

Non-Ferrous

New study to aid protectionism battle

In common with the BIR Ferrous Division, the threat posed by protectionism in relation to secondary raw materials was the major preoccupation at the world recycling body's Non-Ferrous Metals Division meeting in Rome. The impact on the aluminium market of car production developments - notably in reference to Asia - was also addressed at the gathering

As a further weapon in its fight against protectionism, the BIR Non-Ferrous Metals Division is asking leading metals market researcher CRU to conduct 'a detailed worldwide study on non-ferrous scrap, its consumption in the different countries, areas and regions of the world, and the scrap flows around the world'; it was confirmed at its meeting in Rome. The initial focus will be on aluminium and copper, and the aim is to present findings to the divisional Round-Table meeting in Barcelona this October. The Division's Senior Vice President Peter Dahmen of Germany-based Metallhandelsgesellschaft Schoof & Haslacher mbH & Co., warned of 'a growing protectionist approach from governments as they want to secure the raw material availability for their industries', adding that 'environmental concerns are used more frequently to complicate exports of non-ferrous scrap'. Protectionism is tarnishing a generally positive outlook for the non-ferrous scrap business, according to Mr Dahmen. 'We need free and fair trade,' he declared.

'Chronic uncertainty'

Loretta Forelli, one of the owners of the family-based Forelli Group in Italy which specialises in brass ingot production, insisted that 'protectionism will not work' because it inevitably provokes counter measures; rather than erecting barriers, there is a need for 'co-ordinated, regulated and balanced' free trade, she said. Mrs Forelli also expressed regret at the delay in the emergence of an effective anti-crisis policy in Europe and of the 'chronic uncertainty' currently gripping the Euro-zone as manufacturing activity slowed and unemployment increased.

Her comments provided the ideal platform for the presentation from Marco Valli, Chief Euro-zone Economist for the Italian-based pan-European banking organisation UniCredit. He argued that the developed world would suffer the most 'if things turn sour' for the European monetary union.

However, he also pointed out that rising leading indicators in emerging markets have been helping metals prices. He predicted that the copper market 'will remain well supported at least this year' whereas increased supply could push prices lower during the course of 2013. UniCredit is forecasting an average copper price of US\$ 8400



The Non-Ferrous Division meeting was chaired by Senior Vice President Peter Dahmen of Germany-based Metallhandelsgesellschaft Schoof & Haslacher.



Shigenori Hayashi, Director of Materials Management at Japan's largest secondary aluminium smelter Daiki Aluminium Industry Co. Ltd.



Anton van Genuchten of Reukema Blocq & Maneschijs in the Netherlands.





Guest speakers Loretta Forelli of the Forelli Group in Italy which specialises in brass ingot production and Marco Valli, Chief Eurozone Economist for the Italian-based pan-European banking organisation UniCredit.

per tonne for 2012 and of US\$ 8200 for 2013, and aluminium values for the same years of, respectively, US\$ 2275 and US\$ 2450.

'Biggest growth potential'

Asia was hailed in Rome as 'the fastest-growing secondary aluminium market in the world' with 'the biggest growth potential' regarding car demand. But Shigenori Hayashi, Director of Materials Management at Japan's largest secondary aluminium smelter Daiki Aluminium Industry Co. Ltd, began a detailed presentation on this subject by noting that car demand in his home country 'has been below 10 million units since 2009' and 'is shrinking at a rate of around 4-5% per year', partly because owners are looking to keep their vehicles for longer and because of a decline in car ownership among the younger generation.

'In these circumstances, the aluminium alloy market in Japan may well shrink further, and certainly no expansion is foreseeable,' he told delegates. 'Aluminium alloy manufacturers, and customers including the automobile industry, both have excess capacity, and the key question for the future will be how they manage the downsizing process.'

