COPPER AND BRASS IS SNAPPED UP, BUT ONLY Al TURNS A PROFIT

BY CHRISTOPHER CUNDY

BRUSSELS — Copper and brass scrap was described as a "shark's metal" but aluminium was said to be "the only [non-ferrous scrap] metal worth trading, with reasonable volumes and profit" by Salam Sharif of Sharif Metals, in his summary of the world scrap market at the Bureau of International Recycling's autumn convention in Brussels this week.

"The European market is very slow and tight. Consumption is on a hand-to-mouth basis due to unimpressive growth rates," said Sharif, a trader in the United Arab Emirates. He hoped that stability in the world political situation will bring "peace of mind" to everyone and renew business and consumer confidence.

The tight copper and brass scrap market is partly due to high demand from Asia. "Demand from China appears insatiable. We are looking at a market that buys by price and not by value," said Bob Stein of US merchant Louis Padnos Iron & Metal Co. Chinese buyers are disregarding the metallic content of scrap, paying more than LME cash prices suggests they should. Indeed, some smaller merchants in the US are now shipping No 1 and No 2 copper scrap to China without going to the trouble of separating it.

Meanwhile, supplies of aluminium scrap were described as being in a "narrow balance" by Thomas Tumoscheit, head of metal management for VAW-Imco in Germany. His company's flexible production techniques and the ability to use a wide range of scrap sources has helped insulate against tightness in particular grades this year, Tumoscheit said. While offers of scrap from eastern Europe have increased, the appearance of new secondary smelters in that region has now raised the offers of remelt ingot instead.

Tumoscheit warned of three factors to watch in the European industry. Firstly, a slowdown in demand may lead to some secondary aluminium companies shutting down. Secondly, the differential in physical markets and the LME contracts will affect the use of secondary sources of metal. Finally, movements in currency exchange rates will affect trade flows of scrap and ingot.

Elsewhere, lead recycling was "a disaster" in 2002 according to Johan van Peperzeel, whose Dutch company W.A. Van Peperzeel collects and trades lead and battery scrap in Europe. The margins of lead sheet producers in Europe have been squeezed by a falling LME cash lead price (currently around $430 per tonne) while still paying around $400 per tonne for scrap. In some cases, lead processors have used ingot in place of scrap. "Everybody can understand that this is bad for the recycling business," he said.

Furthermore, the European industry is under pressure to improve the environmental performance of its plants. "The lead battery recyclers have the same problems as the lead scrap recyclers — low margins or no margins at all. But they must invest in environment to survive, for EU legislation must be followed," said van Peperzeel.