

## Steel Scrap Cost Variance

### **What is the SCV?**

Steel Scrap is the raw material used in producing steel shot and grit. The price for steel scrap, which is a commodity, varies from month to month.

The scrap cost variance (SCV) is an index that follows trends in the steel scrap market. The industry has picked a marketplace (Pittsburg) and a type of scrap (punchings and plate) as the reference price for SVC. In order to quote a price, the SVC is added to the base price. All cast steel shot and grit manufacturers incorporate the same calculations to factor SCV into their pricing systems.

### **How is the SCV Calculated?**

The SCV is calculated from the “Iron Age Bulletin” scrap prices published in New Steel Magazine. This magazine lists various types of scrap in various marketplaces. The magazine issued for the month is used to calculate the SCV for that month. The calculation becomes effective on the 1<sup>st</sup> of that month and continues through the end of the month.

When the system was put in place in 1979, the cost of punchings and plate was \$ 90 per ton. It was then decided that this \$90 would remain constant in the calculation. To arrive at the current SCV, \$90 is subtracted from the published price of scrap for that month.

### **Example of Calculations:**

SCV for the period of April 1, 2005 to April 30, 2005  
New Steel Magazine, March 2205, Iron Age Scrap Price Bulletin  
Pittsburg market  
Punchings and plate  
Published price: \$ 325.00

$\$ 325.00 - \$90.00 = \$ 235.00$

SCV effective April 1 to April 30 is \$ 235.00

SCV on date of shipment is applicable