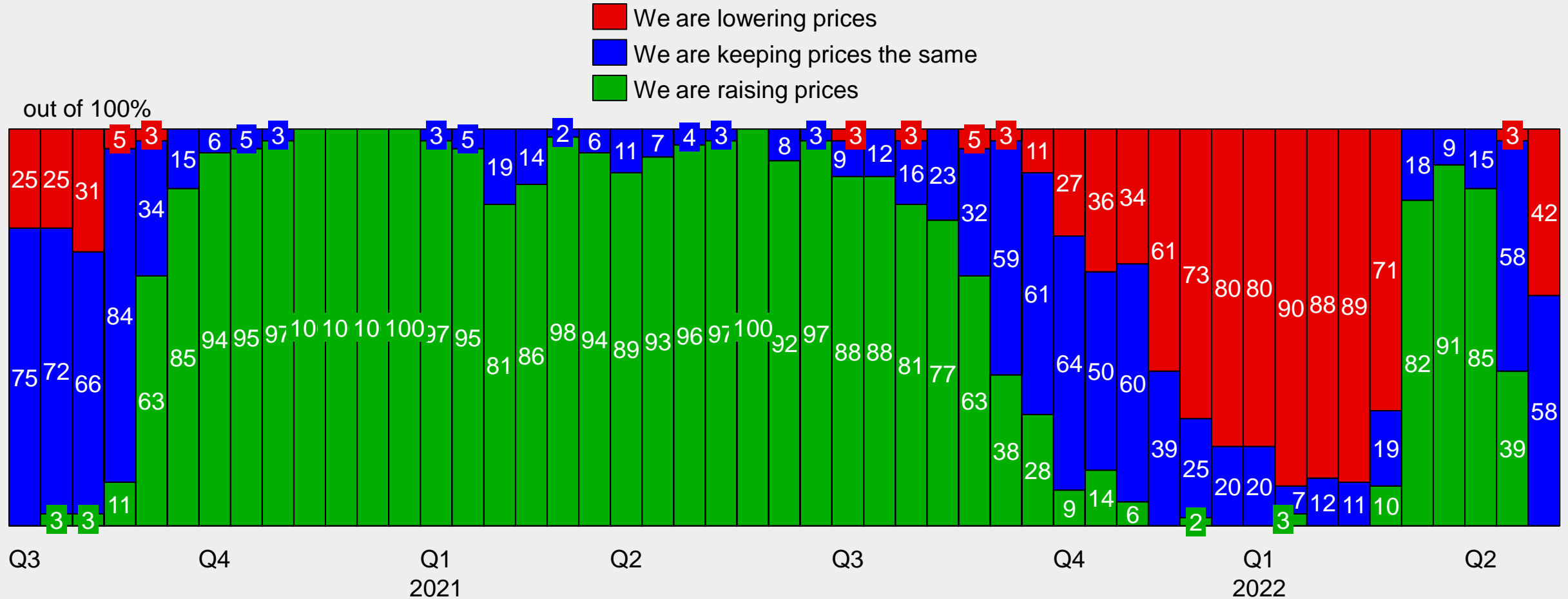
April 28, 2022

May 12, 2022



# Service Center View of Selling Prices History

**Service Centers-** Compared to two weeks ago, how is your company handling spot pricing to your customers at this time?

