

Scrap and secondary

Convention Implications of contract defaults will be felt for some time

Reneges have changed industry, says BIR's Stein

DUBAI
BY BARBARA O'DONOVAN

The losses caused by recent contract defaults across the world are likely to be counted in the hundreds of millions of dollars, according to the Bureau of International Recycling's (BIR) non-ferrous division president, Robert Stein, who said that the implications will continue to be felt for some time.

"It has changed the face of the industry for a long time," Stein told MB last week at BIR's World Recycling Convention & Exhibition. In a recent MB survey, more than 60 respondents reported losses exceeding \$110 million on broken contracts – but this is only a fraction of the real sum, Stein said.

"It's certainly hundreds and hundreds of million of dollars," he said.

His comments come after a meeting of the BIR's non-ferrous

board where it passed two resolutions aimed at taking a stronger stance against the "unacceptable behaviour" of defaulting companies.

"If you're going to be a trade association, you need to have some strength," Stein said. "We're going to take a strong, more-pertinent-to-the-times approach."

While it is not yet clear what actions will be taken by the BIR, Stein's message is clear.

"You want to buy it, you need to behave and we're going to make them behave," Stein said.

There is no single answer to the problem, according to Stein, but companies should take legal action where appropriate, he said.

His company, Alter Trading in the USA, is taking some defaulters to court, he revealed to MB.

As a further precautionary measure, the company has also

expanded its due diligence.

"As a company, we now require a lot more information – we ask for copies of business licences, investigate backgrounds and require higher deposits," Stein said.

But he dismissed suggestions of the creation of a blacklist of defaulters, which some market participants have called for in recent weeks.

"BIR is not going to have a blacklist," Stein said. "It breaks the law in just about every country."

He warned against revenge tactics or following the example of others to solve financial issues.

"This is not the time to throw rocks in containers – it's the time to maintain standards," Stein said.

The repercussions for consumers who have done no wrong is great as trust gives way to distrust for many market participants.

purchased stock from London Metal Exchange warehouses to sell to consumers rather than produce themselves, delegates told MB on the sidelines of the conference.

"The LME alloy price has fallen so it's cheaper and better to buy from the LME and make a profit on selling it on," a delegate told MB.

Total aluminium alloy stocks in LME-approved warehouses were 96,304 tonnes on May 28, down from 114,840 tonnes in mid-February.

"In a market like this, it makes more sense to save yourself on the production costs and just use the stocks that are already there," a second delegate said.

Trading conditions are becoming increasingly difficult in the UK, according to delegates.

"There's barely any demand, scrap prices are far too high and none of us can get any credit insurance – there will be some casualties soon," a UK trader told MB.

DUBAI

Association will examine its arbitration service

The Bureau of International Recycling will examine its arbitration service in light of member dissatisfaction after a spate of worldwide contract defaults, the association's international trade council chairman, Robert Voss, said at the conference.

"We are aware that what we've got is not perfect," Voss told delegates.

Faced with companies defaulting on contracts, the BIR's members have found that they have few effective methods of pursuing the cash they lost.

"I've read BIR's rules and its arbitration is a little bit short; it needs more detail," professional arbitrator Zakaria Abdul Aleem, general manager of Aleem Survey & Education, told delegates.

DUBAI

BIR ambassador will discuss import rules with India

The BIR's ambassador to the Indian sub-continent, Ikbāl Nathani, was due to meet the Indian government on May 29 to discuss controversial new regulations that may affect scrap importers.

"Currently, confusion prevails... We will ask them to put it on hold," Nathani told MB on the sidelines of the conference.

As of April, Indian import rules reclassified all non-hazardous waste and scrap as hazardous.

This change in classification will require all participants to complete a hazardous waste movement form, which is known as form nine, and have the material analysed.

But filling in form nine is difficult, requires many signatures and creates extra work for the companies involved, according to Nathani.

Under the new rules, scrap consignments must also be tested by an accredited laboratory in the country of export.

Indian customs would then collect samples, which could be retained for up to three years.

BIR SPOTLIGHT

Renegitis alive and kicking

The global scrap metal industry continues to suffer from broken contracts and must fight back before it is too late, delegates at the convention said.

Losses from defaults since September for the scrap industry alone are thought to be close to \$1 billion, market participants said.

BIR representatives encouraged members to speak out against the blows they have been dealt by their defaulting counterparties.

A shroud of secrecy has covered the subject to date but, as the scale of the problem becomes apparent, the need to bring the topic into the open becomes more pressing.

Tighter contracts, more background checks, greater risk assessment and the establishment of clearer arbitration processes are the main weapons in their armoury, many said.

Metals suppliers elsewhere talked about matching their sales to their customers more closely with the latter's own business.

Some have chosen to take their cases through the courts and successful action is encouraging.

But delegates are sceptical that enough has been done to deter those responsible, fearing that, while companies continue to get away with defaulting, there is little hope of resolution.

"I hope it's not too little, too late," one convention speaker and scrap processor said on the sidelines of the convention.

Delegates lamented the days when the scrap industry could rely on handshakes and trust but conceded that doing business in such a way is over for the foreseeable future.

