

CRU Prices

**Steel Market Update
(SMU) – Carbon Steel
and Scrap**

Methodology and
Definitions Guide

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**Data, Insight,
Strategy &
Communities**

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Methodology and Definitions Guide – Steel Market Update (SMU) – Carbon Steel and Scrap

1 Scope

This guide covers commodity product prices in all geographical markets and should be read in conjunction with the [CRU Group Compliance Framework and Methodology Guide](#). It details commodity-specific methodology, which has precedence, with all other aspects covered by the Group methodology guide.

2 Methodology

SMU assesses prices for physically traded steel and scrap in the USA market that are outlined in the following methodology guide. This methodology, was developed in consultation with the industry (including through our annual Underlying Market Conditions Review), allowing SMU to capture market liquidity and establish prices that are reliable and representative of the market. SMU's steel and scrap prices have been designed and developed to reflect prices reported by manufacturing companies and distributors (service centers and wholesalers) and only use mills to confirm specific pricing points or for clarification.

SMU collects spot pricing data based on transactions, offers, bids and assessments collected over the course of a week. Contract pricing and "bucket" deals are not considered in our spot price assessments. We collect pricing data primarily via our surveys. We use an unweighted average of the figures provided and an outlier filter as the primary means to determine our high, low and average prices.

SMU Flat Rolled Coil and Plate Indices are FOB Mill, east of the Rockies. This means we receive price data from the Southeast, Midwest, East Coast, and central and eastern Canada. We do not consider data from West Coast mills because of significant variation in pricing and freight in that region compared to the rest of the US.

SMU collect pricing information for three kinds of scrap: shredded scrap, busheling scrap and heavy melt. Scrap prices are expressed in gross tons. We update our scrap prices once a month after the market has settled. Scrap prices typically, but not always, settle in the second week of the month. Our scrap specifications broadly follow guidelines published by the Institute of Scrap Recycling Industries (ISRI). SMU defines lead times as the period between when an order is placed and when that order is produced. The time for local freight to a buyer's location, for example, is not included.

Final published prices are assessed as a range because this has been established as a requirement by most Data Providers. Prices data is collected via the survey can be widely distributed and a range is therefore best suited to reflect the spread of data in the final assessment.

Data Providers

SMU price assessments are based on regular contact with a wide a network of market participants situated at critical nodes in the supply chain. This network is constantly reviewed to seek a balance of buyers and sellers that are representative of the market.

Most SMU data are collected via a survey sent to data providers. For a data provider to qualify for the survey, they must provide their name and email before they are added to distribution list. This is to ensure that we are only collecting data from active participants in the physical steel market. Data provider names, company names and contact details are checked and stored in a secure location.

Above and beyond the criteria stipulated in Section 2.4 of the *CRU Group Compliance Framework and Methodology Guide*, each data provider must exist on a list of approved data providers before their data can be considered for admission into published prices.

Data Submitted and Submission Processes

Data providers are to provide SMU with prices relating to sales or purchases concluded in a transaction window between 09:00 ET on Monday of the week of publication and 16:00 ET on the Tuesday of the week of publication, or other price information relating to this time period.

Transaction data is prioritised as an input and to that extent the hierarchy of acceptable price types follows that described in Section 3.1 of the *CRU Group Compliance Framework and Methodology Guide*.

In the absence of actual transaction data, data providers can give firm/indicative bids or offers, and opinion of the prevailing market price in the same period. Any prices received after 16:00 ET on Tuesday are considered for the pricing session the following week.

Industry participants can submit prices to SMU by telephone, email, private one-to-one instant messenger services, by SMU weekly surveys or other private means of communication. Information must be submitted to SMU by 16:00 ET time on Tuesday if it is to be eligible for admission to the price determination process. Data is stored securely in the SMU dashboard.

