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\$30/T flat-roll steel sheet price hike seen as a shoo-in

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PITTSBURGH -- **Domestic flat-rolled mills are increasing sheet product prices by about \$30 per ton, with market observers unanimously agreeing that the hike will be accepted.**

Nucor Corp., Charlotte, N.C., following an unofficially announced increase by Pittsburgh-based U.S. Steel Corp., effective immediately is telling customers that hot-rolled coil is now \$32 per hundredweight (\$640 per ton), up from \$30.50 per cwt (\$610 per ton), and cold-rolled product is at \$37.50 per cwt (\$750 per ton), up from \$35.50 per cwt (\$710 per ton).

The base price for galvanized, excluding extras, is now \$38 per cwt (\$760 per ton), up from \$740 per ton last month. Prior to the increase, coated sheet-comprising the base price plus a G-90 coating weight on 1-millimeter-thick material-was selling at \$42.50 per cwt.

The latest increase didn't surprise many, as buyers earlier this month said they expected prices to move up between \$20 and \$40 per ton (AMM, Feb 4).

"I don't see anything out there to prevent them from sticking. The market is too tight. You can get this grade but not that grade. Apparent demand is slowly improving and the mills haven't reacted fast enough," one buyer said.

"I think it will stick. Nucor is the only one of the large mills with a position in today's spot market. Some of the smaller mini's may take a week or two to match, but as long as Nucor holds firm, they will get it," an eastern processor said.

"Nucor took on a lot more contractual business, so they have a lot less to put in the spot market. This is a real pressure cooker," a service center source added.

Last month, Nucor raised hot band prices across the board by \$40 per ton. **Since December, prices have moved up about \$130 per ton.**

Selling prices have been steadily marching up since November and sources indicate a momentum is under way that will bring the new numbers into play. "While mills are reopening their furnaces there is still a shortage out there, especially for hot-rolled coil," another buyer said.

There had been pressure on galvanized products in previous months, with this product having the longest lead times. But mills, recognizing the higher margin netted on coated products, have now moved hot-rolled coil "to the bottom of the food chain," the source said, adding that mills are now "filling galvanized first."

A tightening in inventory levels for hot-rolled band is pushing out lead times for pipe and tube mills. "Normally, lead times are six to eight weeks, but it is now taking eight to 12 weeks. And it is not due to demand but because (pipe) mills are having trouble getting the raw material which is hot rolled," a pipe mill source said.

"Destocking has stopped and people are buying more materials. The mills, as usual, have not reacted quickly enough," a service center source added.

However one flat-rolled buyer was dumbfounded by the announcement. "This really blows my mind. **I don't know how the mills can be filling their order book. Business activity on the distribution level is very weak. On one hand I invite these price hikes as my inventory value just appreciated, but I really wonder how firm mills are going to be moving forward.** There are grumblings that CSI (California Steel Industries Inc., Fontana, Calif.) was second guessing their \$25-per-ton hike. Now they are going to look darling compared to Nucor. The question is, 'who is buying?' " the buyer asked.

A southern flat-rolled buyer said contract buyers, pegged to a formulated pricing mechanism, are "buying heavy and racing to beat the price adjustments. Then I think you will see them back off and sit on the sidelines. The squeeze is definitely on. Companies are very cautious and scared to carry inflated inventory. The common thought is not 'if' but 'when' these increases have gone too far. April? May? June? Third quarter?" he asked. "I am watching scrap like never before as I think it is key, with electric arc furnaces accounting for over 60 percent of the raw steel output. Integrations are no longer in the drivers seat."

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