US, European plate markets face similar supply challenges

The US and European plate markets continued to see similar market dynamics in June, as buyers in both regions have seen a gradual tightening of supply alongside surging plate prices, driven by a historic price rally in the HRC market.

In a reversal of the usual market dynamics, plate prices in both the US and Europe have trailed hot-rolled coil prices since October 2020. In the US, HRC and plate prices stood at a record-high spread of nearly $300/st in mid-June 2021.

While the uptrend for US plate prices was initially attributed to rising HRC prices and increased input costs amid muted demand for plate in the wake of the coronavirus pandemic, plate supply in the US began to tighten in late Q4 2020.

As supply continued to tighten and plate mills began to allocate limited tons, buyers were left scratching their heads as most agreed that demand for plate—while having improved—could not be the root cause of the unrelenting supply tightness.

Meanwhile, some sheet buyers reported coil offers from plate mills, suggesting that certain plate mills with the capability to produce light-gauge coils were shifting some of their production capability toward those products and capturing higher spot prices in the HRC market.

Now, US plate buyers face an unusual market situation, where two major producers open and close the month's order books in a matter of days, with few additional tons available thereafter until the next month's order books open and offers are raised. While one other major US steelmaker has deviated from this pattern and has offered its availability throughout the month, it continues to offer its production well above the remainder of the market with longer lead times to boot.

"This is going to continue at least through the third quarter," said a service center source, adding there was "enough momentum" in the market for plate prices to continue rising. "As long as coil continues [its] upward climb, plate will continue to do the same."

Most buy-side sources expected significant price increases for August production given the record-high US plate-HRC spread. A second service center source anticipated plate prices would rise over $1,400/st on an ex-works basis in August. "And if the market continues this way, we'll see [more] for September," said the source.

The latest daily Platts TSI US plate index stood at $1,395.50/st on a delivered Midwest basis June 17.

Similar dynamics seen in European market

In recent weeks, the European plate market has held on to the expectation that plate prices might surpass coils and reinstate its usual Eur50/mt premium over HRC, though softening demand could prolong this event until next year. However, destocking seen in German plate has kept prices in Europe buoyant.

The increases seen in EU plate are largely due to soaring HRC and slab prices seen over the last several months, as well as chronic depletion of German stock levels since early 2020.

From January, heavy plate Ruhr prices have risen by Eur415/mt to Eur1040/mt ex-works Ruhr, with similar moves upward in Italy of Eur410/mt to Eur1030/mt ex-works Italy.

In the EU, the spread between HRC and plate prices narrowed to Eur102/mt on May 21, with plate prices at Eur1003/mt ex-works Ruhr and HRC prices at Eur1105/mt ex-works Ruhr. This also marked the first time the EU plate assessment has ever exceeded Eur1000/mt. Amid bullish sentiment, market sources expected plate prices to overtake HRC prices.

“I expect plate prices to surpass HRC, but don’t see it exploding to take over HRC. [Lack of] availability in Germany is supporting prices, but in Italy there are still some tons for August,” an Italy-based mill source said.

Italian plate producers have relished in frequent inquiries from North European plate buyers looking for spot volumes for rapid delivery as early as August, heavily contrasting the late delivery times of October-December from German plate mills.

A German plate producer was heard to be offering between Eur1100-1120/mt ex-works Ruhr for January delivery, compared to Italian mills offering between Eur1020-1050/mt ex-works Italy with a prompt lead time of early August.

A recent lightning strike at the Salzgitter plant in Germany June 10 was also likely to cause some delays to slab production, according to a German distributor. The incident came at a time when mills were already struggling to tackle mounting orderbooks resulting in longer delays.

After the European Commission’s decision to extend import safeguard measures for another three years and a mere 3% increase on quota allowances, the EU market does not expect a correction on plate prices in the near-term, with foreign material expected be more infrequent.

Plate import prices were heard June 17 between Eur915-1000/mt CIF Italy Ports, with Eur1000/mt heard from Ukrainian mills.