

Copper Scrap Moves to Premium From Discount as Supply Dwindles

By Anna Stablum

March 11 (Bloomberg) -- Copper scrap is in such short supply that some grades now cost more than so-called primary metal traded on the London Metal Exchange, the Brussels-based the Bureau of International Recycling said.

Electrolytic copper wire scrap, graded as high quality, costs as much as \$80 to \$100 a metric ton more than LME metal, said Robert Stein, president of the non-ferrous division of the 700-member trade group. That compares with an average discount of \$20 to \$40 over the last year, he said. Three-month LME copper, the benchmark, closed at \$3,720 a ton yesterday.

The Brussels-based European Metal Trade and Recycling Federation, an industry group, last week said scrap metal inventories have fallen about 40 percent this year as global manufacturing plunges and the recession prompts consumers to hang on to their cars rather than trade them in. Scrap is used in about 40 percent of the world's production of refined metal.

``The availability of metal is minimal and the demand in the industrializing nations, especially in China, is huge,'' Stein said in a phone interview. ``We are getting enquiries daily, dozens of them for copper scrap,'' said Stein, who is also vice president of St. Louis-based recycler Alter Trading Corp.

While not all scrap is selling at a premium to exchange-traded metal, most discounts have narrowed, he said.

Copper traded on the LME plunged 54 percent last year, the most since at least 1986. Macquarie Bank Ltd. expects supply to outpace demand by 800,000 tons this year, or 59 percent more than all the copper held in warehouses monitored by the LME.

Chinese Stockpiles

Prices have rebounded 17 percent this year, partly on speculation that the government in China, the world's biggest copper user, is adding to state stockpiles.

The shortage of ``scrap right now is helping to drive the market higher because people have to take metal from the exchange and use that instead of scrap,'' Stein said.

Copper traded on the Comex division of the New York Mercantile Exchange has averaged \$1.5258 a pound this year and closed yesterday at \$1.6845. Prices would have to be ``slightly over \$1'' before reflecting the outlook for supply and demand, Stein said.

For Related News and Information:

Copper and mining: {TNI COPPER MNG <GO>}

Top metal and mining stories: {METT <GO>}

Metals page: {METL <GO>}

--Editors: Stuart Wallace, James Ludden