

STEEL MARKET UPDATE

Carbon Steel and Scrap

Methodology and Definitions Guide

July 2022



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Methodology and Definitions Guide – Steel and Scrap

1 Scope

This guide covers carbon steel and scrap product prices in the US markets and should be read in conjunction with the *Steel Market Update (SMU) Compliance Framework and Methodology Guide*. It details commodity-specific methodologies which have precedence, with all other aspects covered by the *SMU Compliance Framework and Methodology Guide*.

2 Methodology

SMU's steel and scrap prices are designed and developed to reflect prices reported by manufacturing companies and distributors (service centers and wholesalers) and only use mills to confirm specific pricing points or for clarification.

SMU collects spot pricing data based on transactions, offers, bids and assessments collected over the course of a week. Contract pricing and "bucket" deals are not considered in our spot price assessments. We collect pricing data primarily via our surveys. We use an unweighted average of the figures provided and an outlier filter as the primary means to determine our high, low and average prices.

SMU Flat Rolled Coil and Plate Indices are FOB Mill, east of the Rockies. This means we receive price data from the Southeast, Midwest, East Coast, and central and eastern Canada. We do not consider data from West Coast mills because of significant variation in pricing and freight in that region compared to the rest of the US.

SMU collect pricing information for three kinds of scrap: shredded scrap, busheling scrap and heavy melt. Scrap prices are expressed in gross tons. We update our scrap prices once a month after the market has settled. Scrap prices typically, but not always, settle in the second week of the month. Our scrap specifications broadly follow guidelines published by the Institute of Scrap Recycling Industries (ISRI).

SMU defines lead times as the period between when an order is placed and when that order is produced. The time for local freight to a buyer's location, for example, is not included.

Data Providers

Data Providers must have access to data relating to actual spot market transactions (a purchase or a sale), bid/offer information or be able to provide a credible opinion on such prices in the absence of any other data over the relevant time period. They are therefore typically employed in a sales, purchasing or marketing functions, or act in a trading function. Data Providers may also include individuals in finance functions if they can provide the same information.

SMU actively seeks new Data Providers and will consider unsolicited applications to become a Data Provider. Potential new Data Providers are vetted on a case-by-case basis.

SMU collects prices, lead times and other data from the market every Monday and Tuesday. The collection period for prices ends at 4 pm ET on a Tuesday. SMU typically settles prices by 5 pm ET on Tuesday.

Any prices received after 4 pm ET on Tuesday are considered for the pricing session the following week.

Data submitted and submission processes

Any price data provided to SMU must meet the relevant product definitions.

For each product, Data Providers provide SMU with a single price figure or a range of prices relating to all spot sales or purchases concluded in the week prior to publication. In the absence of actual transaction data, firm bids/offers or an opinion of the prevailing market price in the same period can be submitted. The type of price data submitted (actual transaction, firm bid/offer or opinion) should be indicated to SMU.

Industry participants can submit prices to SMU by telephone, email, private one-to-one instant messenger services, other private means of communication, and by our weekly surveys.

Final benchmark calculation

We use specific statistical checks to detect potential errors. The price submissions are also checked by experienced SMU editors. As such, submissions which are regarded as suspect - whether this be because of the variance from that contributor's last submission or the variance from the average of the other contributors' submissions - are questioned at the time of the survey or, if necessary, by speaking to the participant for a second time. If a satisfactory answer is not received, the contribution is not taken into account when arriving at the final price assessment.

Final prices are arrived at primarily by a calculated average. We also allow for the use of expert judgement by SMU price assessors, taking into account the price points and type of price points they may have received from market participants. Where a mix of price types have been received, greater subjective weighting will generally be given to transaction prices, then firm bid/offer prices, then indicative bid/offer prices, then opinions of prices in that order.

Price determination in an illiquid market

In the cases of zero submissions, where all submissions were deemed inadmissible or otherwise where received data is judged insufficient, expert judgement would be used to determine the final benchmark value. This choice would be based on: observation of the previous week's prices; short term historical price trends; other quantitative market data including prices in other related active markets, producer price change announcements; qualitative information such as that received from interactions with market participants or other SMU editors, and; other sources of information relevant to the spot market.

The price assessor will use their judgement to evaluate the volume, quality and coherence of any such market information they may possess. If one or more of these factors in combination does not provide a sufficiently clear indication of the direction and extent of market movement to allow the price assessor to confidently change the benchmark from the previous value, the prior value would be rolled over to form the current period value.

Final benchmark publication

Prices are made available to customers of SMU according to the publication schedules. Prices will remain unchanged if a public holiday, or observation of a public holiday, falls on a Tuesday. SMU will then assess prices as usual on the following Tuesday.

Christmas Eve and Christmas Day fall on a weekend this year. We will observe the holiday on Monday-Tuesday 26-27th December, and our offices will be closed. SMU will not update prices that week, meaning prices will remain unchanged on Tuesday 20th December. SMU will then update prices again on Tuesday 3rd January.

3 Definitions

North American Market Steel Prices

Hot Rolled Coil

Grade/size:	ASTM A1011 Commercial Steel (C/S) base thickness and coil weights (no extras added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

Cold Rolled Coil

Grade/size:	SAE 1006/1008 (or equivalent) prime annealed commercial steel (C/S) in base thickness and coil weights (no extras added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

Galvanized Coil - Base Price Option

Grade/size:	Prime hot dipped galvanized coils base price (prior to extras being added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

Galvanized Coil - Benchmark Option

Grade/size:	Prime coil meeting ASTM A653, commercial steel with a minimum thickness of .060" X 48" to 60" in width, large PIW coils (no weight extras) with a zinc coating weight of G90
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

Galvalume Coil - Base Price Option

Grade/size:	Prime hot dipped Galvalume coils meeting ASTM A792 base price (prior to extras being added).
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Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

Galvalume coil - Benchmark Option

Grade/size:	Prime hot dipped Galvalume coils meeting ASTM A792 in thickness .0142" AZ50, Grade 80 in widths over 40" and large coils (no other extras)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

Plate

Grade/size:	A36 discrete plate, base thickness, and width (no extras added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included

North American Market Scrap Prices

Shredded Scrap

Grade/size:	Homogenous iron and steel scrap, magnetically separated, originating from shredded automobiles
Price basis:	Delivered
Loading/arrival location:	Mills east of the Rocky Mountains
Type:	Spot
Currency:	US dollar
Weight Unit:	Gross tons
Timing:	Within 30 days of delivery

Bushelling Scrap

Grade/size:	Clean steel scrap from industrial processes such as automotive stamping. Does not include old automotive bodies
Price basis:	Delivered
Loading/arrival location:	Mills east of the Rocky Mountains
Type:	Spot
Currency:	US dollar
Weight Unit:	Gross tons

Timing: Within 30 days of delivery

Heavy Melt

Grade/size: Wrought iron and/or steel scrap. Prepared in a manner to ensure compact charging
Price basis: Delivered
Loading/arrival location: Mills east of the Rocky Mountains
Type: Spot
Currency: US dollar
Weight Unit: Gross tons
Timing: Within 30 days of delivery