

Non-Ferrous

Good times followed by 'less than stellar' outlook

Although the prices of many of the mainstream non-ferrous metals have retreated from their highs of recent times, the days of cheap scrap have been firmly consigned to the past. Nevertheless, business prospects are less favourable than they have been for some time, it was suggested in Monte-Carlo. Guest presentations covered latest developments on the LME and the huge potential for growth in India's metals consumption.

The board of the BIR Non-Ferrous Metals Division is taking steps to gain an even better knowledge of metal movement trends, according to its President, Robert Stein of US-based Alter Trading. He told delegates in Monte-Carlo: 'BIR recognises the importance of understanding trends in the international flow of scrap metal, and to this end the board has voted to engage the services of the Commodity Research Unit to initiate a programme that will permit us to more closely follow the movement of our products.' This initiative would satisfy a dual purpose - as a reporting tool for the membership and as 'a means to decide where the emphasis of our efforts needs to be placed now and in the future', he went on to explain. Turning to market matters, Mr Stein

proclaimed that 'the era of cheap scrap has long passed'. And he added: 'The need for metal units is - and will be - strong for the foreseeable future. Strategically-minded consumers and fabricators will do well to take note that the supply side of this industry will dominate its economic model for years to come.'

Economic downturn

Mr Stein also recognised that, after a number of years in which the non-ferrous scrap industry had been 'blessed with good business', the economic outlook was now 'less than stellar' thanks to the downturn in the USA that had 'affected the entire world'. He added: 'This cycle will eventually end, but it will result in a change in the flow of metals to the expanding, healthier economies of the world.'

Charged with reviewing current global market conditions, Paul Coyte of Hayes Metals in New Zealand drew particular attention to discussion of a 60% power consumption surcharge in South Africa which would have a potentially 'massive' impact on the metals trade. Meanwhile, last month's earthquake in China's Sichuan province had disrupted production of lead and zinc such that 'prices could potentially spike in the short to medium term'.

Inherent volatility

London Metal Exchange's Chief Executive Martin Abbott confirmed to the well-attended meeting in Monte-Car-

lo that the exchange was 'a long way down the road' with a 'very serious study' into the possibility of introducing cobalt and molybdenum contracts. An announcement on this matter could be expected within the next few months, he added.

In his earlier guest presentation, Mr Abbott had looked to dispel the belief that metal market volatility was attributable to exchanges such as his own. 'We do not create the market - we reflect the market,' he insisted. 'Volatility is inherent in commodity marketplaces.' Indeed, he noted, non-exchange traded commodities such as cobalt, molybdenum and ferrochrome could prove 'even more volatile than on-exchange products'.

Mr Abbott also credited funds and speculators for bringing welcome liquidity to the marketplace and for 'often smoothing volatility' by 'buying when no-one else is buying or selling when no-one else is selling'. Hedge funds also provided a different insight into the market, he suggested.

Immense potential

Among the other guest presentations, delegates were told of India's massive - and largely untapped - metals consumption potential by Munjal Ujjwal, CEO of motorised vehicle specialist Rockman Industries of India. The country's comparatively low per-capita consumption of metals 'cloaks immense potential' given that a significant proportion of the population



According to experts, the supply side of the non-ferrous industry will dominate its economic model for years to come.

currently consumed 'virtually zero' but would become more substantial users over the next five to 10 years. Aluminium demand in India was expected to climb 8-9% per annum over the next few years while the country's copper consumption growth would easily outpace the world average, it was suggested by Mr Ujjwal.

Thomas Tumoscheit, Director European Metals Group of Alcoa Europe, noted that his company's annual aluminium scrap consumption had exceeded 1 million tonnes for the first time ever in 2007. Having underlined the need for suppliers to provide scrap of a consistent grade and quality, he confirmed his company's preference for establishing long-term supply partnerships. □



Michael Oppenheimer of Mountstar Metal Corp. (left) and BIR Non-Ferrous Metals Division President Robert Stein of US-based Alter Trading.



Paul Coyte of Hayes Metals in New Zealand (left) and guest speaker LME Chief Executive Martin Abbott.