

# Ask WORLD STEEL DYNAMICS

World Steel Dynamics (WSD) is a leading steel information service in Englewood Cliffs, N.J. WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. To submit your questions for WSD, e-mail [WSD@aist.org](mailto:WSD@aist.org).



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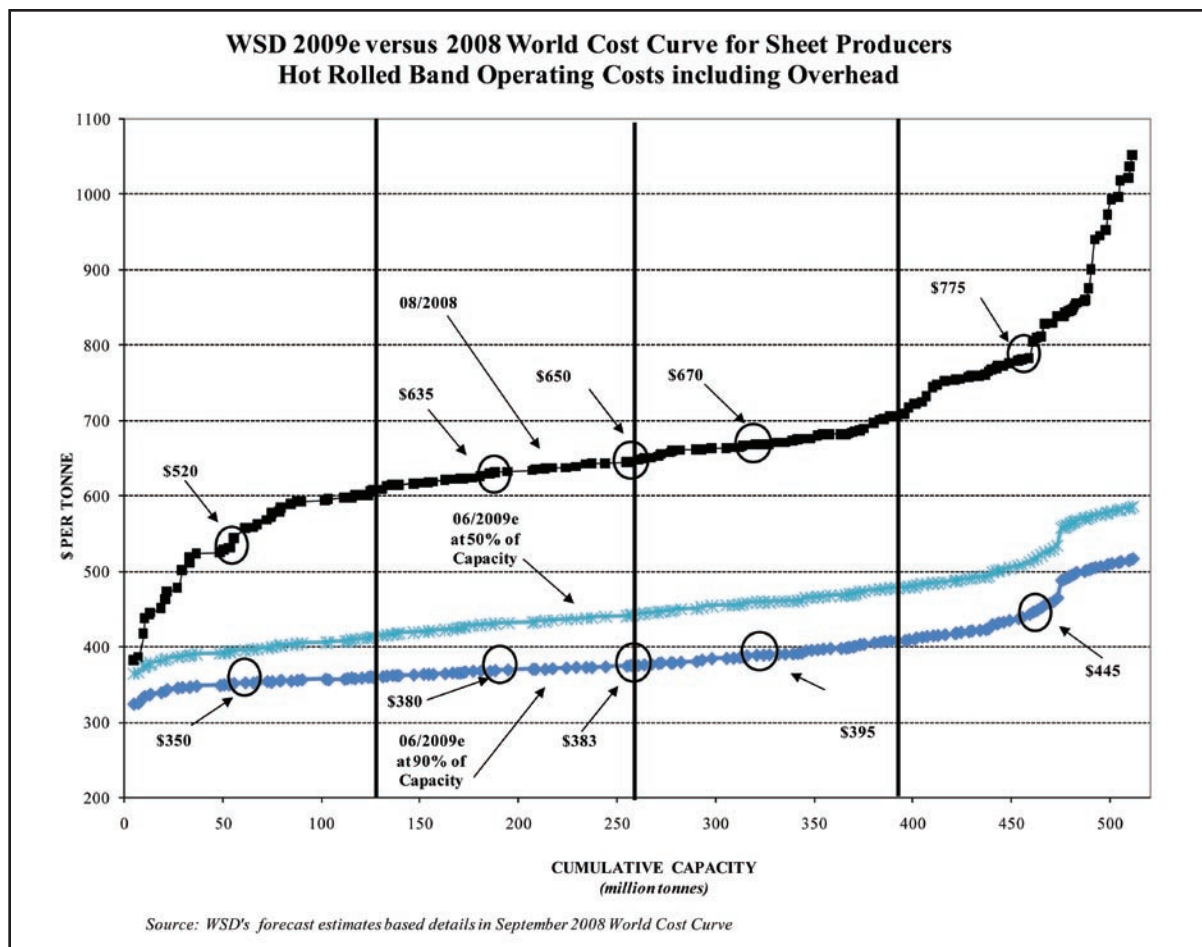
**Q: What effect will declining producer costs have on steel prices, and how are non-Chinese producers affected by their historically low operating rates with respect to cost?**

**A:** According to WSD's estimate, the average cost to produce hot rolled band globally, including plant overhead cost, may be only about \$383 per tonne this summer, assuming a high operating rate reflecting sharply lower raw material prices and weakened currencies versus the U.S. dollar in many countries. The average cost figure, in comparison, was about \$650 per tonne last August. As indicated in the graphic below, WSD's World Cost Curve no longer has a sharply skewed tail to the upside fourth (highest-cost) quadrant – a factor driving up steel prices when demand is strong.

The 4th quadrant's median mill's cost may amount to only \$445 per tonne in June 2009 – an amazing \$330 per tonne decline versus last August. In July 2008, the world export price for hot rolled band peaked at about \$1,100 per tonne, or about \$325 per tonne above the median mill's operating cost.

The current export price for hot rolled band of about \$390 per tonne, FOB the port of export, is in line with our estimate of the median global steel mill's operating cost this summer, assuming a high operating rate. Granted that fixed costs amount to about \$60 per tonne, the marginal cost to produce hot rolled band would be about \$330 per tonne. (Given about a 50% operating rate, the average world cost to produce hot rolled band this summer might be about \$440 per tonne.) ♦

- Peter F. Marcus, managing partner, World Steel Dynamics, [pmarcus@worldsteeldynamics.com](mailto:pmarcus@worldsteeldynamics.com), (201) 503-0902
- Philipp Englin, manager – special projects, World Steel Dynamics, [penglin@worldsteeldynamics.com](mailto:penglin@worldsteeldynamics.com), (201) 503-0908



**Do you have a question for World Steel Dynamics? Submit it today to [WSD@aist.org](mailto:WSD@aist.org).**