Data Submission Dependency and Minimum Threshold

SMU seeks to receive market data information from a broad range of active data sources as possible and seeks to increase the number of companies willing to submit market data. In the event that a limited number of market participants are active in the market, and the market data received constitutes a significant proportion of the total data on which the assessment is based, SMU will use expert judgement on whether to exclude, or include or defer the indication received until more information is received. This would be based on: observation of the previous price; short term historical price trends; other quantitative market data including prices in other related active markets, producer price change announcements; qualitative information such as that received from interactions with market participants or other CRU Price Assessors, and; other sources of information relevant to the market.

SMU does not outline minimum data thresholds to determine steel and scrap price assessments to avoid establishing non-representative assessments that may be deemed unrepeatable. Periods of liquidity differ across the markets and data thresholds could result in price assessments that do not accurately reflect the market. Price Assessors, instead, aim to source data from a wide range of industry participants to establish price assessments, in line with the individual price's market data specifications, such as size, timing, loading locations etc, outlined in this methodology.

When no admissible data is received, Price Assessors follow the processes set out in the "Price determination in an illiquid market" section and expert judgement would be used to determine the final price value. Further details can be found under Section 2.1 of the *CRU Group Compliance Framework and Methodology Guide*.

Final Price Assessment

Normalisation

Data which meets the precise methodology specification is eligible for admission to the price without any adjustments. Data which does not fit the specification may still be eligible as an input to the price, but would be subject to a normalisation process in order to adjust its - primary chemical content; incoterms; loading location; vessel size; grade; duties or tariffs by the application of a premium or discount to an initial given price.

Normalisation is an essential price adjustment process used to align reported market information with a pricing methodology. Decisions to normalise a price and/or choice of values used in the normalisation process are forms of expert judgement.

Expert judgment and exclusion of outliers

Expert judgement may apply to decisions on what type of data is submitted; if the deal is executed at arms-length; if normalisation of price data submitted is required; the means of any normalisation, and the inclusion of a data point in the calculation of the final price (exclusion of outliers).

Expert judgement may be used in the exclusion of a data point as an input to the calculation of a final price. In doing so consideration may be given to the range and distribution of data collected in the same timeframe from other data providers; previous data received from the same data provider; non-price information received from the data provider and the current market state from any other source. Inclusion or exclusion of input data in the final price is recorded.

Any data that deviates from the previous assessed range or the collected data for the trading period will receive extra scrutiny. For example, if a price is considered to be a potential outlier, supporting documentation as a means of further authentication may be asked for. Supporting documentation is typically a contract or purchase/sales order, but other documentation may be accepted. Supporting documentation may not be asked for when, in SMU's judgement, the data is otherwise corroborated or deemed valid.

Consistency in the application of expert judgement is achieved through a combination of selection, formal and informal training and review, supervision and control processes as detailed in section 4.5 of the *CRU Group Compliance Framework and Methodology Guide*.

Price determination in an illiquid market

In the case that there are no submissions that meet, or after normalisation can meet, the methodology pricing definition in any price assessment time period, the previous published price will be rolled over and used as the final assessment value for the published price.

Deactivated Prices

A price assessment will remain active as long as there are sufficient buyers, sellers and/or traders for the Price Assessor to make an accurate assessment. If the quotation suffers from limited transparency or if business dynamics change, it may be deactivated following market consultation. Its history will still be available, but no further information will be collected for that assessment from the time it is deactivated.

Price Verification

Information from data providers and the final price assessments are captured and established in the survey and SMU's pricing workbooks. The final prices are approved by another Price Assessor or the editor.

SMU use specific statistical checks to detect potential errors, such as an outlier filter based on one standard deviation from the average of all prices collected. Price Assessors then examine those outliers individually to determine whether they should be excluded. The price submissions are also checked and those which are regarded as suspect - whether this be because of the variance from that contributor's last submission or the variance from the average of the other contributors' submissions - are questioned at the time of the survey or, if necessary, by speaking to the participant for a second time. If a satisfactory answer is not received, the contribution is not taken into account when arriving at the final price assessment.

