

Lumezzane, 11/02/2021

Dear Customers,

the current situation of the flat and rod rolled stainless steel market, we believe in fact already known to all, is characterized by a lack of material availability combined with even very high increases in sales prices.

The simultaneity of these two factors was consolidated starting from December last year, until it "exploded" with the new year.

What are the reasons for these events?

In our opinion, the main factors can be summarized as follows:

1. World demand for stainless steel accelerates starting from the end of 2020, especially in the Far East countries. China actually "rakes" the various raw materials to support regrowth after the stop due to the pandemic. Currently there is talk, for that country, of growth over 8% and this pushes the demand for all raw materials, including stainless steel.
2. The price of nickel follows the other alloys with increases of over 30% compared to the lows of July 2020. Scrap, for type 304, rises from a minimum of € / kg. 0.90 up to the current price between € / kg. 1.30-1.35. Furthermore, scrap is difficult to find.
3. The arrival of stainless steel material from non-EU producers has suffered a sharp slowdown, due to recent anti-dumping policies, but also due to the difficulties of maritime transport, which has now become an unknown factor over time and cost. Shipping companies, few and therefore extremely concentrated, in the face of a growing demand for transport, have more than quadrupled the freight rates, but also implemented a policy that creates uncertainty in confirming the availability of transport. Hence many overseas stainless steel producers, faced with sudden and unexpected increases in scrap, laminate, rod and in the face of not knowing how much the transport will cost and if it can be carried out, have in fact assumed a waiting position by suspending any kind of offer.
4. Last but not least the European producers, faced with a strong generalized demand, but also with a lot of uncertainty in the procurement of scrap, have decreased the availability of material that can be produced and delivered to all customers, considerably increasing prices and favoring the consolidation of the inflationary spiral. It even happened that a European producer asked for the renegotiation of an increase in the price on contracts closed in the last quarter of 2020 and with deliveries in the first quarter of 2021. This incorrect practice relies on the fear of a slowdown in supplies and therefore forces many to search a mediation to avoid running out of supplies. Furthermore, European steel mills are currently very reluctant to offer or even do not quote requests for offers, the fear of an explosion in the prices of scrap, rolled steel and rebar forces them to assume waiting positions, thus exacerbating the fears of customers .

In this idyllic context, panic has spread among all operators, often pushing for supplies beyond what is necessary and therefore pushing apparent demand to very high levels.

We remind everyone that the apparent question is not directly linked to actual needs, but mainly to prudence or even more to the fear of running out of material. Its characteristic is that it develops all together, creating distorting effects that are often out of control. The consequence is that prices are

having increases that can be up to 30/35% compared to the lows of July 2020. This is very serious and risks causing serious slowdowns in the post-Covid recovery.

To conclude, it remains to be seen if and when a correction of this situation can take place. It would also be desirable for the maritime transport situation to normalize. If transport did not represent such a serious bottleneck, the flow from non-EU countries could resume regularly as quotas would allow it. However, it seems that the situation of overseas transport is indeed in serious crisis, also due to the lack of action by the European community. The inaction of the rulers has contributed to gangrenous this problem, which would seem to be solved only in a very long time.

A possible decrease in nickel, as well as the slowdown in apparent demand, together with a recovery that is not so stellar in Europe, could lead to a cooling of the current trend, calming the spirits a little and gradually bringing the values back towards quotas. economically more sustainable. What is certain is that at the moment the prevailing view is pessimistic and sees this state of tension continue until at least the summer period. Others see the possibility that the situation could change starting from April or May.

What we would like to recommend to everyone is to try to avoid making long-term commitments with closed quotes, but to always leave an "open door". The only certainty we have is that we are all in the same boat and therefore no one today can work miracles by giving guarantees in the open.

As for Fratelli Lonatini, in these months we are absorbing the increases and we can guarantee that all orders with delivery by the end of March will be accepted. We are unable to tell you now what the scenario will be in the months to follow, we limit ourselves to guaranteeing you our maximum effort and maximum responsiveness to the changes in the international panorama of raw materials.

We remain at your disposal for any clarification and on this occasion we send our best regards.

*Fratelli Lonatini  
di Lonatini Giordano & C Snc*