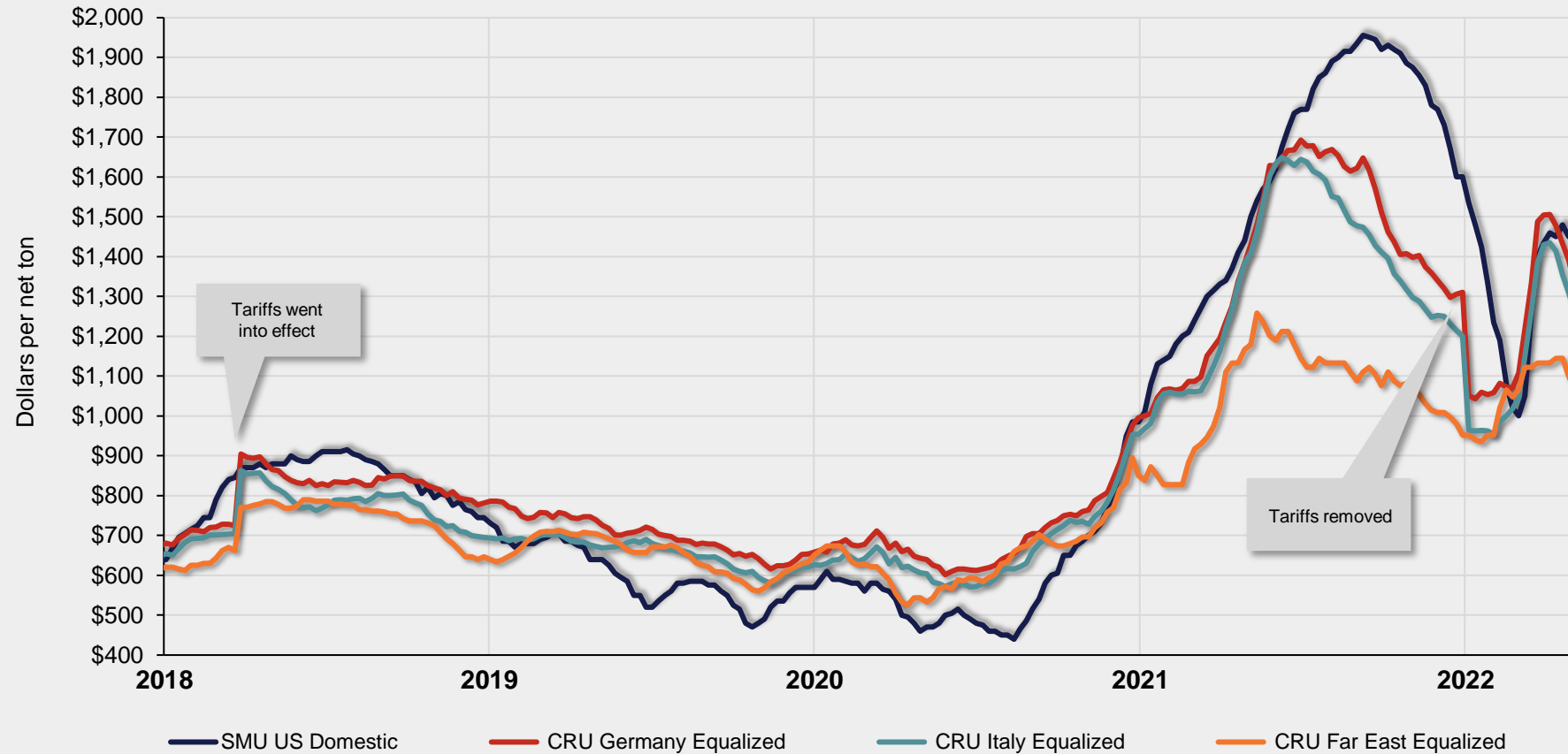




# Mind the East-West Gap

## US vs Foreign Hot Rolled Steel Prices

Foreign prices include \$90 in importing costs, Far East Asian prices include a 25% tariff



Source: SMU and CRU Group

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**Stanislav Zinchenko** is the CEO GMK Center, Chair of the Committee for Environment and Sustainable Development of the European Business Association. Last 4 years provides consulting services for Ukrainian iron & steel companies in sustainability issues, supply chains, CAPEX policy, market analysis.

Mr. Zinchenko has 15-year experience in consulting of manufacturing companies. He has expertise in operational management and supply chains. Team leader, consultant and analyst in international projects in the field of entrepreneurship, operational efficiency and logistic infrastructure.

Stanislav has a MA in International Economics at Kyiv National Economic University, also studied at University of Konstanz in Germany.

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# The impact of Russian invasion to Ukraine on the global iron & steel supply chain

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CENTER

– Ukrainian based think-tank  
and consulting company

