

Non-ferrous

Caution remains the watchword



Given the severity of market conditions at the same stage last year, companies in the non-ferrous metals sector can be excused for celebrating something as fundamental as their very survival. But while conditions have improved markedly since those dark days of falling prices and contract disputes, contributors to the Non-Ferrous Metals Round-Table in Amsterdam were agreed that challenges still lie ahead.

'As restocking of finished non-ferrous products takes place, as the automotive industries around the world improve, as delayed construction projects are rejuvenated and people go back to their jobs, I think that we can look forward to sustainable improvement in our businesses.' This was the upbeat message from divisional President Robert Stein of US-based Alter Trading to the BIR Non-Ferrous Metals Round-Table in Amsterdam.

He offered his congratulations to those companies that have survived 'what was arguably the most challenging and stressful time for our industry in modern times'. Although some companies have 'van-

ished' and many have 'lost a lot of money', the industry for the most part 'is on a far better course than we were last autumn', he said. 'There is realisation that, hopefully, we've seen the worst of what the world has to give us.'

In 2009, the prices of many of the leading non-ferrous metals have been driven higher by a combination of governments' financial stimuli, strong demand from developing nations, supply disruptions, production cutbacks and a lower value for the US dollar, he suggested. He noted by way of example that, between January of this year and the Round-Table in late October, LME cash price averages for copper and lead had soared around

95%, while the gains for zinc and nickel had exceeded 60%. Over the same period, aluminium and tin prices had climbed, respectively, 34% and 31%.

Optimism still guarded

But the renewed optimism within the non-ferrous metals sector remains 'very guarded', Mr Stein stressed. There is more caution and more recognition among buyers that sellers need financial performance guarantees, and hopefully increased scrutiny and due diligence on the part of suppliers as a new wave of market participants surfaces, he said. And referring to the surge in contract defaults following the onset of the global financial and economic crisis, he added: 'There are some who stole from us and have reincarnated under new names (and) some who still regard their purchase obligations as commercial conveniences and not binding agreements.' He went on to report that, at the request of its Non-Ferrous Metals board, BIR has initiated a study relating to the organisation's Code of Conduct and members' compliance with its by-laws. 'A good start has been made,' he said, 'and it will no doubt serve as a springboard to initiate in-depth and meaningful changes to our rules.'

Rather sombre

Delegates to the Round-Table were also provided with a country-by-country summary of market conditions based on

the most recent BIR Non-Ferrous World Mirror. Delivered by Dhawal Shah of Metco Marketing in India, this highlighted 'doubts' over the strength of domestic demand in China, describing as 'rather sombre' the non-ferrous metals market in the south of the country. Meanwhile, non-ferrous trading volumes in the USA have shrunk to around 50% of last year's highs while those in the UK have dropped some 30% from their peak, he added.

Guest speaker Günter Kirchner, Secretary General of the Organisation of European Aluminium Refiners and Remelters (OEA), also added to this cautious tone by contending: 'I'm not so sure the bad times are really over.' On the subject of China, he pointed out that its imports of aluminium scrap from the EU were higher in the first half of 2009 than for the whole of 2008: the respective totals were 257 426 tonnes and 252 119 tonnes. From the wider perspective, he added, international aluminium scrap flows have sky-rocketed from 427 200 tonnes in 1995 to an estimated 2.8 million tonnes in 2007.

Stable relation 'missing'

Mr Kirchner's presentation also called for the wrought alloys pricing system to be adopted for casting alloys. 'A stable relation between aluminium alloys and aluminium scrap is missing,' he argued. His organisation is looking to hold talks with the scrap industry to gauge whether such an exercise could prove worthwhile.

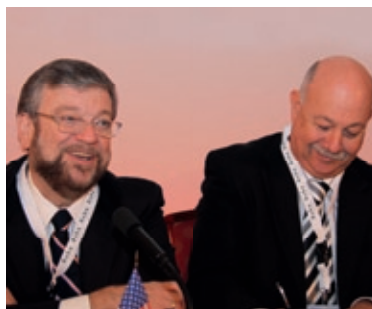
Fellow guest speaker Michael Widmer, Metals Strategist with Banc of America Securities-Merrill Lynch in the UK, envisaged potential for a 'relatively healthy rebound in GDP growth' and an improvement in metals demand next year, partly because many government stimulus packages will roll over into 2010. He ventured an average copper price for next year of US\$ 7000 per tonne. □



Dhawal Shah of Metco Marketing in India.



Guest speakers Michael Widmer of UK-based Merrill Lynch Financial Centre (left) and Günter Kirchner, Secretary of the Organisation of European Aluminium Refiners and Remelters (OEA).



BIR Non-Ferrous Division President Robert Stein of US-based Alter Trading (left) and Michael Oppenheimer of Brookside Metal Company in the UK.