

Non-Ferrous

Abbott: 'The world does not need scrap contracts'

The BIR Non-Ferrous Metals Round-Table in Warsaw featured a number of highlights, notably the official launch of a study conducted by CRU Strategies into copper and aluminium scrap flows; the giving of a gift to the board's outgoing senior vice president Peter Dahmen in recognition of his contribution over many years to the divisional board; and the relatively rare event of a BIR Certificate of Merit presentation.

Only a select group of individuals has been presented with a BIR world recycling organisation Certificate of Merit. This short list was extended by one in Warsaw as Euro-metrec president Robert Voss conferred this coveted accolade on Martin Abbott who, until recently, had been ceo of the London Metal Exchange. According to the citation, Abbott was receiving this prestigious recognition for the 'continuous support and commitment' shown towards a

secondary metals industry of which he had 'a great understanding'.

When politely asked to 'sing for his supper', the former LME leading light did not disappoint, providing a characteristically frank and humour-filled view on key issues relating to the non-ferrous scrap sector. Most notably, he insisted that 'the world does not need scrap contracts' given that the markets were functioning effectively without them. For a forward/futures market to work, he had earlier contended, 'it has to solve a problem' and there has to be recognition within an industry that 'there is a problem to be solved'. In this same context, the guest speaker also identified the need not only for 'contractual integrity', such that no user adopted the attitude that he or she could walk away from a responsibility, but also for the market to be open to 'different users with different motivations', including speculators who provided much-needed liquidity.

In an aside that would have interested the ferrous sector, Abbott still anticipated the develop-

ment of a functioning steel futures contract. 'It will be delivered and will be based around billet,' he suggested.

'No-nonsense' approach

Abbott was unequivocal in his support and admiration for the metals recycling industry. The scrap sector in general boasted a greater concentration of 'people trading with their own money and assets', resulting in a 'no-nonsense' approach to business that was 'very, very refreshing'. The scrap industry was also the biggest user of sophisticated forward/futures markets and was 'utterly conversant with them,' he added.

Abbott went on to underline the 'critical role' of the BIR as a single place for holding targeted discussions. A regular visitor to, and speaker at, BIR Conventions over the past three decades, he praised this 'open and welcoming forum'.

The other guest speaker in Warsaw was Alexey Alipchenko, head of the Representative Office of CIS, Central Asia and the Baltic Countries at the Trimet Group. He suggested Russia's aluminium scrap export tax would be cut in increments from 40% to 10% over the coming few years in response to the country joining the World Trade Organization. But with talk of the introduction of an 'ecological tax' to protect against overseas shipments, Russia might not become a major exporter of scrap even after the tax has been lowered to 10%, he suggested.



Peter Dahmen: non-ferrous markets 'are still characterised by low volumes and reduced margins'.



Sidney Lazarus: South Africa's scrap export directive now in force.

Cu and Al scrap: China nearing 'tipping point'?

'China will become a major exporter of non-ferrous scrap,' declares a new report prepared for the BIR Non-Ferrous Metals Division by CRU Strategies. However, the specific point in time when this is likely to occur 'is very uncertain', it is concluded in the aluminium- and copper-focused 'Global Non-Ferrous Scrap Flows 2000-2011' which is now available in hard-copy format as well as via the BIR homepage.

Having previously predicted that ferrous scrap generation in China would rise strongly after 2020, this latest study poses the question whether the same will happen in aluminium or copper. At the moment, it points out, China is near the low point of scrap generation after years of very rapid economic growth. But a 'tipping point' will come, it believes, when its domestic scrap generation will increase rapidly. Given that copper is used mostly in construc-

tion, the red metal is seen as likely to suffer a similar future to that of steel, with scrap generation increasing rapidly 'just as the infrastructure building phase of China's growth winds down'. Aluminium 'looks more secure' in the long term as its end-uses 'are much more diversified', the report adds.

Worldwide, more scrap will be generated going forward as infrastructure and consumer goods age. However, the primary supply of aluminium and copper will become more costly and, as a result, scrap is expected to become 'more desirable'. Aluminium and copper demand growth will abate going forward, but this does not necessarily mean lower demand for scrap, according to the report. High copper prices mean that recycling will continue and scrap supply will grow going forward. Although the price of aluminium is not expected to rise to the same extent, growth is also anticipated in light

metal recycling. 'However, competition for this scrap will also continue to grow,' it is insisted.

Aluminium and copper scrap flows from the developed world to developing and rapidly-growing nations - 'in particular China' - are set to continue, such that scrap consumers in Europe, Japan and North America 'will increasingly compete with consumers in the Middle East, Asia and China'.



Chairing the Warsaw meeting in the absence of its divisional president Robert Stein of US-based Alter Trading, Peter Dahmen of Germany's Metallhandels-gesellschaft Schoof & Haslacher lamented that the economic situation had not really improved since BIR's 2013 Spring Convention and that the non-ferrous markets 'are still characterised by low volumes and reduced margins'.

*Peter Dahmen:
'Refiners and remelters
are competing
for the same scrap
grades.'*

Conditions were particularly difficult for aluminium - especially in Europe, according to Dahmen. 'Refiners and remelters are competing for the same scrap grades, and remelters aren't able to buy the usual scrap according to the LME discounts they need for profitable production,' he explained. 'Sourcing of scrap for remelters is getting extremely difficult.' He believed supply tightness would increase and strong demand would keep premiums for scrap 'at a relatively high level'.

Dahmen also underlined BIR's efforts to promote best practice guidelines given that fraud-

ulent activities constituted 'a disaster for our industry and for the public perception of our industry'. Illegal overseas shipments led in the long run to an increase in bureaucratic hurdles and provided ammunition for those arguing in favour of export bans. 'This cannot be in our interest,' he insisted.

Dahmen received a gift to mark his final meeting as senior vice president of the BIR Non-Ferrous Metals Division, a position which has now passed to David Chiao of the Uni-All Group.

'Terrible and growing problem'

Robert Voss of UK-based Voss International, who in addition to his lead role at Eurometrec is also chairman of the BIR's International Trade Council, could offer exporters little comfort regarding what he described as the 'terrible and growing problem' of metal theft from containers. Indeed, he suggested somewhat tongue in cheek: 'I think the only area of growth in our industry at the moment is this theft.'

Voss revealed that the world recycling organisation was considering another member questionnaire in a bid to update its information on thefts and to gauge the scope of the problem. A similar initiative several years ago had turned up 'fascinating and frightening' results and had confirmed that theft from containers 'tends to be extremely well organised', he told delegates in Warsaw.

Court bid fails

Even as the BIR was holding its Autumn Round-Tables, South Africa's Metal Recycling Association was being told that it had been unsuccessful in a court bid to overturn a government directive imposing restrictions on exports of scrap. In providing a summary of global market developments, Sidney Lazarus of Non-Ferrous Metal Works in South Africa explained that the directive had taken immediate effect and provided the country's consumers with an opportunity to purchase scrap at a 20% discount to the international price.

Also according to Lazarus's global review, China's scrap imports were growing as many consumers started to 'increase their stock of raw material'. Meanwhile, scrap import duty hikes earlier this year had made India a 'less attractive' destination, he added. □



Alexey Alipchenko: Russia's aluminium scrap export tax will be cut to 10% over the coming few years.



Martin Abbot, former ceo of the London Metal Exchange, was presented with a BIR Certificate of Merit.