STEEL News & Views

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Sheet Steel Prices Have Peaked; Analysts See Price Decline

Editor' Note: The following article originally appeared on www.Purchasing.com, September 11, 2008 and was reprinted on *SBC Industry News Top Headlines*, September 19, 2008.

The summer seasonal demand weakness for steel, particularly for carbon flat-rolled mill products, was more intense than had been expected by most analysts and that has caused domestic sheet steel prices to soften slightly. In fact, it appears that the global steel-price surge has peaked and there is the possibility of a declining price environment.

In the U.S., there has been a growing disconnect between steel sheet mills and end-users. Although demand has been weak this summer and the outlook for increased buying is dark, flat-rolled steel producers in recent weeks have moved to increase carbon steel prices for September delivery to offset higher prices for such raw materials as iron ore, coke and scrap. Most mill executives believe the fundamentals remain in place for transaction sheet steel prices to remain at high levels and for the third-quarter price increases to be absorbed by the market.

However, demand in the domestic market has been feeble all year, down about 4% at midyear. Domestic shipments actually began slipping in May and midyear imports of 15.92 million tons are on pace for a 4.2% slide this year--after a 26.6% collapse in 2007. Analyst Mark Parr at Keybanc Capital Markets in Cleveland says "traders have exited the steel sector in droves over the past month, implying that seasonal weakness masks the onset of a severe global recession." And in truth, midyear sheet steel imports are mostly down. Imports of hot-rolled sheet in coils are up 4% to 1.48 million tons (vs. 1.42 million in the first half of 2007) but cold-rolled sheet imports are down 26% at 794,000 tons while imports of hot-dipped galvanized sheet is off 24% to 898,000 tons.

Sheet steel industry management had expressed relative confidence in midyear financial reports that flat-rolled sheet steel prices would hold up reasonably well this summer. However, analyst Mike Willlemse at CIBC Capital Markets in Toronto says the market may see "a declining price environment due to reduced end-market demand, greater raw material availability and higher inventories throughout the supply chain."

"The next several months will provide another meaningful test for domestic mills and service centers to maintain supply discipline," says Parr. Willemse also told clients in August that he "would expect the steel mills to promptly cut production if prices deteriorated too rapidly." Still, available market data shows that the mills probably will ship 10% fewer tons in the third quarter than they did in the second quarter and imports, down 4% for the year, will stay soft.

In a recent report, Parr says, "The ongoing softness in consumer-driven automotive, appliance and residential housing end markets is being exacerbated by summer industrial maintenance outages by steelmakers as they prepare for expected increased production momentum in the fourth quarter and beyond." Upshot: Parr reports that "pricing is showing signs of cracking $50-$100/ton mid-year highs" as the average for hot-rolled and cold-rolled sheets in coils. (Note: His view matches the $1,111 average market price reported by Purchasingdata.com for both flat-rolled products in July.)

CFSC Cold Formed Steel Council

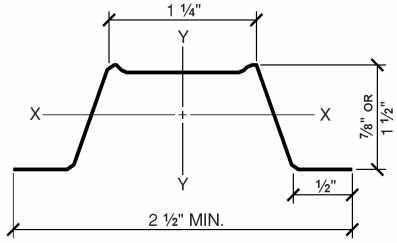
Purchasingdata.com had reported that the North American benchmark price for hot-rolled sheet steel averaged $661/ton in the first quarter and $974/ton in the second quarter. Willemse's latest forecast expects hot-rolled sheet to average $1,035/ton in the third quarter and $930/ton in the fourth quarter.

Worldwide, third quarter demand slippage and spot pricing declines are not unusual and primarily reflect a seasonal phenomenon although Parr said it had been exacerbated by reduced Chinese industrial activity to literally "clear the air" in Beijing during the summer Olympics.

Truss Bracing – Structural vs. Non-Structural Hat Channel

1½" 20 gauge hat channel is the common bracing member in the cold-formed steel truss industry. As with other metal framing products, when it comes to hat channel there is a difference between non-structural and structural grades. Non-structural hat channel is commonly referred to as "drywall channel" or "furring channel". All industry documents, such as the LGSEA *Field Installation Guide for Cold-Formed Steel Trusses* and the newly published CFSCBCSI, reference structural grade hat channel. Any time Cascade Mfg Co takes on the responsibility for permanent truss bracing design, structural hat channel is what is specified.

The primary difference between the two is that non-structural hat channel is 30 mil, where structural is 33 mil. Mil is the designation that specifies the base metal thickness in thousandth of an inch, so 30 mil is .030 inches thick, or 30 one-thousandth of an inch. The Steel Stud Manufacturers Association (SSMA) designation for structural grade hat channel is 150F125-33, and is broken down as follows: 150 = 1 ½", F = Furring Channel, 125 = 1 ¼" Flange Width and 33 = base metal thickness expressed in mils. Another major difference between non-structural and structural is the non-structural is typically G40 galvanized, where structural is typically G60.



Cross section of hat channel member.

Most drywall contractors and supply yards would have no reason to stock or supply structural grade hat channel. If you are in the business of purchasing or installing cold-formed steel trusses, you should verify that you are getting structural grade hat channel (150F125-33) so that you are in conformance with the industry governing documents.

Inadequate or improper bracing is the number one reason behind truss failures, so it is crucial that you take this into consideration. Cascade Mfg Co only stocks and furnishes structural grade 33 mil hat channel, and in 12' 6" lengths. The rationale for the odd length is to nest the 6" length over a truss and minimize waste. If you are using full 2' increments, you would typically have to lap an entire truss and therefore lose 2' of the stick. As always, if there is any confusion or the need for further explanation on this or any other topic, please give us a call.

Photo Gallery

In this issue of *Steel News and Views* the emphasis is on the themes of speed and flexibility.

The use of wall panels can assist in expediting a project construction cycle. When meeting a completion date is critical, wall panels offer a solution.


Wall panels used as bearing walls.

What is also important to know is wall panels are not limited to exterior load bearing walls. Projects using non-load bearing walls can also utilize wall panels for quick project completion. Non-load bearing walls are increasingly being used for low or mid-rise building projects.


Wall panels used as non-load bearing walls.

Cascade Mfg Co is your one-stop source for cold-formed steel truss and wall panels. Call us today for more information at 800/942-4685 or email us at steel@cascade-mfg-co.com.