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### **ANALYTICAL CENTER**

We are researching  
trends  
in metallurgy  
and industry



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We cover  
main events and trends  
in industry  
and metallurgy



### **EVENTS**

We organize  
forums, round tables  
and meetings  
for market participants



### **CONSULTING**

Together with partners -  
World Steel Dynamics (USA)  
and Horst Wiesinger Consulting (Austria) -  
we offer comprehensive  
consulting services and industry  
expertise for industry enterprises



# Iron & Steel industry of Ukraine deeply integrated in global supply chains



**2<sup>nd</sup>**  
exporter  
of pig iron

**4<sup>th</sup>**  
exporter  
of iron ore  
globally

**3<sup>rd</sup>**  
exporter  
of steel  
semis

**6<sup>th</sup>**  
exporter  
of HRC

**8<sup>th</sup>**  
exporter  
of longs



# Iron ore sector lowers output by 50%, export – by 30%

**100%**

of Ukrainian iron ore companies work, there are no damages

**50%**

Average utilization rate of Ukrainian iron ore companies, compared to pre-war period

**x2**

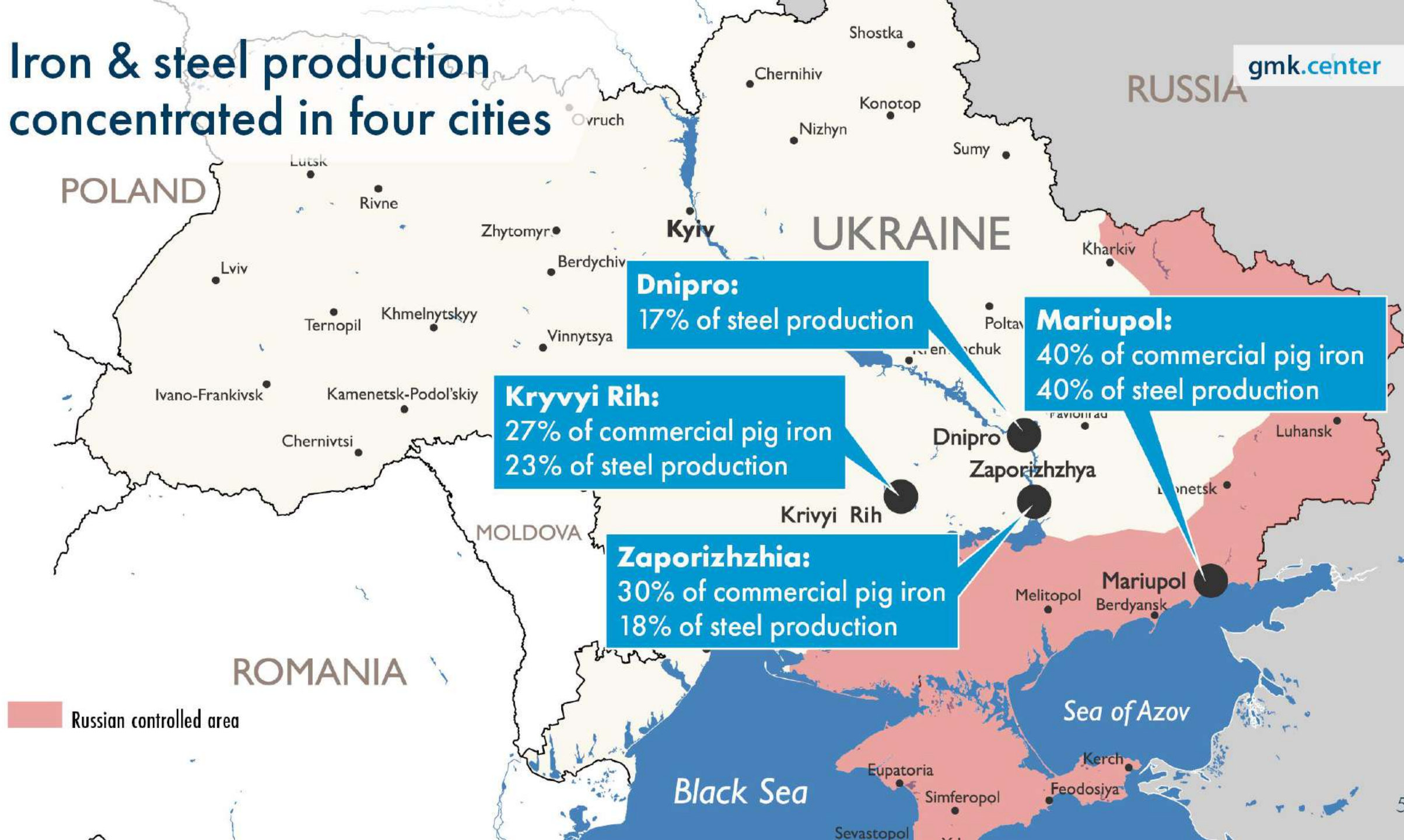
Export volumes to EU customers doubled in March due to refusal and replacing of Russian supply, EU market is balanced

