

STEEL PRICES PLUNGE

By Phillip M. Perry

American-made products help buck inflation

The Steel Deal

In the second installment of Phil Perry's "The Steel Deal" column, he shares great news about steel prices and future production and sheds light on why things are looking up for the "wonder" material.

Steel buyers rejoice! Prices for steel are expected to continue their long-term decline over the coming months, falling some 24% below current levels to reach \$710 per ton by the end of 2024. "If current trends continue, prices will be down for the third year in a row, which is historic," said Josh Spoore, head of Steel Americas Analysis at CRU.

Steel is an essential component for the door and access industry, and any cost reduction is welcome. But what gives? Why is steel getting cheaper while costs for other materials are rising?

The most immediate reason is the peculiar nature of the post-pandemic market. Steel prices skyrocketed after COVID restrictions were lifted as a spike in demand collided with kinks in the supply chain. "We just couldn't get enough steel to fill the orders," said Spoore. "It took multiple quarters to work off those shortages, and we're now seeing a slowing of momentum as the market moves toward a steadier state."

America ramps up

But there's more to the picture than a favorable supply-demand ratio. The fact is that U.S. manufacturers are stepping up to the plate, getting back into a market long dominated by imports. "A number of steel mills are being built or enlarged in the U.S.," said Spoore. "In terms of supply, production has actually been rising faster than demand. As a result, we should start to see imports fall off."

That sentiment is echoed by the industry. "The American steel industry has the capacity to meet the need for more steel to build our clean energy economy," said Kevin Dempsey, president and CEO of the American Iron and Steel Institute. "Our companies are continuing to invest in new and upgraded capacity specifically designed to meet the needs of power producers and EV manufacturers."

EAF technology for the win

But wait a minute: Steel is a fuel-intensive product with famously dirty blast furnaces. And the new U.S.-based mills are utilizing newer — and costlier — electric arc furnace (EAF) technology. EAF produces new material from recycled products and boasts superior emissions control.

HOT-ROLLED COIL STEEL PRICES End of quarter prices (\$ per ton)

Sep 2022:	\$774
Dec 2022:	\$742
Mar 2023:	\$1109
Jun 2023:	\$918
Sep 2023:	\$715
Dec 2023:	\$1135
Mar 2024:	\$931
*Jun 2024:	\$820
*Sep 2024:	\$790
*Dec 2024:	\$710

According to forecasts, steel buyers will enjoy lower prices by the end of 2024.

Source: CNBC *Forecasts: CRU

So why aren't the higher costs of using EAF technology being passed along to steel buyers? They would be, except for the fact that the technology also provides steel makers with a production flexibility that helps them save substantial money.

"You can essentially run the EAF mill like the dimmer switch in your dining room," explained Spoore. "You can slow it down, speed it up, or turn it off. In contrast, a blast furnace needs to run at least 70% of capacity and ideally closer to 85% to be cost effective.

If you're in a market where you can run a blast furnace at that capacity, it can produce steel at lower cost than an EAF mill. But the problem is that steel is seasonal and subject to variable demand." Bottom line: Over time, EAFs produce steel more economically.

An "endlessly recyclable" material

It's little wonder that steel makers are on the green energy bandwagon. "Decarbonization is the biggest topic we will be hearing about in the world of steel for the next two or three decades," said Dale Crawford, executive director of the Steel Tube Institute. "It's being discussed at every conference and in every C-suite and corporate boardroom. Steel is endlessly recyclable, which is why it is the most sustainable structural and electrical product that you can use to make products for buildings and infrastructure."

Things to come

A lot of steel will be needed for a world committed to a future of solar and wind energy and the production of electric vehicles. Will steelmakers produce enough?

"The American steel industry is well-equipped to meet future demand," said Dempsey. "Capacity utilization — the percentage of potential output that is being realized — was recently 77.3%. That number is down, slightly, from the same period last year when it was 78%.

So, there's certainly more steel that can be produced today from existing facilities than a year ago. In addition, we have millions of tons of new capacity coming online over the next couple of years." Inflation may be overstaying its welcome in many sectors of the economy, but steel refuses to participate. ■