COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 299 final.
Brussels, 19 June 1975

COMMISSION COMMUNICATION
TO THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES MEETING IN THE COUNCIL

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COMMISSION COMMUNICATION TO THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES MEETING IN THE COUNCIL

- The situation on the Community scrap market;

- Implementation of the Decisions of 17 December 1974 and 14 April 1975 granting quotas for the export of scrap to non-member countries for the first and second quarters of 1975;

- Forseeable trends on the scrap market;

- Measures to remove restrictions on exports of scrap to non-member countries, to be envisaged for the period July/September 1975.

1. The situation on the Community scrap market

Between September 1974 and February/March 1975 the situation on Community scrap market underwent a continuous deterioration which speeded up towards the end of that period.

Both prices and the quantities dealt in showed major drops, chiefly owing to the downturn in the steel market at Community and world levels.

Around late March/early April, there was a definite market recovery: quantities delivered by the trade increased and prices rose considerably.

This turnaround continued into May, moreover, despite the continuing slackness on the market for steel products.

The chief cause of the upswing was an increase in demand from steelworks in northern Italy, coinciding with major transport problems affecting scrap originating in Germany; this, in turn, arose from the unseasonable snowing-up of the Swiss mountain passes.

At that juncture, orders from Italy were diverted to the French market, causing a very substantial increase in deliveries by the French to Northern Italy. Indeed, the Italians took more than 350 000 tonnes of French scrap - more than the record quantities during the boom in 1973/74.

This increase in shipments to Italy also resulted in a considerable reduction in the trade's deliveries to the French Steel Industry.

Concurrently, and despite the transport problems, the Italians took delivery of some 170 000 tonnes of German scrap during April; this was more than the monthly average during 1974.

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x

Even in the period February/March, the situation on the scrap market did not deteriorate to the same extent as the market for steel products in the last few months.

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This point is all the more important in that it is the first time since the early 1960's that the downward phase of the economic cycle is less marked on the scrap market than the steel market.

Moreover, this phenomenon is not confined to the Community; it can be seen to be a world-wide phenomenon, as is witnessed by the way in which the American market has held up; in the USA scrap prices have been fluctuating between $ 80 and 90/tonnes since the end of 1974.

II. Implementation of the Decisions of 17 December 1974 and 14 April 1975

The statistics on licences granted and actual exports, expressly provided for in Article 2 of the Decisions granting quotas for exports of scrap to non-member countries, have not always reached the Commission's departments. But, when decisions with a very short time scale are being adopted, such statistics are the only objective indicator of the development of scrap exports.

The Commission accordingly invites the Representatives of the Governments concerned to supply regularly and as promptly as possible, the full statistics required by the Dicisions in question.

The table below shows the quantity covered by licences granted by the Governments during the fourth quarter of 1974 and the first quarter of 1975.

Month	D	F	Benelux	UK	DN
October 1974	18 340	-	-	2 758	-
November 1974	9 640	7 350	6 361	250	-
December 1974	4 300	17 802	-	491	-
Fourth quarter 74	32 280	-	-	3 499	-
January 1975	15 030	4 480	-	4 188	13 940
February 1975	15 620	19 491*	8 725	5 467	3 475
March 1975	16 170	12 770	-	5 122	-
First quarter 75	46 820	23 971		14 777	

* estimated by difference

Comparing the licences and quotas in respect of each country shows that the degree to which quotas were utilized during these quarters was fairly satisfactory.

Quotas in respect					
Fourth quarter 74	43 000	40 000	30 000	15 000	20 000
First quarter 75	48 000	48 000	38 000	15 000	25 000

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According to the information gathered by the Commission's departments up to mid-May, however, coverage of quotas granted for the second quarter of 1975 is likely to be somewhat limited. Under these circumstances, it might have been advisable to set the quotas at a level related to likely exports to non-member countries rather than on the basis of the trend of internal demand, which at the time was assessed as unfavourable.

III. Forseeable trends on the scrap market in the coming months

Trends on the scrap market will depend primarily on the trend of the demand for steel which will be closely linked with the rate of steel production.

The June to September edition of the "Forward Programme for Steel", at present before the Commission for approval, forecasts a 15% drop in steel production compared to the same four months of 1974.

As shown in the table, demand for scrap will fall proportionately. Supply of Scrap from the steel industry itself will fall off even faster because of the increased number of continuous casting plants. The steel industry's "net inside purchases" in the third quarter of 1975 will therefore fall by 17% compared to the 3rd quarter of 1974, given the assumptions on external trade made in the table.

The situation on the scrap market is not therefore likely to change substantially until after the summer holiday period. Downward adjustments to prices and quantities handled might occur towards June-July of 1975 owing to the present market situation, which is too firm in relation to the present situation on the steel market.