**1 mln tons**

Export losses from Ukraine per month  
0.5 mln tons of pellets  
0.5 mln tons of fines  
Supply disruptions relates to seaborne shipments, mainly to China



# Iron & steel production concentrated in four cities





# Two large integrated mills in Mariupol are damaged, the city is destroyed



## Damaged mills

Plant name

Commercial products

Avdiiivka Coke



Coke

Azovstal



Slabs, Flats

Illyich Iron and Steel Works



Pig iron, Flats

## Losses from damaged mills

**40%** of domestic coke supply (3.6 mln tons)

**40%** of pig iron exports (1.3 mln tons)

**100%** of slab exports (3.3 mln tons)

**100%** of plate exports (2.6 mln tons)

**30%** of HRC exports (0.7 mln tons)

**30%** of CRC exports (0.22 mln tons)

**30%** of domestic HGDC supply (0.12 mln tons)

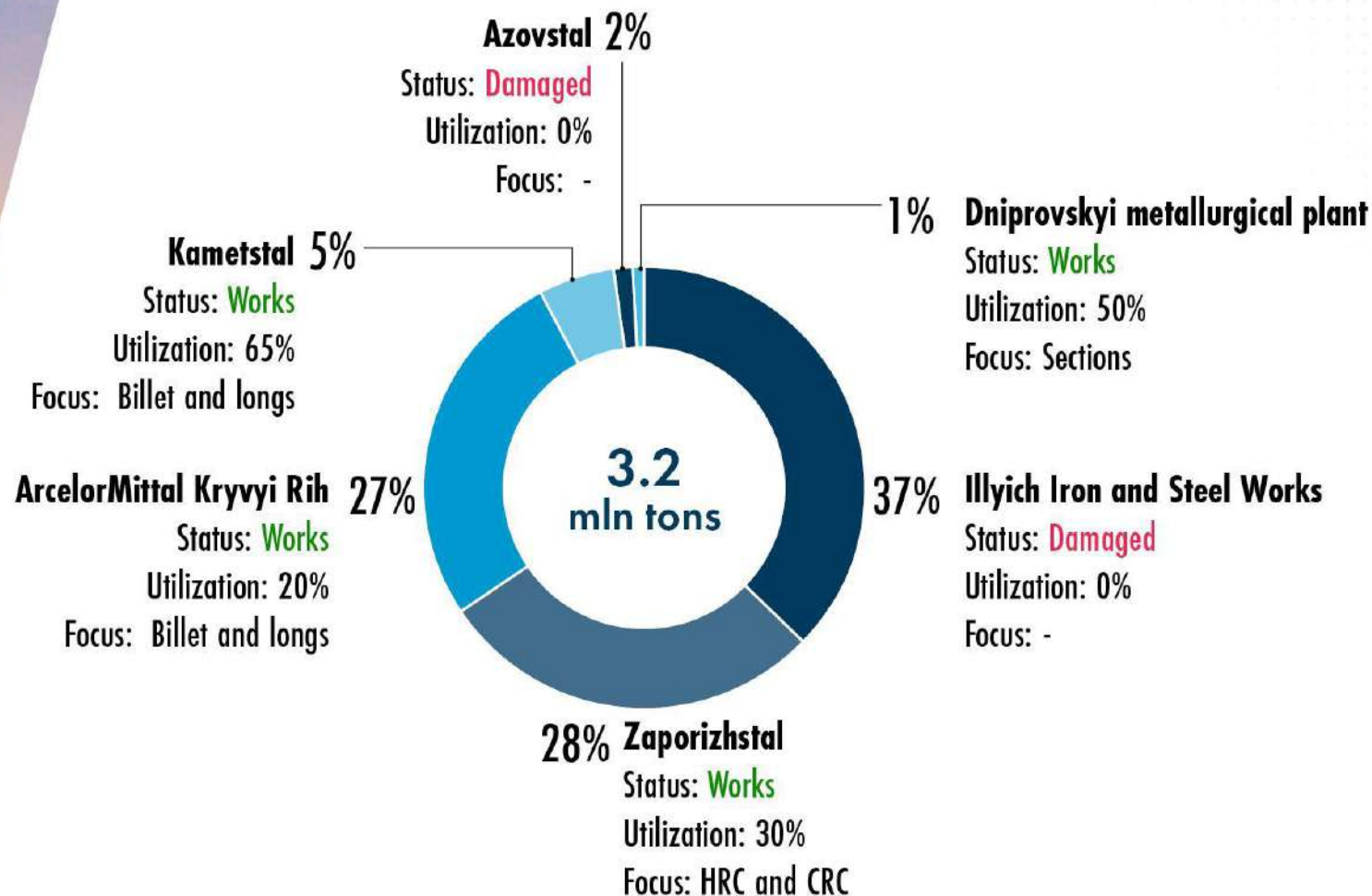
**20%** of domestic welded pipes supply (0.80 mln tons)