Final prices are arrived at primarily by a calculated average. We also allow for the use of expert judgement by SMU Price Assessors. Where a mix of price types have been received, greater subjective weighting will generally be given to transaction prices, then firm bid/offer prices, then indicative bid/offer prices, then opinions of prices in that order.

Final Benchmark Publication

SMU carbon steel and scrap prices are published in the *Steel Market Update newsletter* and on steelmktupdate.com.

Weekly prices are published every Tuesday though will remain unchanged if a public holiday, or observation of a public holiday.

3 Definitions

North American Market Steel Prices

Hot Rolled Coil

Grade/size:	ASTM A1011 Commercial Steel (C/S) base thickness and coil weights (no extras added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

Cold Rolled Coil

Grade/size:	SAE 1006/1008 (or equivalent) prime annealed commercial steel (C/S) in base thickness and coil weights (no extras added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

Galvanized Coil - Base Price Option

Grade/size:	Prime hot dipped galvanized coils base price (prior to extras being added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

Galvanized Coil - Benchmark Option

Grade/size:	Prime coil meeting ASTM A653, commercial steel with a minimum thickness of .060" X 48" to 60" in width, large PIW coils (no weight extras) with a zinc coating weight of G90
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

Galvalume Coil - Base Price Option

Grade/size:	Prime hot dipped Galvalume coils meeting ASTM A792 base price (prior to extras being added).
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

Galvalume coil - Benchmark Option

Grade/size:	Prime hot dipped Galvalume coils meeting ASTM A792 in thickness .0142" AZ50, Grade 80 in widths over 40" and large coils (no other extras)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

Plate

Grade/size:	A36 discrete plate, base thickness, and width (no extras added)
Price basis:	FOB
Loading/arrival location:	Midwest mill (East of the Rockies)
Delivery charges:	Excluded
Type:	Spot
Currency:	US dollar
Weight Unit:	Short tons
Size/tolerance:	Minimum quantity of 20 t; standard packaging; standard tolerances
Timing:	Forward delivery based on current lead times
Surcharges:	Taxes excluded; raw materials surcharge (where applicable) included
Frequency:	Weekly, every Tuesday

North American Market Scrap Prices

Shredded Scrap

Grade/size:	Homogenous iron and steel scrap, magnetically separated, originating from shredded automobiles
Price basis:	Delivered
Loading/arrival location:	Mills east of the Rocky Mountains
Type:	Spot
Currency:	US dollar
Weight Unit:	Gross tons
Timing:	Within 30 days of delivery
Frequency:	Monthly, second week of month

Bushelling Scrap

Grade/size:	Clean steel scrap from industrial processes such as automotive stamping. Does not include old automotive bodies
Price basis:	Delivered
Loading/arrival location:	Mills east of the Rocky Mountains
Type:	Spot
Currency:	US dollar
Weight Unit:	Gross tons
Timing:	Within 30 days of delivery
Frequency:	Monthly, second week of month

Heavy Melt

Grade/size:	Wrought iron and/or steel scrap. Prepared in a manner to ensure compact charging
Price basis:	Delivered
Loading/arrival location:	Mills east of the Rocky Mountains
Type:	Spot
Currency:	US dollar
Weight Unit:	Gross tons
Timing:	Within 30 days of delivery
Frequency:	Monthly, second week of month

Glossary of Abbreviations

INCO TERM RULES FOR ANY MODE OR MODES OF TRANSPORT:

EXW – Ex-Works
FCA – Free Carrier
CPT – Carriage Paid To
CIP – Carriage and Insurance Paid To
DAT – Delivered at Terminal
DAP – Delivered at Place
DDP – Delivered Duty Paid

INCO TERM RULES FOR SEA AND INLAND WATERWAY TRANSPORT:

FAS – Free Alongside Ship
FOB – Free On Board
CFR – Cost and Freight
CIF – Cost Insurance and Freight

COUNTRY ABBREVIATIONS USED:

We use ISO 3166 alpha-2 standard country codes