

# RoscoeMossDISPATCH

Field stories and the tools that fuel them.



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Supply & Demand

Steel Prices Continue to SOAR



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The past 6 months has seen the price of steel increase at a rate not experienced in several decades. In some cases, no longer are price quotes from manufacturers and suppliers honored for the industry standard 30 days, as prices have adjusted on a weekly or even daily basis, creating headaches for well owners and contractors.

## Why are Steel Prices Moving

# higher?

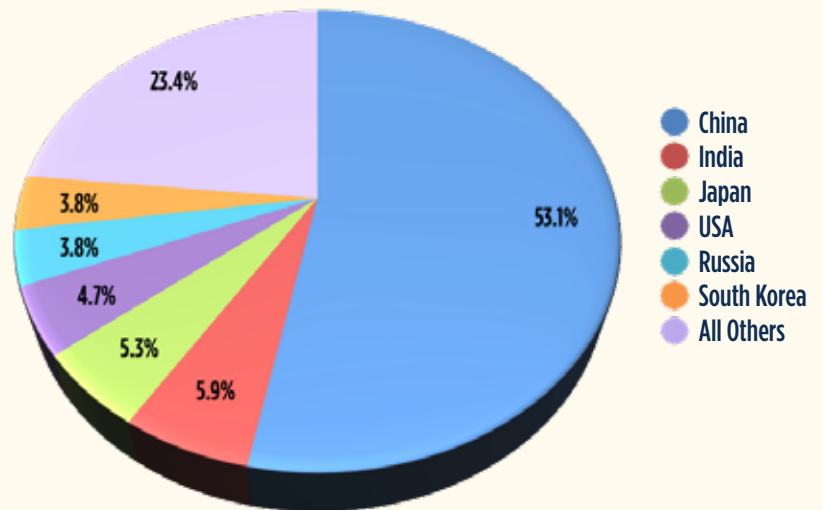
- ▶ In what can be described as a “**perfect storm**,” demand is far outweighing supply. But specifically, many point to China as a main factor, as more than 53% of the world’s steel is produced from that country, and exports have been cut dramatically.

**1. Strong Demand** Continued Strong Demand in China & Ongoing Global Economic Recovery from COVID

**2. Reduced Supply** Reduced Exports from China to the U.S. and elsewhere & Suppressed U.S. Domestic Steel Production Capacity Utilization

**3. Logistics** Supply Chain Disruptions due to COVID 19 & Political Differences

Global Steel Production by Country

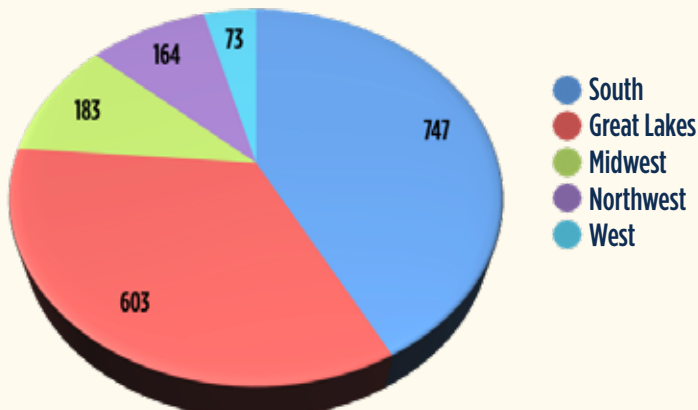


Source: World Bank - Commodity Markets Outlook April 2021

## What About U.S. Steel Production?

Despite strong demand, the U.S. has been slow to increase production in the aftermath of the COVID shutdowns. For the week ending April 17, 2021, U.S. Domestic Steel Production was only at 78% capacity. Moreover, competition from major building and infrastructure projects that had been postponed during the shutdown are now finally commencing, creating a competitive frenzy for steel. These projects include water well drilling.

U. S. Steel Production by Region (in 000's metric tons thru 4.17.21)



Source: American Iron & Steel Institute April 2021

## Has Pricing Hit the Peak?

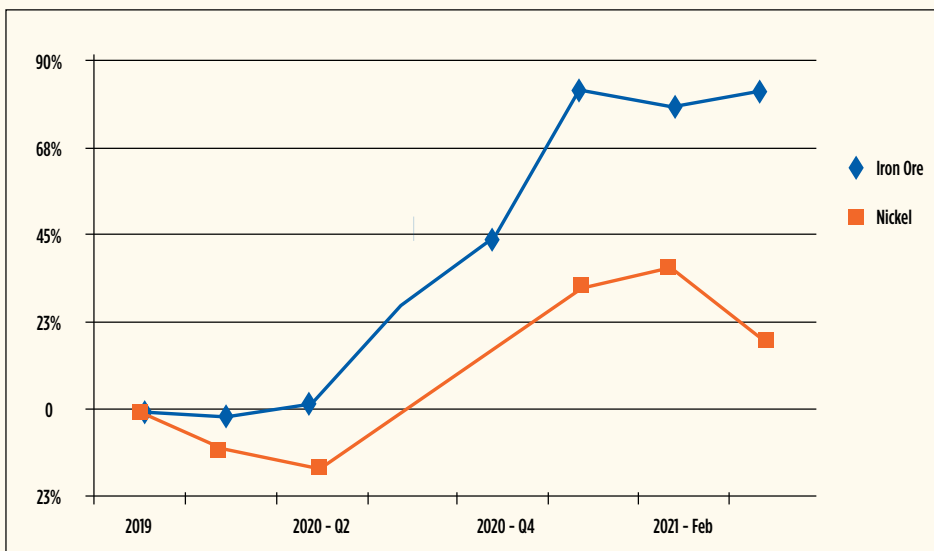
Unfortunately, forecasts from the World Bank see the price of iron ore, the main component of steel, continuing to increase in the coming months and into 2022. New capacity and production are being added which should provide relief thereafter; however, increased imports from overseas cannot be assured.

## Where to Find Value and Opportunity

It should be noted that the sharp price increases have been more concentrated to mild steel, with corrosion-resistant steels such as HSLA and Stainless being less affected. The World Bank Commodity Price Index shows an unprecedented 74.6% increase in the price of IRON ORE from 2019 until the present, while the price of NICKEL, which is a major cost component of HSLA and Stainless Steel, has only increased 17.9% during that same period. This has narrowed the pricing gap between mild steel, HSLA, and stainless steel, and smart well owners and contractors should recognize the opportunity to use premium materials at a substantial discount to generic mild steel.



# Commodity Pricing



## AIS Domestic Steel

Lastly, many water well products that are funded by federal, state, or local agencies mandate the use of AIS Domestic materials. Roscoe Moss Company proudly manufactures its water well casing and screen to AIS Domestic certifications. This includes Mild Steel, Copper Bearing, HSLA, and Stainless Steel.