# All BF-BOF companies resumed operations, except Mariupol plants



## Pig iron exports from Ukraine in 2021 and status of exporters in May 2022

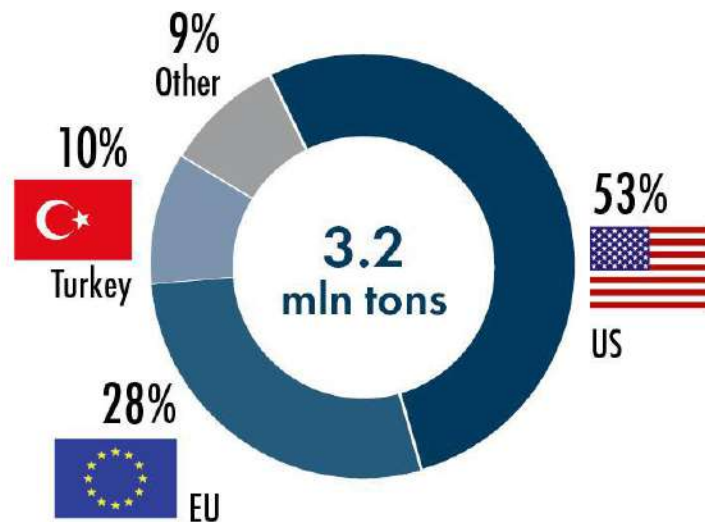




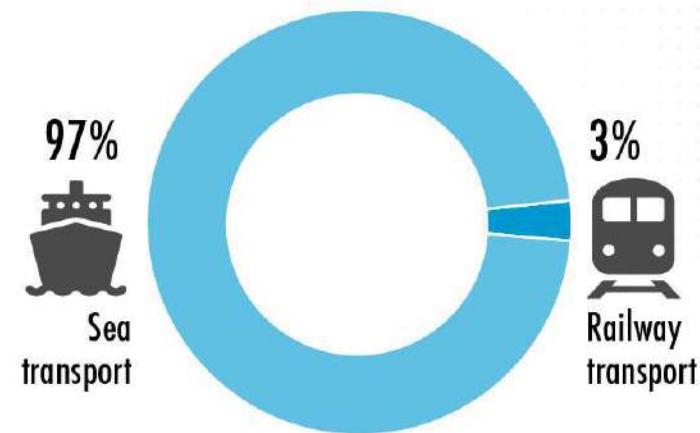
# US, EU pig iron market "shocked"



### Major markets for Ukrainian pig iron in 2021







### Pig iron export by type of transport in 2021



**25%**  
Share of Ukraine in EU pig iron import  
0.9 mln tons

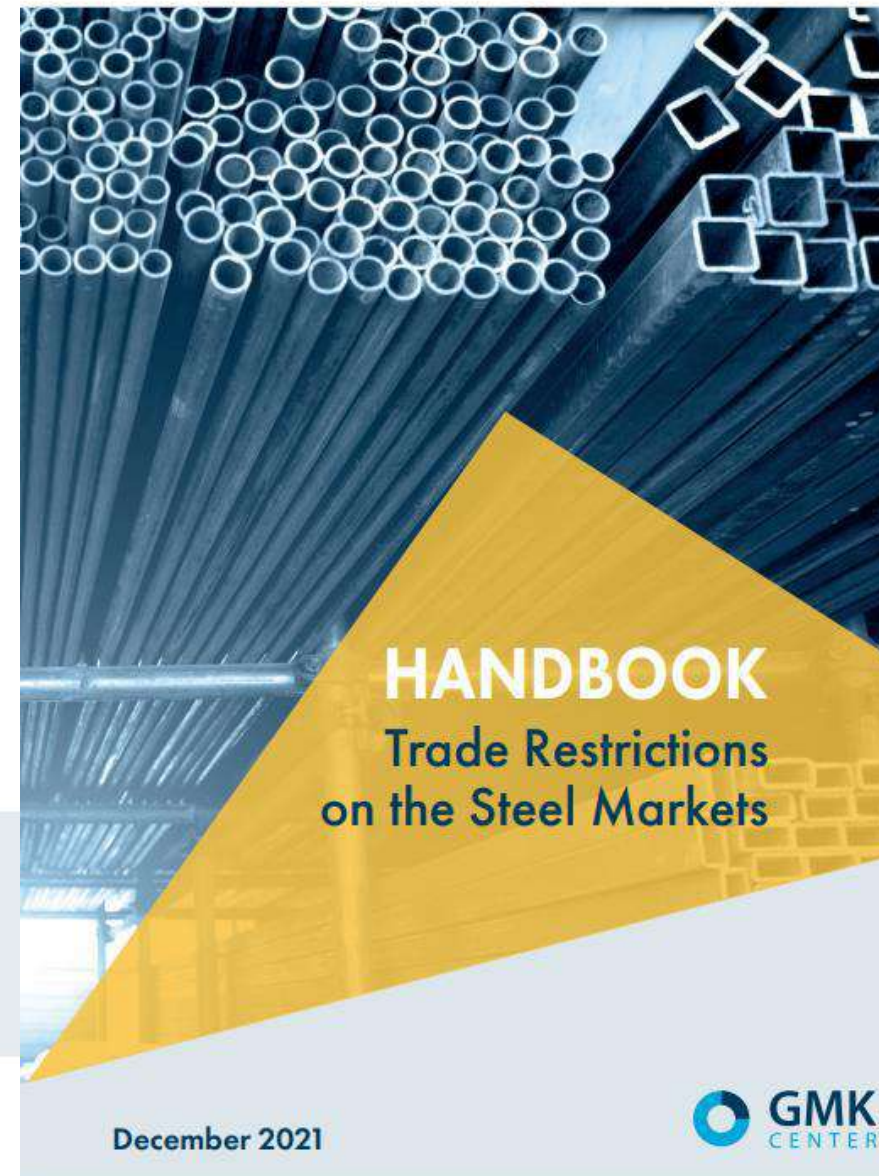
**30%**  
Share of Ukraine in US pig iron import  
1.7 mln tons

