



Alloy Surcharge - Importance in Materials' Prices

What is Alloy Surcharge? Alloy Surcharge is an additional cost added on top of the base price for a certain material. The term is mostly associated with the steel industry where many different alloys are created for different purposes by manufacturers. The alloy surcharge is calculated based on the amount of different alloys present in the material and the price of that alloy. The purpose of including this surcharge is to offset the effect of fluctuating prices of the raw materials used in the alloy and to keep the basic prices of the



material stable and transparent.

How is Alloy Surcharge Calculated? The value of the Alloy Surcharge depends naturally on the prices of the individual elements used to make the alloy and the amount of the material used. In addition, the Alloy surcharge also depends on other factors such as the form of the final product and the yield factor for that alloy. For example a thin plate will have a higher base price than a bar because it takes more processing to make a thinner section. Similarly the difficulty of making some alloys may be greater than others. They may require additional processes like heat treatment, grinding or cold work which increases their cost. Some alloys may also require more raw material to produce a certain weight of the final product due to wastage or losses through processing so the actual material required is more than what is present in the final product.

All these factors are taken into account to calculate the alloy surcharge. The average of the alloy prices over a period of production is taken and compared to a reference value. If the calculated value is higher than the reference than the amount is multiplied by the percentage of material used in the alloy but if it is negative no surcharge is added. The Alloy surcharge may differ from country to country and is usually calculated and published by the leading manufacturers in the region.