BIR NF-Metals Division: Price advantage for Chinese copper producers through state subsidies

Main topic at the non-ferrous session at the BIR (Bureau of International Recycling) World Recycling Convention & Exhibition (Oslo, 26-28 May 2003) was the situation on the scrap markets. Especially for copper the situation is dramatically.

In his market introduction, Non-Ferrous Division President Marc Natan of Malco SA, France, identified China as the economic "star pupil" in the first quarter of this year with 9.9% growth although it remained to be seen, he said, whether the global slow-down and SARS epidemic would seriously affect the country's industrial output and therefore its import requirements. In world terms, the recovery initially predicted for the middle of this year was likely to be delayed until the year end and would be "limited in its scale", he said.

Hans-Gerhard Hoffmann: "The traders and the secondary refiners are in the same boat". (photos: METALL)

Rerouting of copper scrap

A major consumer of copper scrap expressed his deepening concern for the future of free trade at the meeting. Hans-Gerhard Hoffmann, executive board spokesman for Germany's Hüttenwerke Kayser AG, argued that "state subsidies give a major price advantage to Chinese copper producers" and represented a form of "protectionism" that was damaging to copper recycling.

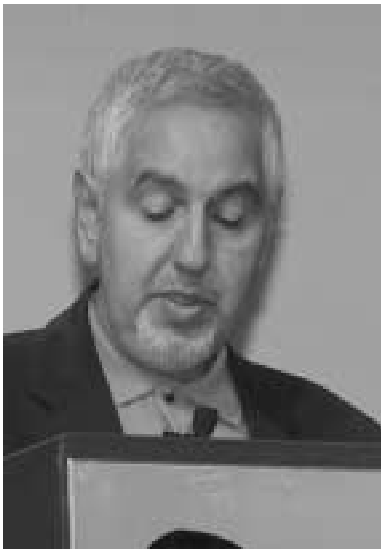
The speaker told the very interested participants of the non-ferrous-session that European secondary copper refiners suffer. The operating conditions are deteriorating due to

- sustained low copper prices,
- increasing product export result in export of scrap generation,
- an increasing efficiency in production and pre-treatment,
- miniaturisation of products (it makes it more difficult to recover copper) and,
- trade distortions.

The rerouting of copper and copper alloy scrap affects European copper refiners. In 2001 China was importing 3.3 Mio. t copper scrap. With 8000 t in 2001 Russia was practically not a copper scrap exporting country compared to the large amounts of the year 1997 with 355,000 t. This development is affecting all sectors of industry. There is a dramatic reduction of scrap availability and a dramatic drop in refining charges. This affects all: secondary smelters/refiners, semi-fabricators, cable-recyclers, mechanical dismantlers, logistic companies and merchants.

Unbalanced structure in China

It must be taken in consideration that there is an unbalanced structure in China. Here the copper demand will rise considerably. The current per capita consumption is well below the global average, but China has an annual GDP growth of 9.2%. It has a significant expansion in copper production. The capacity rose from 758,000 t in 1991 to 1.85 million tons in 2001. An addition of 800,000 tons in the years 2002 to 2005 is expected. But the inadequate use of resources and failing acquisition of foreign mines creates high import requirements of raw material. "In my view: This kind of long-term growth you can not fill with scrap", Hoffman said.



Marc Natan: "China is the economic 'star pupil".

China is an example for a subsidized market. The state subsidizes give major price advantages to Chinese copper producers, Hoffman showed and he added: "This is protection in another form. This is harming recycling – this is harming our business". Noting China's recent entry into the World Trade Organisation, Hoffmann insisted: "Free trade cannot be a one-way street - us offering it and others abusing it."

Closed scrap markets in Russia and Ukraine

Another important fact was the creating of closed scrap markets in Russia and Ukraine. This backed the domestic copper industry and led to a significant drop in exports to Western Europe. But Hoffmann remained: "Blocking the material outflow with high export taxes of 50% (Russia) and export bans (Ukraine) can't be the solution". On the speakers opinion, Russia – as an applicant to WTO – must open up for free and fair trading. He added: "Russia has to do his homework, for example in legislation and finacing."

As well known copper recycling has many strengths, for example there is no down-cyling. Hüttenwerke

Bjorn Grufman: "There is one word that is very common in all the various reports form over the world and that is UNCERTAINTY".

Kayer as the largest copper recycler worldwide is producing 180,000 tons of cathodes from secondary raw materials. The new technology KRS (Kayser Recycling System) is working since February 2002 (see also report on pages 454 to 455). Now there is the start-up of electronic scrap recycling. It is a fact, that European run state-of-the-art technology in line with most demanding legislation. The achievement of close cooperation between merchant and refiners are now at risk due to unfair competition.

The guest speaker suggested that scrap buyers in some parts of the world might not want the whole gamut of services offered by the recycling industry. By contrast, "European refiners in a fair and open market require the full service of traders and merchants - mechanical pre-treatment, dismantling, cutting, sorting". Nevertheless, the achievements which had emanated from the close co-operation between merchants and refiners were now "at risk due to unfair competition", he contended.

The speaker reminded forcefully "European refiners in a fair and open market require the full service of traders and merchants." European refiners and traders have a joint interest", Hoffmann concluded: "The target must be a real free trade".