# Removing of import tariff will have limited effect on Ukrainian export

		MFN or FTA	Anti-dumping	Self defense
	EU	+	+	+
	Canada	+	+	
	UK	+		
	US			+

**9** antidumping measures  
in US against steel  
from Ukraine

**0.8** mln tons  
of steel exports Ukraine lost  
due to AD measures in US

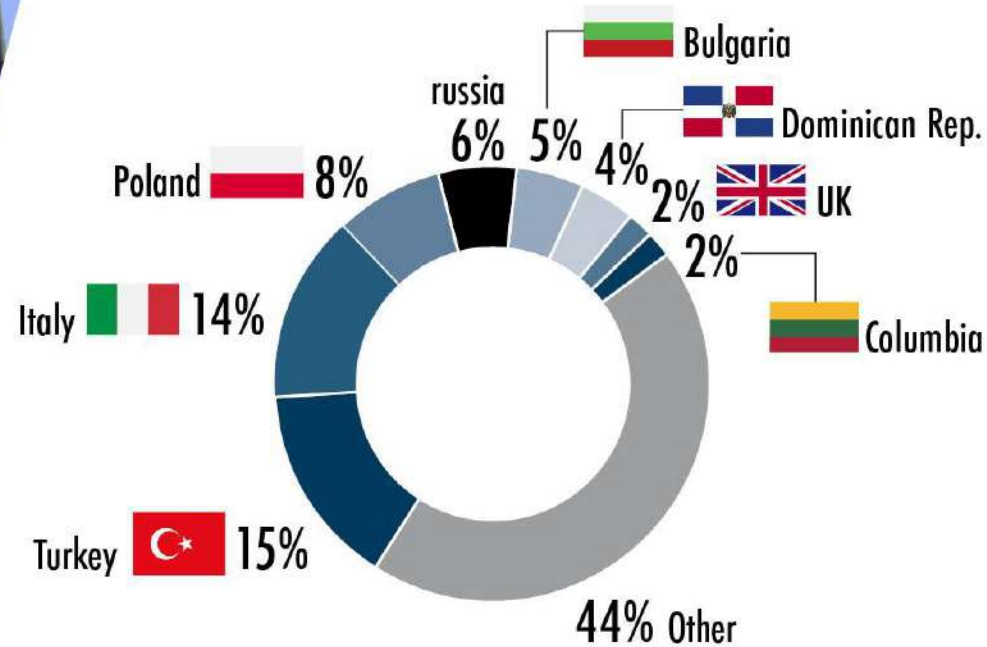




# The EU lost supply of Ukrainian slabs and plate for years



## Finished steel export from Ukraine in 2021



**38%**

Share of EU in Ukrainian steel export  
5.9 mln tons

## Expected export losses, monthly, as of May 2022:

**275** ths. tons of slabs

**200** ths. tons of plate

**300** ths. tons of other flats

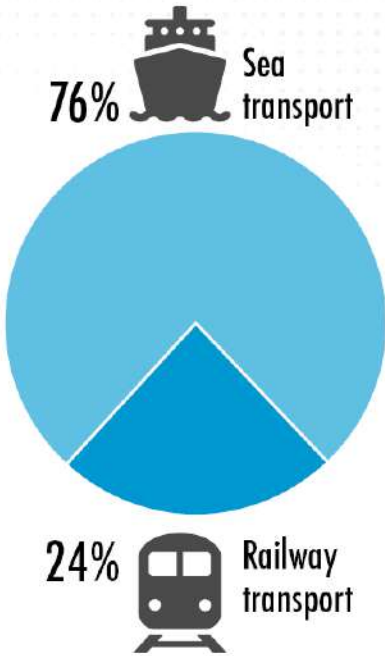
**100** ths. tons of billet

**100** ths. tons of longs



# Ukraine needs another logistic decisions

### Finished steel export by type of transport in 2021

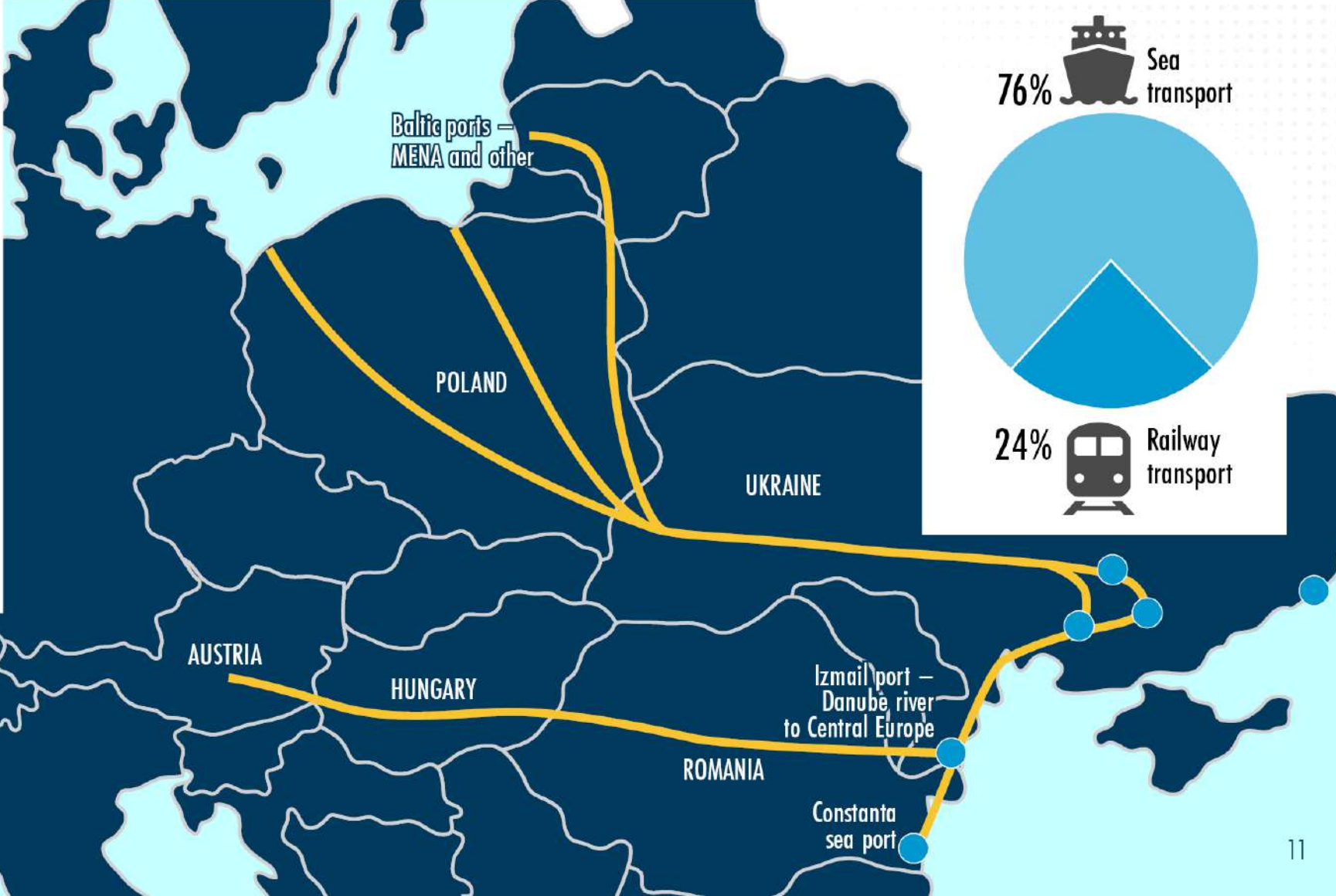


European infrastructure isn't ready

Hard 3rd quarter is expected, during the season of grain export

Bottleneck in logistics will promote finished products export (pig iron or rolled products) rather than iron ore

