



ODLEWNICZA IZBA GOSPODARCZA

• Foundry Chamber of Commerce •

Członek Europejskiego Zrzeszenia Odlewni (CAEF)



Krakow, June 7 2021.

No.01/06/2021

Recommendation of the Foundry Chamber of Commerce

After the huge increases in the first quarter of 2021, which Polish enterprises had to face, the following months of this year brought another drastic increase in the prices of all factors of production:

- materials (scrap, pig iron, ferroalloys, resins, carburizers, silicon, nodularisers, shot, paints, packaging and others),
- energy (electricity, gas),
- increase in environmental fees (increase in waste fees),
- an increase in the minimum wage.

For key materials, this is an increase of 60% to 90% compared to January-June 2021. The situation is even more dramatic as the basic materials are increasingly difficult to find on the market and the terms of their purchase are repeatedly based on cash transactions or demanded prepayments. There are numerous cases of sucking of scrap from the Polish and European markets outside the EU (China, Turkey).

The CAEF Committee, in cooperation with the Polish Foundry Chamber of Commerce and chambers from other member states, has already taken steps to impose export duties on scrap metal by the European Commission.

Many foundries, after prior agreement with their contractors, during settlements rely on the published indicators (MTZ - material additive, ETZ - energy additive, published on the website of the Foundry Chamber of Commerce and the European ones published e.g. on the website of CAEF – the European Foundry Association).

Often, however, the indicators mentioned above only compensate a part (from 70% to 75%) of the real increase in material prices and also act with a certain delay. With the current, large increase in orders, very large additional costs are borne by the foundries, and any possible price benefits are postponed in a time (quarter, half-year) when there is no guarantee that the economic situation and its current level will be kept.

After last week's extraordinary meeting of the Council of Foundry Chamber of Commerce, dedicated to the current economic situation, in the face of such drastic cost increases that can be classified as a kind of force majeure, the Foundry Chamber of Commerce recommends to Polish foundries:

- renegotiating long-term contracts with customers,
- an increase in base prices, **starting from deliveries, from July 1, 2021 at the latest** - with the current analysis of the cost increase in the period January - June 2021, an increase in base prices **from 15% to 20% is recommended**,
- explaining to the recipients of the products that the nature of the price increases may be short-term (another verification may be expected after 3 months),
- switching to accounting for material and energy additives monthly (and not as it has been often practiced so far: quarterly or every six months),
- changing the terms of payment for products (shortening payment terms or introducing prepayments).

These activities are necessary to maintain financial liquidity and continuity of production in Polish foundries, which is undoubtedly also in the interest of the customers of these plants. We hope that this appeal will be understood by all recipients of Polish castings.

On behalf of the Council of Polish Foundry Chamber of Commerce,

President

Andrzej Ryba