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## China to introduce stainless alloy surcharges next year

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An alloy surcharges system is expected to be introduced into the stainless steel sector as early as January of next year, a consensus achieved at a recent meeting of Chinese leading stainless producers. They have seen nickel price keeps soaring up from last year. Therefore, taking steps to reduce risk of surging raw material cost is on top of their agenda.

In Europe, stainless price is comprised of base price and alloy surcharges. The base price reflects the operation cost and the market supply and demand situation. And the alloy surcharges are mainly based on the raw material price such as nickel, chrome. Such pricing system enables all the market participants including producers, service centres and end-users to exert better control over their respective cost.

However, China's stainless industrial value chain is far more stretched, involving raw material suppliers, producers, market circulation and end-users. In particular, the market circulation is made up of numerous agents, traders, dealers and service centres. As a result, China's stainless steel pricing system is in a chaos at the moment.

Market observers are skeptical about the prospect of alloy surcharges system in China. They doubt that whether the producers sustain the enthusiasm given the nickel price hovers over USD 26000 to USD 30000 per tonne in the future as the spot nickel price has already dived from USD 50,000 per tonne to current USD 32,000 per tonne. Moreover, the alloy surcharges system would threaten to squeeze the profit margin of numerous traders in the short term due to a more transparent stainless steel pricing system.

Knitting stainless producers together with large service centres is the foundation for launching the alloy surcharges system in China. In fact, the dealers of the leading stainless producers in China have been transforming into service centres while the big players like Taiyuan Steel, Baosteel are also keen to set up service centres on their own.

(Sourced from Mysteel.net)

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