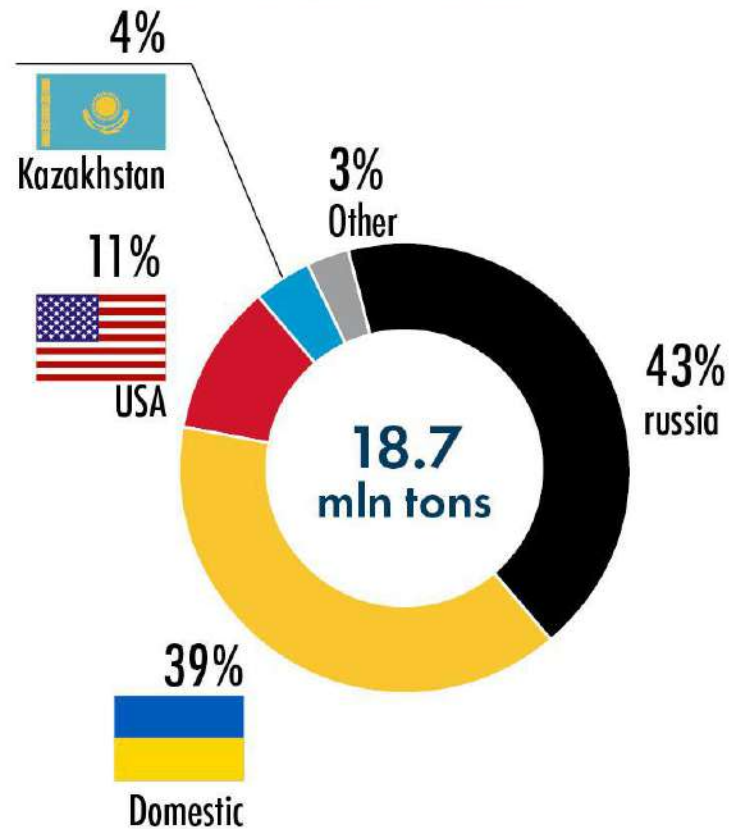
Military risks are significant



# Ukraine needs another source of coal import



Coking coal market of Ukraine in 2021



European coal has already contracted as well as coke

European coke production was dependent from Russian coal










Seaborne coal is imported through Baltic ports

Australia – the only PCI source

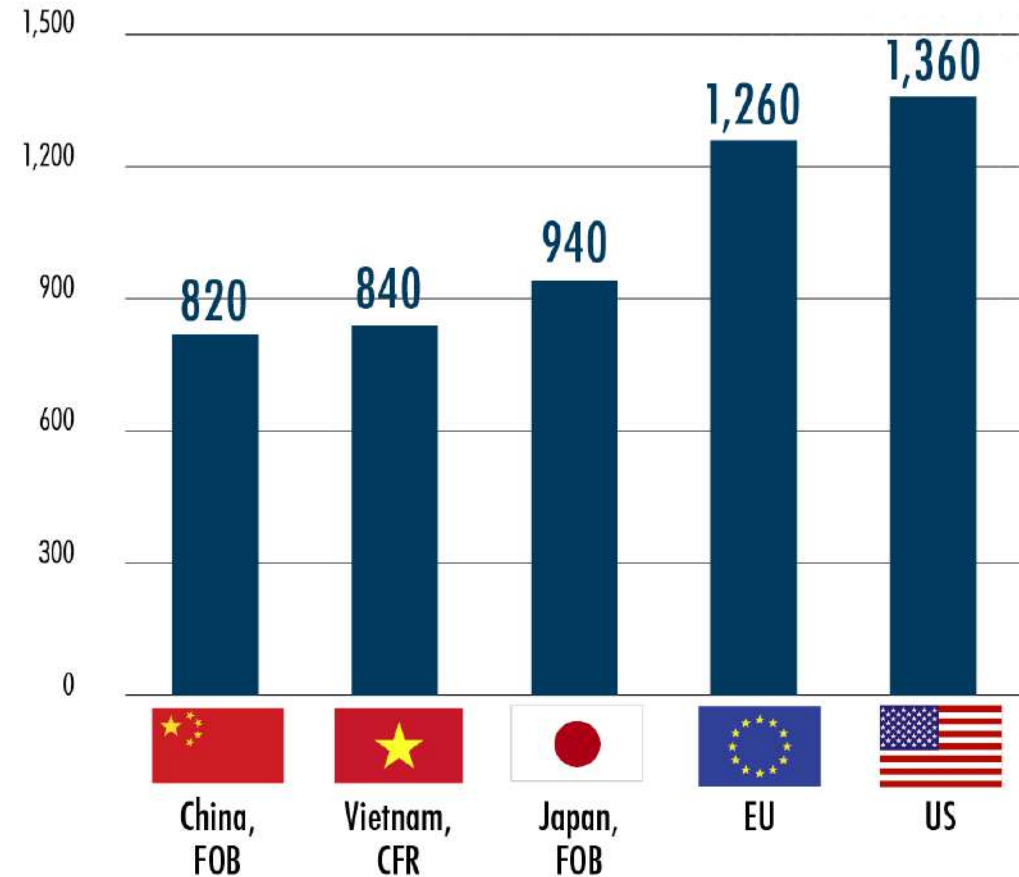


# Two market realities

Lost of supply from russia due to sanctions,  
based on total import volume in 2021, ths tons

Product	 EU	 USA	 UK
 Iron ore	8,700	0	600
 Pig iron	700	2,060	0
 Semis	4,908	70	0
 Longs	3,439	34	74
 Flats	1,642	1	72
 Pipes	355	167	0

HRC prices, \$ per ton as of 09/05/2022



**70%**

of neon global market  
was provided  
by Ukraine

**70%**

of railway cargo wheels  
to EU was supplied  
by Ukraine

## STEEL shock

A number of further disruptions caused by steel industry. For example, supply of noble gases disappeared, as Ukraine provided 70% of neon to global market and 40% of krypton.

As well as supply of railway wheels, because Ukraine had 70% in EU cargo railway wheels market.

Lack of steel constructions for building could lead to 3.4% decreasing in building works in Eastern Europe.



**40%**

of gas import to EU provided by russia in 2021

**27%**

of crude oil import to EU provided by russia in 2021

**47%**

of coal import to EU provided by russia in 2021

## ENERGY shock

EU banned coal import from russia in 5th package of sanctions

EU plans to decrease gas import from russia by 2/3 till the end of 2022.

EU plans to ban crude oil import from russia, that could mean gradual rejection during several months.

OPEC won't cover the 3 mb/d gap in oil supply by increasing production volume.

High energy prices led to record inflation. US CPI index reached 41-years high in March – 8.5% and slightly slowed to 8.3% in April.



# 50%

share of Ukraine in global  
sunflower oil exports  
in 2017-2021

# 15%

share of Ukraine in global corn  
exports in 2017-2021

# 10%

share of Ukraine  
in global wheat exports  
in 2017-2021



## The risk of **FOOD SHORTAGES**

Land area for crops in Ukraine this year will be reduced by 30%, according to the UN.

It is necessary to find new routes for grain exports when the Black Sea is blocked by russian warships.

Prices for futures for wheat on CBOT rose by 50%.

The largest importers of agricultural products from Ukraine are the EU, China, India. But poor countries in Africa and the Middle East will suffer from a shortage of grain supplies.

Quotas have been introduced for the export of fertilizers from Ukraine (210 thousand tons against export volume 1.6 million in 2021). It is also required to find a source for replacement of 0.6 million tons of multi-component fertilizers, that used to import from Belarus.

russia was one of the biggest fertilizers exporters globally.



# Number of industries **ARE EXPERIENCING A SHORTAGE** of raw materials

## 70%

of clay for porcelain  
production imported  
by Spain from Ukraine



## 25%

of automotive wiring  
in Europe were  
imported from Ukraine



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Ukraine provided about 7% in global kaolin export. Top-consumers include ceramic tile manufacturers from Italy and Spain. Spanish ceramic producers have only three months to find another supplier, using clay from stocks.

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BMW and Volkswagen idled their car plants because of lack of wiring. The global wiring companies like Fujikura, Leoni, Sumitomo, Nexans had facilities in Ukraine.





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**Jeremy Flack** is the Founder and Chief Executive Officer of Flack Global Metals (FGM). FGM is an innovative domestic flat-rolled metals distributor and supply chain manager, an international commodities trader, and a global hedge fund. As CEO, Jeremy has been an industry leader in bringing the physical steel market and the derivatives markets together within one organization. FGM is the first flat rolled metals distributor business platform to combine physical material with financial futures, all with the goal of creating certainty for its customers as well as FGM itself.

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# Thank You

Thank you for attending our SMU Community Chat. And a special thank you to Mr. Zinchenko for his participation today.