China overtook the USA in 2009 as the world's leading producer of cars, with the former churning out 18.4 million units for a 23% share of global production last year. So when viewed solely from the demand side, China's secondary aluminium alloy industry appears to be the best positioned, according to Mr Hayashi. But it also faces problems, including plans to rationalise small and medium-sized manufacturers 'which do not have sufficient capital to develop environmentally-friendly facilities'. In practice, he said, this step 'will target alloy manufacturers with annual output below 50 000 tons which are not moving to install bag filters'.

Rising salaries

Since the early 1990s, the majority of alloy manufacturers in China have used Zorba as their main raw material, adding value by hand-sorting and thereby sustaining the price competitiveness of aluminium alloys. 'However, this approach has become less feasible in the light of rising hand-sorter salaries and personnel shortages,' explained Mr Hayashi. In South China, for example, salaries have leapt around 60% over the last six years. As a result, some major aluminium alloy producers 'have looked into the possibility of replacing hand-sorting with mechanical sorting using heavy media'. In line with the growth in demand, Chinese secondary aluminium alloy manufacturers have been 'actively investing', according to the guest speaker. 'If the production increases planned by these companies are achieved within the next few years, annual supply capacity will be raised by more than 1 million tons over the current figure.'

Less competitive

Describing Thailand as the largest secondary aluminium alloy producer among the Association of Southeast Asian Nations (ASEAN), Mr Hayashi noted that the country has earned the nickname 'Detroit of the East' because it has attracted many car and component manufacturers from Japan, North America and Europe, and has established a supply chain centred on the capital Bangkok. 'It is anticipated that the secondary aluminium alloy industry will recover from the damage caused by the recent flooding and once again move to a growth trend,' he told delegates. In contrast, the speaker said it is 'difficult to be optimistic about the future prospects for the secondary aluminium alloy industry in Malaysia' because IT industry players have been moving to other countries such as China and the Philippines while domestically-made vehicles have become 'less competitive internationally'. Earlier, Mr Dahmen described high-end vehicle production in Germany as 'booming' whereas producers of smaller vehicles in Southern Europe are 'suffering'. He added: 'The aluminium consumption of the automotive industry will continuously rise and the scrap availability for our market will grow as well. Copper consumption as well will rise considerably due to the growth in demand for electric cars.'

Supply scarce

In a summary of the world non-ferrous metals markets based on reports to the latest BIR Non-

Ferrous Metals World Mirror, Anton van Genuchten of Reukema Blocq & Maneschijn BV in the Netherlands suggested that 'scarce supply' in Europe is limiting downward pressure on scrap prices. 'Production plants in most of Europe have up to 40% less scrap,' he said. 'Many suppliers are currently trying to hold on to their stocks a bit longer as most material in this scarce supply market is bought too expensively.'

The Euro has lost significant ground to the US dollar, thus 'dampening somewhat' the fall in LME prices for Europe. But Mr Van Genuchten also offered the following nightmare scenario: 'If there were a return to the recent levels above 1.32 combined with the already-subdued quantities and narrow margins, the carnage in the European scrap industry could be considerable.'

Theft contagion

In promoting the BIR International Trade Council (ITC) meeting taking place the following day in Rome, its Chairman Robert Voss of Voss International in the UK warned the Non-Ferrous Metals Division that theft from containers is becoming 'contagious'. In addition to the loss of valuable material, other downsides include rocketing insurance premiums, disgruntled customers left feeling 'short-changed', and shippers reluctant to handle the scrap industry's materials. Furthermore, press coverage rarely reflects the fact that the scrap industry itself is 'often the victim' of metals theft, he said.

'It's a problem that's not going to go away,' insisted Mr Voss. 'We need to confront it as an industry.' Similarly, the impact of scrap-related fraud 'is getting worse and worse,' according to the ITC's Chairman, who went on to urge BIR members to report any instances of theft or fraud to help the world body to fight this twin menace and to improve the industry's image as a result. □



The majority of alloy manufacturers in China have tended to use Zorba as their main raw material.