As regards the American market, reference must be made to the census of world requirements for imports of American scrap in 1975 undertaken recently by the US administration.

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When invited to supply information on the Community, the Commission's departments sent the following figures, after consulting with the trade circles concerned :

<u>Community purchases of and requirements for American scrap in 1975</u> :

1st quarter	126 000 short tons	
2nd quarter	187 000 short tons	
3 rd quarter	124 000 short tons	152 000 short tons
4th quarter	230 000 short tons	202 000 short tons
Total for year	667 000 short tons	667 000 short tons

IV. Possible measures

From the foregoing points relating to probable trends on the Community scrap market in the coming months, it can be expected that scrap-consuming industries should be supplied satisfactorily, at least with regard to quantities.

Despite this generalization, great caution is required with regard to any measures that might be envisaged to remove restrictions on scrap exports, having regard in particular to the fickleness of the scrap market, which was demonstrated once again by the reversal of the trend observed in April.

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Furthermore, in view of the small proportion of export quotas for the second quarter of 1975 expected to be taken up, the Commission proposes that lower export quotas be granted for the third quarter of 1975.

The availability of Community scrap for export on a scale well in excess of the import requirements of non-member countries which traditionally buy on the Community market may disrupt the internal market, yet without solving the problems of disposal of low-grade scrap which might be the grounds for adopting such a less restrictive decision.

In conclusion, the proposal from the Commission to the Representatives of the Governments to the Member States meeting in the Council is for the granting, in respect of the third quarter of 1975, of a quota for the export of scrap to non-member countries of the order of 220 000 tonnes for the Community as a whole (in comparison with the quota of 340 000 tonnes granted for the second quarter of 1975). The grades which may be exported should be as set out in the Annex to the Decision of 14 April 1975.

The other Decisions expiring on 30 June, on the other hand, namely:

- the Decision of 17 December 1974 on the temporary exportation of scrap;
- the Decision of 17 December 1974 on the temporary importation of scrap;
- the Decision of 17 December 1974 on the exportation of rolling-mill rolls;
- the Decision of 17 December 1974 on the exportation of alloy steel scrap;

might be renewed for the second half of 1975.

III/502/75

Annex 1

Scrap iron prices

Scrap metal prices for the 03 category of the new classification of scrap metals in the Community, ex works, tax free

Month	Germany	Belgium	France	Italy			Netherlands	United Kingdom	Composite price end of month HMS No
	DM/t	FB/t	FFr/t	French scrap delivered Modane FFr/t	German scrap delivered Basle DM/t	Italian scrap ex works It.lire/t	Dfl/t	£/t	$/t
1973									
January	127	2 100	210	270	152	29 000	135		50.83
July	154	2 800	285	360	200	53 000	185		54.17
December	196	3 200	315	440	245	63 000	227.5		77.83
1974									
January	211	3 700	370	510	275	72 000	237.5		92.50
February	216	4 200	455	620	335	81 000	262.5		112.50
March	307	4 800	495	670	370	95 000	312.5		131
April	372	5 400	505	780	390	100 000	425	20	111
May	343	4 300	530	735	365	100 000	375	27	99.17
Juny	259	4 300	545	680	330	95 000	270	27	114.33
July	256	4 000	510	630	310	90 000	270	27	125.17
August	273	4 200	505	630	310	90 000	290	27	112
September	279	4 100	445	530	280	82 000	290	29	117.50
October	282	4 000	405	495	250	75 000	290	29	119.33
November	271	3 500	410	540	300	75 000	290	31	91.50
December	259	3 500	415	540	300	75 000	290	31	76.83
1975									
January	237	3 450	395	460	245	72 000	255	± 28	80.83
February	187	2 500	340	340	160	52 000	180	± 24	78.50
March	(170)	2 200	280	(340)	160	52 000	155		84.50
April	(190)	2 700	305	480	240	67 000	175		84.83
May	(170)	3 200	305	390	200	63 000	200	±19	(84.17)

Annex 2

Estimated supplies and requirements of scrap in the Community for the third quarter 75

(' 000 000 tons)

	1975 3rd quarter	1975 3rd quarter month average	1974 month average
DEMAND			
1. Consumption in steelworks	13,71	4,57	5,55
2. Consumption in blast furnaces	0,45	0,15	0,18
3. Consumption in rolling mills	0,12	0,04	0,04
4. Variations in stocks in iron and steelworks	± 0	± 0	± 0
5. Exports	0,21	0,07	0,04
TOTAL	14,49	4,83	5,87
RESOURCES			
6. Recuperation in iron and steelworks	6,36	2,12	2,61
7. Net internal purchases	7,71	2,57	3,11
8. Imports	0,42	0,14	0,15
TOTAL	14,49	4,83	5,87