World markets: Combination of SARS and the war in Iraq

Summarising the world markets, Bjorn Grufman of MV Metallvarden AB in Sweden noted that the combination of SARS and the war in Iraq had created a "severe lack of business confidence" in the **Middle East**. Prices falls are reported in both aluminium and copper scrap, due to not only the Iraq Situation but also the SARS situation in China and a transport strike in India."From India we read about mixed performance in most of the consumption areas, e.g. a new secondary copper producer is without ownership and within the aluminium sector performances varies", the speaker said. The traders in the markets seem to be irritated over the bad performance from the administrative authorities implementing the VAT system.

In **Asia/Pacific Rim** the outbreak of SARS has strongly influenced the non-ferrous activity. However, Chinese and Far East demand for high-grade copper scrap appears to be steady. Even within the aluminium sector the prices have been pushed downwards. It is reported that custom officials have implemented tighter restrictions at Ports in South China.

In **North America** has it been another month of rather bland activity and of balanced supply/demand in the copper and brass markets. The narrowing discounts under terminal markets has probably resulted from lack of enthusiastic selling among scrap dealers, and increased demand for No. 1 copper scrap among Chinese

Fernando Duranti: "Difficult market conditions had been accompanied by growing administrative problems resulting from ever-stricter environmental legislation".

buyers. Again China is the market for higher grades of copper scrap. Aluminum prices have become somewhat softer. It is not easy to predict what the coming months will bring.

The situation in Europe is not positive: In **France** the conditions are not at all positive, the reason being low demand and the negative change in the exchange rate US dollar/Euro.

The **German** federation (VDM) reported, that most of their members are not at all happy with the situation. The supply situation in Germany was judged to have

Bob Stein: "The international flow of non-ferrous metal, at least from Norrth America, will continue to increase for many years to come".

become increasingly critical. Generally all scrap metal prices in Germany have fallen during the last month.
The **Italian** consumers in general have complained of a shortage of scrap, however if the SARS outbreak continues to put a brake in the activity in China, this may result in a diversion of scrap to European consumers. Brass scrap that have been in short supply in Italy since long have recently regained supply of substantial amounts from suppliers in Germany and the UK. The domestic scrap generation in Italy is around 30-40 % below average. The aluminium scrap picture is also dull. The export prices to China are putting pressure on all actors in the UK copper scrap market. The brass scrap situations are somewhat better bur margins remain tight.
In the **Netherlands** the economy is also continuing to slow down. Most of the non-ferrous metal scrap prices have fallen.

Situation in North America

Non-Ferrous Division Senior Vice-President Bob Stein of Alter Trading in the USA acknowledged criticism from domestic scrap consumers concerning exports of highly-prized raw materials to countries such as China. "I don't accept this," he said. "The North American scrap processing industry is not to be blamed for the fact that economics ... dictate that we face significant challenges in processing our own scrap. In some cases, we can't afford to extend labour that costs as much in a day as it does in a month in China to prepare many of the products to the demanding specifications of the North American consumer."
The speaker recognised that Chinese buyers had effectively penetrated the traditional market all the way down to smallest US scrap dealer. However, he dismissed calls from protectionism, notably from Europe, with the words: "The free and unencumbered flow of scrap across national boundaries is vital."

Difficult market conditions

Fernando Duranti, President of Eurometrec, suggested difficult market conditions had been accompanied by growing administrative problems resulting from ever-stricter environmental legislation. Annual membership dues that might seem expensive to some members were clearly "extremely reasonable" if one considered the work performed by the Brussels secretariat to "monitor the legislation, react to the draft directives or regulations, inform our national federations' secretariats, write position papers and meet decision-makers", he argued.
The meeting approved the election to the BIR Non-Ferrous Division board of Andy Wahl, Newell Recycling of Atlanta, USA.

Aufwind während des EFB-Kolloquiums spürbar

Das Kolloquium der Europäischen Forschungsgesellschaft für Blechverarbeitung (EFB) zum Thema „Optimierung von Produktionsabläufen in der Blechverarbeitung" vermittelte in diesem Jahr den Teilnehmern neueste Erkenntnisse entlang der Prozesskette in diesem Segment.

Hans-Dieter Stenzel, Geschäftsführer der EFB, sieht trotz der akuellen Wirtschaftsflaute zum Ende diese Jahres gerade für die blechverarbeitende Industrie den Silberstreif am Horizont: „Das Tal der düsteren Zeiten haben wir in den kommenden 12 Monaten überwunden. Sicher ist es schwer, aus dieser Talsohle herauszukommen" – doch der erste Aufwind war während des Kolloquiums spürbar. "Praxisnahe Beispiele in der Anwendung neuer und weiterentwickelter Fertigungsverfahren haben gezeigt, dass die Neuerungen im Entwicklungs- und Forschungsbereich und in der Industrie Wege des Vorankommens weisen," so Stenzel.

Herausforderungen angenommen

Michael Heinrich, Müller Weingarten AG, stellte in einem umfassenden Beitrag die Innovationen und Entwicklungen in der Blechumformung vor. Derzeitige Herausforderungen sei der mehr und mehr im Bereich Automobil zum Tragen kommende Materialmix. Gerade bei der Karosserie, die immerhin 25% des Fahrtzeuggewichtes ausmache, würden derzeit unterschiedlichste Konzepte verfolgt, die neben Stahl auch Aluminium, Magnesium und