

Contract Negotiation

- **Let The Steel Index provide ‘price discovery’ services for you**
- **Have complete confidence that our quoted prices are average transaction prices available during the reporting period; not market hearsay**
- **Independent, industry-accepted reporting of prices: ideal for two negotiating parties to use**
- **Regular, weekly steel prices with average delivery lead-times and daily iron ore prices**
- **Fully downloadable on-line data history; customise reporting periods and harmonise volume units and currencies automatically**

As a result of the increasing professionalism of procurement, and the correspondingly large toolkit available to practitioners, the variety of contract types available has expanded to match the variety of deals demanded by end users of steel.

Spot trades and increasingly rare long-term contracts are well known and reflective of the individual needs and risk attitudes of companies. Indices are playing an increasingly important role for companies seeking forward planning certainty around prices. Over-the-counter (OTC) trades are also increasingly used by companies who need to fix a guaranteed price to lock-in a certain margin when entering competitive tenders.

Another contract type utilised is quarterly negotiated contracts. Some companies have identified from procurement quadrant analysis (performance/importance) that other factors (quality, availability, delivery options, credit facilities) are important enough to reduce the role of price. Instead, a ‘total cost’ is examined, allowing a margin of premium for the value-added features provided by a supplier.

Nevertheless, customers still need a competitive price and need to ensure that they are receiving this. In order to keep prices in the right zone, they enter quarterly negotiating sessions with their suppliers. However, staying out of the spot market, they lose touch with weekly and monthly price movements. Other suppliers invariably make very aggressive offers to tempt them away, giving a distorted view of the market.

For both parties, it is extremely important to have an independent, trustworthy source to refer to for prices. It is far too easy for both sides to discuss hearsay about what prices were available at a certain time. The lowest prices mentioned are what sticks in the buyer’s mind, whilst the highest prices are what the vendor remembers. With both parties looking at the most extreme values of opportunity cost, The Steel Index is the ideal meeting point for counterparties.

The Steel Index data is highly representative of the average spot transaction prices achieved each month:

- ▶ Compare our historical prices vs. your contract price paid
- ▶ Regular, weekly price data on which you can base your negotiations
- ▶ Prices based on a volume-weighted average, which brings prices to a mean, rooted in reality
- ▶ All steel prices are gathered solely in the physical steel community – buyers and sellers of steel. No opinions, no outside interests, just facts
- ▶ Bringing a wide selection of participants, spanning steel mills, traders, service centres and end consumers of steel together to accurately represent the overall industry price

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