

Non-ferrous scrap oversupply weighs on global markets

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London, 16 October (Argus) — Scrap supply outside of China is far outstripping demand and putting pressure on global markets, according to the non-ferrous panel at the BIR conference in London.

Non-ferrous scrap availability has increased sharply in the US and Europe in the past three months because of US tariffs and China's tighter quality controls on non-ferrous scrap that were introduced on 1 March this year.

"The secondary industry cannot cope with the volumes that all of a sudden are sitting in the United States," Andy Wahl of US-based Tav Holdings said. "We've seen a decline in the secondary scrap prices of 20-30pc in a short amount of time."

"It's not so much the pricing of the commodity but rather the quality that enables you to find other markets," he added.

US companies that are dependent on cash flow have been forced to sell scrap at lower prices, while those with stronger finances [can invest in processing technology](#) or hold material to see if the situation will change, Wahl said.

China's new quality controls have already led to [US scrap exporters redirecting material](#) to alternative markets, including southeast Asia and India.

China has filled the gap in its copper scrap supply in the short term by purchasing scrap from processors in southeast Asia, and by increasing consumption of copper cathode, David Chiao of US-based Uni Group said.

Chinese scrap processing companies have moved out of China to southeast Asia in the past year and recently established more stable scrap supply and sales, Chiao added.

But uncertainty over the trade war with the US is stalling private Chinese investment, which could have a bigger long-term effect on China's metal demand, Chiao said. The Chinese government can grant tariff exemptions to state-owned companies, giving them an advantage in the current economic climate.

India has benefited from lower Chinese consumption, taking a large amount of excess scrap from the US and Europe in the past three months, Dhawal Shah of Metco Marketing (India) said.

Scrap flows are doubly favourable in India's current business environment, where GDP and automotive demand are growing at 7pc and 10pc respectively, he added.

India has a low base in terms of automotive consumption, with 25 cars to every 1,000 people and 70 white goods to every 1,000 people, showing promising room for long-term growth, Shah said.

Panellists held mixed opinions on the outcome of China's policy to ban all imports of scrap by 2020.

China will "very likely close its doors" to non-ferrous scrap imports by the end of 2020, Chiao said. China has accumulated enough of its own domestic scrap to let processors focus on this, he added.

Michael Lion of Hong Kong-based Everwell Resources said China is likely to adjust its policy for pragmatic reasons.

There's a lot of discussion about creating capacity on the primary and secondary side, but I still question where this metal is going to go," Wahl said.

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