What is going on with the cast iron in China?

In 2010, all of cast iron prices were increased largely. In 2011, the increasing trend is continuing. What is going on with the cast iron in China? What is the reason for the increasing cast iron prices?

As for the marketing manager of Dandong Foundry in China, I have seen that the increasing prices for the iron and steel castings in the past 2010. In the early of 2010, the cast iron was about 970 USD/ton to 1200 USD/ton, but now, in the early of 2011, the cast iron is about 1100 USD/ton to 1360 USD/ton. It was about 15% increased only in one year. This is terrible! As a buyer, you may wonder what factors have affected the cast iron prices?

1. Increasing pig iron price

As you know, the pig iron is the main material for iron castings, so the increased prices of pig iron will directly affect the prices of iron castings. In the past one year, the pig iron price has increased from 520 USD/ton to 620 USD/ton, and its price is still increasing.

2. Reducing exchange rate of USD to RMB

In the past one year, the exchange rate of USD to RMB has reduced from 6.81 to 6.57 now. It was main because of the continuous appreciation of RMB. Most important of all, the appreciation of RMB did not reduce the production costs for iron foundries in China, but on the contrary, it caused the exporting prices of cast iron were increased largely.

3. Increasing labor costs in China

In 2010, almost all iron foundries have increased their workers' salaries because of the increased prices of commodities. Normally, their labor costs have been increased 30% to 35%. In 2011, most of foundries will have to adjust their workers' salaries again. Very likely, the labor costs will increase 50% than that in 2010. Of course, both buyers and suppliers would not like the increased costs, however, this is the fact.

4. Stricter control to environment control
All worlds have known about that China is controlling the environment pollution caused by the industries. Of course, these control actions benefit all people in the world. However, it really deeply affected most of iron and steel foundries in China. As you know, the metal foundries are the high energy consumption, high material consumption and high emission industries. The stricter control has caused the closed down to many small and middle metal foundries. As for the surviving foundries, they have to invest more to improve their pollution control equipments, therefore, they need to increase their profit and need to choose the orders that they are more familiar with.

Although we knew the reasons of increased cast iron prices, we really do not know when this condition could become stable. The pig iron price is very fluctuant, and the exchange rate is reducing continuously. Workers are asking for increasing their salaries every day. As a manufacturer in China, we are very confused too.

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