Non-Ferrous Metals division

# China a scrap purchasing 'battlefield'

*The format of BIR's Non-Ferrous Division meeting was altered to accommodate a 'spotlight' discussion on copper, which featured market perspectives from the U.S., Europe and, perhaps most importantly, China. However, there was still an opportunity for a review of the wider non-ferrous metals scene.*

One of Monaco's many marinas.


From left: Salam Sharif of Sharif Metals, United Arab Emirates; Peter Mathews of Black Country Metals, U.K., Johan van Peperzeel of W.A. van Peperzeel, The Netherlands, Hans Münster of the German non-ferrous association VDM; and Division President Marc Natan of Malco S.A., France.

From left: Björn Grufman of M.V. Metallvärden, Sweden; Fernando Duranti of Leghi & Metalli Int., Italy; and Thierry Cochet of Européenne des Metaux, France

**By Ian Martin**

China's appetite for copper scrap - notably Birch/Cliff and Berry/Candy - has created something akin to 'a battlefield', with competition for raw material leading to conflicts between brokers, dealers, traders and end users, according to Simon Mao of Shanghai Dachang Copper Ind. Co. The country's copper scrap imports reached a record 3.3 million tonnes last year and demand will continue to increase over the next five years, he told the BIR Non-Ferrous Division meeting in Monte-Carlo.

Mr Mao attributed this growth to a lack of copper resources in China itself and a 9.33% annual average increase in copper consumption over the last decade. Last year, consumption of refined copper in China was more than 2.2 million tons while the supply of domestic copper concentrates and copper scrap totalled around 600 000 tons - clearly insufficient to cover demand, he said. The 3.3 million tons of copper scrap imported last year included around 900 000 tons of cathodes and 2.44 million tons of copper concentrates.

According to Mr Mao, another key factor in the emergence of China as a world player has been 'motivation for profit'. He explained: 'Due to low labour costs and low investment in environmental protection, scrap yards can gain enough profit from processing imported mixed scrap, insulated cable and electonic scrap.'

That said, Mr Mao acknowledged that 'the pressure for environmental protection is becoming heavier'. China's National Bureau of Environmental Protection has already established centralised industrial zones for environmental operators such as scrap processors in order to facilitate regulation.

### No dedicated smelter

The growing Chinese market was also one of the key themes addressed by Glen Gross, Chief Executive Officer of Wimco Metals, U.S. His own country lost more than 275 000 short tons of domestic annual No 2 copper consumption between 1995 and 2001, with China emerging as the major outlet for this grade of scrap followed by Korea and

Germany. The U.S. no longer has a dedicated secondary smelter of No 2 copper, he emphasised.

In order to meet the needs of overseas customers, it has been necessary for U.S. shippers to review their No 2 package with respect to quality, form and conveyance while paperwork has also become more complex, according to Mr Gross. 'At some point, foreign consumers need to issue detailed specifications for acceptable product,' he suggested. 'The nebulous terms "Birch/Cliff" and "No 2 copper minimum 94%" need to be more clearly defined by each consumer.'

Mr Gross anticipated that more than 250 000 tonnes of No 2 copper will be exported by the U.S. this year. If prices were to rise, for example, to US$ 2200 per tonne, he believed the U.S. alone would see an increase in the generation of No 2 copper scrap of at least 50%. Thus, the search for outlets would present a major challenge for the international marketplace. He warned: 'In the 1990s, it was Eastern European scrap that flooded international scrap markets, and in the 2000s it could be American scrap.'

### Unfair customs regulations

Dr Peter Müller of Montanwerke Brixlegg AG, Austria, stressed that 'unfair' customs regulations as well as lower labour/environmental costs in some countries are enabling local producers to pay higher prices for their scrap. While availability of copper scrap in the EU is on the decline, exports to the Far East are 'increasing dramatically'. He calculated that around 300 000 tonnes of copper content in scrap is now 'missing' in the EU, such that European secondary copper refiners are 'suffering quite severely'. If Europe's refiners fail to cover costs, it may be only 'a matter of time' before widespread closures ensue, he warned.

EU copper scrap imports from Russia and the Ukraine declined last year to only around 7% and 5% of the respective 1999 levels. The EU and others are working hard to try to reopen the flow of non-ferrous metals from these two countries but, according to Dr Müller, there is 'no chance - at least for the time being'.

In his non-ferrous market overview, Thierry Cochet of France identified lead as the only metal not to see a shortage of material this year. He pointed to a significant turn-round in general non-ferrous market conditions over recent weeks with consumers no longer so keen to buy their raw material 'at just any price'. He added: 'Consumers are taking advantage of the current situation to increase their margins a little.'

Optimism in Asia and Pacific Rim has prompted analysts to revise upwards their growth forecasts for the year, according to Mr Cochet. Sustained demand for primary and secondary material has seen the region buying from both Europe and the U.S.

### Scrap knows no borders

Meanwhile, Non-Ferrous Division President Marc Natan, also of France, explained that secondary non-ferrous metals 'know no borders' and that the trade has become truly international. He added: 'We are dependent on the exponential growth taking place in China. If this empire catches a cold, we all start sneezing.'

Turning to the U.S., Mr Natan recognised that American members of BIR suffered the brunt of the country's recession through reduced industrial production, lower profitability, an increase in the number of business failures and rising stocks. 'In real terms,' he said, 'the average price of the red metal found its lowest point since 1932 and was quoted on November 7 2001 at US$ 1319 per tonne.'

He acknowledged that full recovery and further investment are unlikely to take place until profits have been 'reconsolidated'. And indeed, he noted fears of a so-called 'double dip' in the U.S. economy, as well as the threat of a 'violent slippage' in the dollar and of a substantial increase in petrol prices.

In his report on the recent activities of Eurometrec, the body's President Fernando Duranti of Italy suggested the introduction of the Euro went 'so smoothly that it can be counted a success'. With Eurometrec now awaiting the final draft of the Directive on Waste Electrical and Electronic Equipment (WEEE), Mr Duranti suggested that the 'end of life' goods approach within EU waste management policy 'will continue to develop in other sectors and this will have an impact on the structure of our businesses, affecting many operations'.

He added that the revision of waste shipments regulations will impact 'in the near term' and that Eurometrec is 'working towards encouraging simplifications and improvements in this area following up on the BIR work done at the OECD'.

Closing a meeting in which the spotlight had been squarely on copper, Mr Natan confirmed to delegates that a symposium on aluminium has been proposed for BIR's Spring Convention in Oslo next May. □

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The 'Spotlight on Copper' session was moderated by Michael Lion of Lion Consulting Inc, U.S.