One thing is clear: if market participants continue to turn their backs on contracted deals, only the very fittest will survive and the damage will be far more grave.

Falls Aluminium scrap prices fall in anticipation of a difficult summer

UK aluminium scrap prices fall in cautious market

LONDON
BY BARBARA O'DONOVAN

Aluminium scrap metal prices fell last week as UK buyers showed caution ahead of a potentially difficult summer and export demand declined.

"Everyone is anticipating a harsh, difficult summer so they're buying more cautiously," one scrap merchant told MB.

Commercial pure cuttings decreased to £650–680 (\$1,044–1,092) per tonne from £650–700 per tonne and clean HE9 extrusions fell to £780–830 per tonne from £800–850 per tonne previously.

Prices rose in April on export demand, but this declined over the past two to three weeks, taking sentiment with it.

LONDON

Weak demand from Turkey constrains EU ferrous scrap exports

Turkish ferrous scrap buyers have continued to hold off making new purchases as demand for finished products remains uncertain, market participants told MB.

As a result, European ferrous scrap exporters have struggled to complete new bookings.

HMS 1 & 2 (80:20 mix) was last booked at \$230–235 per tonne fob Rotterdam four weeks ago, although some traders have reported bookings at \$240–245 per tonne fob since.

"The market is flat and demand is weak. There are no buyers of European scrap. All prices are just indications," one trader said.

"If you don't have a buyer then it's difficult to give an accurate reflection of the market," he added. "I have no buyers. We're expecting Turkey to return to the ferrous scrap market in one or two weeks."

Turkish mini-mills have

"Sentiment is down due to slack export demand," a scrap purchaser said.

Mixed alloy/old rolled cuttings dropped to £530–580 per tonne from £550–600 per tonne previously, while baled old rolled decreased to £580–630 per tonne from £600–650 per tonne.

Commercial cast fell to £580–630 per tonne from £600–650 per tonne previously.

"Everyone's finally realised the prices were just too high and, with exports down, UK buyers are no longer willing to pay," the purchaser said.

Ingot producers are under considerable pressure from high scrap prices, with few able to make any kind of profit at these levels.

"We need scrap prices to fall and we will push them down whenever we can because we can not afford to continue producing at these levels," one ingot producer said.

Ingot prices were unchanged on May 27.

LM24 pressure diecasting ingot continued to trade at £900–970 per tonne while LM6/LM25 held at £1,120–1,170 per tonne.

"From a UK standpoint, it's much as it was last week," a producer said.

Delegates attending the BIR conference said that many producers could and are doing better by buying material from London Metal Exchange warehouses to sell rather than produce it themselves.

struggled to sell their rebar and wire rod production to the domestic and export markets due to weak demand and have no need to enter the ferrous scrap market.

LONDON

UK stainless market stable, prices may rise if nickel remains strong

UK stainless scrap prices were unchanged last week but merchants may raise their sales prices if nickel continues to strengthen, market participants told MB.

The price of 18/8 solids held steady at £750–780 (\$1,201–1,249) per tonne, while 18/8 turnings were unchanged at £375–390 per tonne.

The increase in nickel prices over the past few days may prove to be short lived, which is staying the hands of merchants so far, they added.

"The price of nickel has gone up but it's a very short-lived thing at

the moment. It would be too quick to start putting our prices up on a one-day rise," one stainless scrap merchant said. "We'll maintain the stainless scrap price for the UK market and review it next week."

LONDON

US ferrous scrap offers fail to find favour with Turkish mills

Turkish ferrous scrap importers have continued to shun offer prices from US suppliers due to uncertainties about future demand for finished products.

US scrap suppliers offered HMS 18&2 (70:30 mix) at \$240–245 per tonne cfr, the same as the previous week. But MB heard of no bookings at these levels.

"The US is offering \$240 per tonne cfr Turkey but buyers want to buy at \$230 per tonne cfr and they are prepared to wait until prices fall to around that level," a trader based in Istanbul said, describing the market as "very quiet".

DUBAI

More closures likely in UK secondary Al industry, says Dahmen

More closures and bankruptcies are likely in the UK secondary aluminium market, delegates were told at the conference.

"Secondary UK aluminium producers are working at about 50% of their capacity and have to face scrap prices which they, by no means, can afford. Thus, closures and bankruptcies are expected," Peter Dahmen, md of German trading company Metallhandelsgesellschaft Schoof & Haslacher, told delegates.

In a summary of the world non-ferrous metals scrap market situation, Dahmen related information compiled by BIR's members worldwide.

UK scrap prices rose sharply during April as demand from China and India drove prices higher and forced down supply.

SECONDARY AL CUTS

£900–970
per tonne
LM24 pressure
diecasting ingot

With feed prices rising at a faster pace than ingot, producers are struggling to make a margin on ingot sales.

LM24 pressure diecasting ingot is trading at £900–970 (\$1,405–1,515) per tonne while commercial cast, a grade of scrap, trades at £600–650 per tonne and group1 litho is £800–850 per tonne, Some producers have even