By Ian Martin

Non-Ferrous

Markets 'continue to amaze' in pivotal year

There can be few complaints about how non-ferrous scrap metal markets have developed over the course of 2010. However, as delegates were warned in Brussels, complacency is not an option given the raft of government policies and regulations that have the potential to undermine international material flows.

For most, 2010 will go down in the history books as the watershed year 'in which we regained our business', it was declared in Brussels by BIR Non-Ferrous Metals Division President Robert Stein of US-based Alter Trading. 'Markets continue to amaze in that their strength has been beyond the expectations of most.'

From the lows of late 2008 and the first half of 2009, demand for the industry's products surged in concert with a dramatic increase in metals prices. 'We again found ourselves as the fuel for the demand of the emerging economies of the world - as providers of ecologically-viable alternatives to primary metals to growing but mineral-deficient nations,' said Mr Stein.

But while consumers' needs have been met, the non-ferrous scrap world 'still suffers far too many limitations and obstacles' at the hands of governments who 'don't really want our material' or whose scrap-related policies contrast with 'the ease in which other raw materials are traded', Mr Stein continued. And he insisted: 'Our scrap metal should be treated on an equal footing with its primary counterparts, and we urge governments around the world to pay attention to the practicalities of our industry.'

Monitoring policy and regulation

Certainly, the BIR can be said to be paying attention. As Mr Stein explained in Brussels, the world recycling body has followed the recommendation of its Non-Ferrous Metals Division in entering into an agreement with Bryan Cave International Trade (BCIT) of Singapore - a customs and trade consultancy - to monitor and report on policy and regulatory matters in countries that are key buyers of non-ferrous scrap. 'The issues are becoming far too complex to rely solely on our members to undertake to do this,' said Mr Stein in confirming that BCIT's initial focus will be on China and India. The consultancy has already submitted its first report to BIR and a second 'is due soon', the divisional President added.

Access concerns

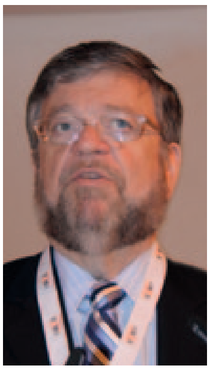
Contributions from other speakers highlighted the wide range of issues that can arise in international trade. In his role as Chairman of BIR's International Trade Council, for example, Robert Voss of UK-based Voss International noted trade barrier developments in a number of countries - including Sri Lanka, the East African Community, India and Russia - before reiterating his call for BIR members to keep the world recycling organisation informed of any policy or regulatory moves likely to impair import/export flows of recyclables.

Also of 'extreme concern', the debate surrounding access to raw materials has been gaining impetus in, notably, the USA, EU and China, according to Mr Voss. Efforts aimed at preventing resources from leaving a country have been intensifying and must be countered, he argued.

In reviewing market reports from around the globe, BIR Non-Ferrous Metals Division board member Alejandro Jaramillo of Recicladora Cachanilla in Mexico noted a number of common themes, such as: the weakening of the US dollar making exports more challenging; concerns throughout the supply chain about price volatility; widening discounts between scrap and primary metal prices, in some cases to 'historical highs'; cash-flow issues for many traders and processors; and the impact of China's relative inactivity in the market.

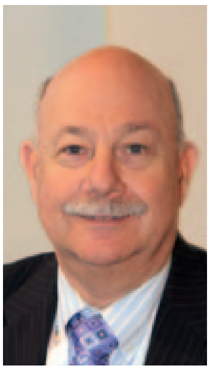
'Worst behind us'

In his BIR swansong before retiring at the end of this year from his post as Director of Commodities at the US Institute of Scrap Recycling Industries, Bob Garino gave a guest presenta-



Non-Ferrous Division President Bob Stein

Guest speaker Bob Garino



Michael Oppenheimer

Robert Voss

tion in which he spoke of a decided improvement in overall market sentiment since mid-year and of supporting data which suggest that 'the worst is behind us'. A key factor has been apparent growth in major metals-consuming countries such as China, Brazil, India and Russia, with Mr Garino adding: 'We've also seen recent evidence that the EU-27 has stepped up industrial production in August that, in turn, has fuelled positive investor attitudes and increased risk appetites.'

But while the recycling industry appears to be 'on a reasonably solid footing', the overall US and global economic recovery 'is still fragile' and 'subject to external shocks'. These could be triggered, he suggested, by: fresh sovereign debt issues in the EU; global currency devaluations and subsequent protectionist trade policies; and/or major political or economic upheavals.

Super-cycle

Fellow guest speaker William Adams, Head of Research at UK-based FastMarkets Ltd, contended that prices of all of the major non-ferrous metals will push higher in time as part of a 'super-cycle' driven by secular growth in rapidly-developing economies and supported by 'slow but volume growth' in mature economies. Having expressed surprise at the extent of the price rebound, he ventured: 'It looks as though investors have latched on to the belief that the super-cycle will drive commodity demand and that there will be supply shortages in the years ahead.' With this in mind, he said, 'they have been prepared to buy and hold'. While Mr Adams anticipated 'considerably stronger' metals prices in the years ahead, he also argued that current levels 'are not justified' and so there exists 'considerable risk of downside corrections'.

FastMarkets Ltd is forecasting supply shortfalls in the copper and tin markets for both this year and the next: in the case of the former, the prediction is for a deficit of 50 000 tonnes in 2010 and 250 000 tonnes in 2011; for tin, the shortfalls are expected to be, respectively, 17 000 tonnes and 15 000 tonnes. In contrast, excess supply is foreseen in the following markets: aluminium (+2 million tonnes in 2010 and +1 million tonnes in 2011); nickel (+25 000 and +50 000); zinc (+500 000 and +250 000); and lead (+50 000 in both years). □

FastMarkets' 2011 price forecasts (per tonne)

Copper	US$ 8000
Aluminium	US$ 1950
Nickel	US$ 20 000
Zinc	US$ 1800
Lead	US$ 2000
Tin	US$ 25 000

Bob Stein:

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