

## Non-ferrous

# Survival threatened by contract changes

Many consumers are in such deep financial trouble that supplier concessions are essential to their survival. However, some buyers were accused of taking advantage of the current market crisis at the BIR Non-Ferrous Metals Round-Table in Düsseldorf. Meanwhile, the many consumers who have been honouring their contract commitments were praised for their 'foresight'.

The metals industry has witnessed a drop-off in demand.

In recent times, scrap suppliers have been forced to acquiesce to customer demands for the renegotiation of contractual terms and have even fallen victim to 'outright and arbitrary cancellations', lamented BIR Non-Ferrous Metals Division President Robert Stein of US-based Alter Trading in his opening address to the Round-Table meeting in Düsseldorf.

But having recognised that many customers 'simply won't survive without these concessions from sellers', Mr Stein complained that there are also purchasers who 'take advantage of situations like this' - an approach he described as 'reprehensible and absolutely inexcusable'. There is a danger



BIR Non-Ferrous Metals Division President Robert Stein of US-based Alter Trading.

Mr Stein described the performance of

trading partners as 'the single most challenging factor in the well-being of our industry'. He also acknowledged that there are 'many consumers and processors throughout the world who are honouring their commitments - and I congratulate them for their wisdom and foresight'. And to this he appended the meaningful comment: 'It will in the future be very difficult to make metal products out of air.'

## Huge losses

The metals industry has witnessed a drop-off in demand owing to a number of factors, including cancellation of construction projects and a slow-down in the automotive sector. Meanwhile, scrap operators have been racking up 'huge losses' as a result of inventory revaluations.

Mr Stein argued that the recent 'profound' change in market conditions will lead to a re-distribution of secondary metal shipments around the world. In this context, he added, the Non-Ferrous Metals Division is working with the newly-formed BIR International Trade Council to establish statistical procedures to monitor scrap flows.

In his summary of the world non-ferrous metal markets, South Africa's Mark Sellier of KMR Stainless BV reported that a group of Middle Eastern recyclers has agreed to hold a general meeting in Dubai 'dedicated to discussing contractual defaults and



what can be done'. And he later added: 'Perhaps an international clearing house for scrap contracts will emerge in the future. Who knows?'

## Walking away from contracts

In his presentation, Mr Sellier also confirmed that many buyers have been prepared to walk away from contracts despite having paid substantial cash deposits only a few weeks earlier. The volume of scrap flowing into many processors' yards has been dramatically reduced as some suppliers choose to sit on their stocks in the hope of higher prices to come.

Offering more specific examples of the current state of trade, Mr Sellier pointed out that some of the larger dealers in Australasia have announced that they will not be purchasing non-ferrous scrap from their smaller counterparts until further notice, while demand in India 'has almost vanished' during what is traditionally a period of quite high order levels.

## Money was 'too cheap'

One of two guest speakers at the Non-Ferrous Metals Round-Table in Düsseldorf, Christian Schirmeister of RBS Semptra Metals contended that, over recent years, the influence of the financial community has increasingly distanced the metal markets from the fundamentals of supply and demand. Prices have collapsed because of a

need to liquidate among people who have 'never seen a cathode', said the Chairman of the LME's Copper Committee. 'Money was too cheap' in the recent past but has now become 'expensive', he said.

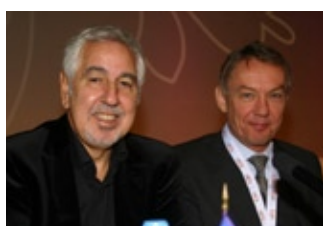
The division's other guest speaker, Paul Thomes of Aachen University's Faculty of Business and Economics in Germany, suggested that the current economic crisis reinforces the need to aim for a fair allocation of resources and for more social responsibility which he termed 'responsible capitalism'. He called for 'a certain level of systemic control' of economic players while leaving 'space for creative entrepreneurial action'. □

## Driven to humour

Just to prove that the recycling industry hasn't been driving along the humour by-pass during recent weeks, Mark Sellier of KMR Stainless BV reported the following comment from a merchant in his summary of the world non-ferrous metals market: 'This is worse than a divorce. I have lost half my assets and I still have my wife and mother-in-law.'



Mark Sellier of KMR Stainless in South Africa.



Marc Natan of Manco in France (left) and Peter Dahmen of Germany-based Metall Handelsgesellschaft Schoof & Hallbacher.