To contact Michael Cowden: [Michael@SteelMarketUpdate.com](mailto:Michael@SteelMarketUpdate.com)

For information about subscribing to SMU, contact Paige Mayhair: [Paige@SteelMarketUpdate.com](mailto:Paige@SteelMarketUpdate.com)

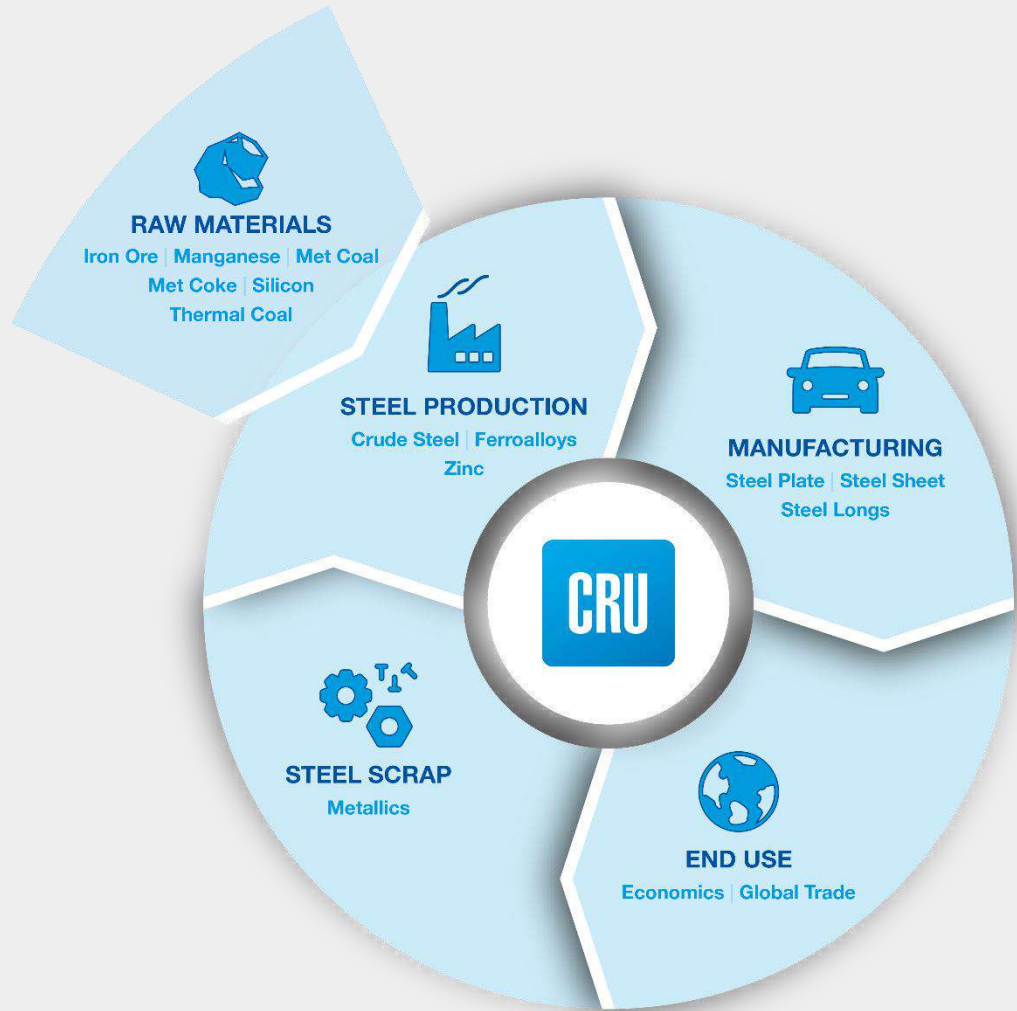
To participate in our survey contact Brett Linton: [Brett@SteelMarketUpdate.com](mailto:Brett@SteelMarketUpdate.com)

To become a data provider for our service center inventory report, contact Estelle Tran: [Estelle.Tran@CRUGroup.com](mailto:Estelle.Tran@CRUGroup.com)

Stay safe and stay tuned to Steel Market Update!

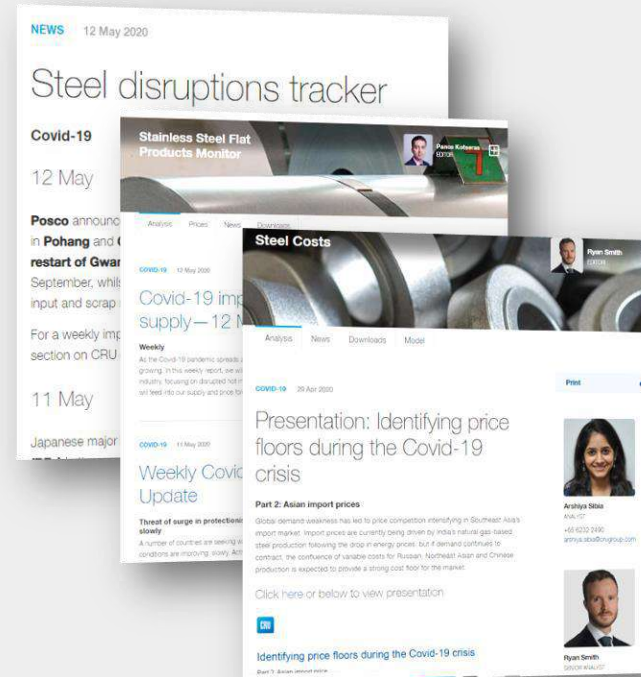


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The logo features a stylized circular element on the left, composed of two curved segments. The top segment is orange and the bottom segment is red, meeting at a point on the right side. The text 'STEEL MARKET UPDATE' is written in a bold, white, sans-serif font across the middle of the logo.

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The CRU logo is a white square with the letters 'CRU' in a bold, blue, sans-serif font.

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