
Ferrochrome price negotiations to Europe on downward trends

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It is reported that the negotiations with stainless steel companies in Europe on price of South African charge chrome for shipments in July to September quarter of 2009 are supposed to be boiling down in this week. South African producers have targeted to rise the price to a level of 90 US Cents per pound of Cr and German mills, which are recovering their production of stainless steel, have moved to the direction to accept this price.

The benchmark price of South African charge chrome settled for shipments in April to June quarter has come to 69 US Cents per pound of Cr and, accordingly, new price of 90 US Cents will become a rise of 21 US Cents. This rise of the benchmark price for July to September quarter is thought to have been based on a recent rebound of spot price for high carbon ferrochrome and, by taking into consideration of the factors which it is inevitable to raise electric power fee in South Africa by 34%, the exchange rate of South African Rand against US Dollar has strengthened by 20% and the cost to produce charge chrome in South Africa has increased for a reduction in production of ferrochrome implemented for a long period, South African producers have taken the offensive to rise price of charge chrome for shipments in July to September quarter.

Since the government of Germany has adopted the countermeasure to revive their economy by means of promoting car sales, the production of stainless steel in this country has firstly recovered on a basic tone but ArcelorMittal, based on Belgium and France, has been still suffering from a slump in their production of stainless steel. Therefore, the circumstances surrounding stainless steel in Europe are not even. However, in consequence of that South African producers have maintained the structure to reduce their production of ferrochrome for a long period, their stocks of ferrochrome have been decreased to a substantial extent and the output of ferrochrome in South Africa for July to September quarter is anticipated to be decreased as usual for high fee of electric power to be applied to winter time. Therefore, the supply situation of ferrochrome in South Africa is becoming tight. A boom in production of stainless steel, which China is increasing, has been included as a change of the circumstances.

South African producers have reduced the benchmark price of charge chrome for shipments in April to June quarter by 10 US Cents per pound of Cr and understood this reduction of price as "a bill" to stainless steel companies, having suffered from a depression of the market. Accordingly, it is supposed that, in prior to the negotiations, South African producers were expecting to receive a proper return. Under the present situation, South African producers seem to have felt that the price of 90 US Cents per pound of Cr to be settled for July to September quarter is a low level. A fall of price for high carbon ferrochrome started by a reduction of 20 US Cents per pound of Cr for shipments in October to December quarter of 2008 but will put an end to that for April to June quarter of 2009.

(Sourced from TEX Report Limited)

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