

Non-Ferrous

Optimism evaporates in Brussels

The previous BIR Convention in Monte-Carlo had revealed a solid base of optimism within the world non-ferrous industry. However, without the Riviera sun on their backs, speakers in Brussels were to adopt an altogether more conservative tone. Among them, BIR Non-Ferrous Division President Marc Natan described how uncertainty was dimming growth prospects for next year.



Buildings of the European Parliament in Brussels.



Salam Sharif of Sharif Metals Ltd in the United Arab Emirates.

The current period is characterised by 'an extraordinary conjunction of risk factors' for the non-ferrous metals industry, BIR Non-Ferrous Division President Marc Natan of Malco SA in France warned the Round-Table in Brussels.

Uncertainty hung over everything from company profits and depreciation of the U.S. dollar to the possibility of war in Iraq, fresh terrorist attacks and rising petrol prices. 'These threats are having a disastrous effect on growth prospects, which analysts are already describing as "weak" for 2003,' Mr Natan told delegates. Despite the relative optimism expressed at the previous BIR Convention in Monte-Carlo, the year was ending on a more disappointing note with signs that companies were putting many of their investment plans on hold.

In his summary of the world market situation, Non-Ferrous Division Vice-President Salam Sharif of Sharif Metals Ltd in the United Arab Emirates spoke of a 'fragile and depressed' U.S. economy which could lead to a pile-up of inventories and reduced metals demand. Unimpressive growth rates in Europe, meanwhile, had resulted in 'hand-to-mouth' consumption despite a shortage of scrap. 'Aluminium seems to be the only metal worth trading, with reasonable margins and profits,' he suggested.

India was striving to ensure a steady supply of copper concentrates to overcome short Chinese and U.S.

supply of cathodes. Disturbingly, added Mr Sharif, India was experiencing interruptions to scrap imports owing to customs declaration and tariff problems.

From the world perspective, China remained the 'main hope' for a base metals market revival, according to Mr Sharif. 'Excessive exports from China have reduced the cost of freight for their imports of scrap,' he added.

Flatter long-term outlook

Guest speaker Giuseppe Lacchini, President of Cell-Data Information Systems in Italy, indicated a reasonably optimistic non-ferrous market forecast for the short term but a somewhat flatter picture for the longer term, not least because of continuing weakness in the U.S. economy and the nation's high level of debt.

The BIR Non-Ferrous Division's Senior Vice-President Robert Stein of Louis Padnos Iron & Metal Co. in the U.S. noted plans by steamship companies to introduce cargo congestion surcharges which, in the short term, might double freight rates from the US West Coast to China and elsewhere in the Far East. There was also 'a lot of good news' in the U.S. - most notably its record low interest rates and healthy housing starts - but the decline in durable goods demand reflected the 'very mixed signals' being transmitted at present.



Managing Director Hans Münster of the German non-ferrous association VDM (left) and BIR Non-Ferrous Division President Marc Natan.

By Ian Martin



With generally no major improvement in U.S. or world copper usage, China's appetite for scrap was 'insatiable', noted Mr Stein. However, its preference for buying on price rather than on value had resulted in some smaller US scrap dealers 'no longer sorting No 1 and No 2 copper'.

Andre Vandenbosch, Sales Manager of Umicore in Belgium, acknowledged the loss of secondary copper refining capacity in the U.S. and suggested that their European counterparts would also struggle to survive in the current climate.

High-priced aluminium scrap

Turning to aluminium, Thomas Tumoscheit, Sales Manager of Germany's VAW-IMCO, noted that the shift in the relative values of the Euro and the U.S. dollar had reduced the attractiveness of aluminium scrap exports from Europe, particularly

China hit by supply shortage

Of late, developments on the Shanghai Metal Exchange have differed little from those on the world's other metal exchanges. The generally sideways movement has been in line with the trend on the Dow Jones and NASDAQ.

The non-ferrous scrap market in China has remained stable. However, supplies have been affected by the U.S. West Coast dockworkers' strike, with limited loading out of these ports in October. In addition, there has been a decrease in aluminium arising from border trading with the CIS and former Soviet republics. These factors have combined to create a shortage of supplies for China's scrap and secondary markets.

However, metal demand for the export market did not perform well in the third quarter of this year as a result of depressed markets in the U.S. and Japan. Although the domestic market absorbed the surplus to some degree, total demand fell back. At present, therefore, the market is characterised by low demand and even lower supply.

Some importers/processors are willing to pay higher prices and to sacrifice their normal profit margins in order to buy sufficient volumes to keep their plant going without laying off workers.

There have been few developments in government policy, although an increasing number of industrial areas are working to the 'scrap processing zones' concept. All are monitoring the 'pilot' plants in Ningbo and Tienjin (Xingang) - even the National Environmental Bureau.

Eurometrec

Reporting on the activities of Eurometrec, the organisation's President Fernando Duranti of Leghe & Metalli International in Italy identified as a main focus of concern the latest proposals to revise EU waste shipment regulations and, more particularly, the use of a 'standard tracking form' to accompany shipments of 'green waste'. Also proposed was a requirement to inform the authorities of all parties involved in the shipment - a measure which 'could break the business confidentiality principle',



argued Mr Duranti. 'We have strongly objected to these proposals and yesterday got a supportive letter from the (European) Commission.'

Mr Duranti added that the recent opinion given by Advocate General Alber in the so-called 'Mayer Parry II' case was somewhat 'worrying', even though it referred only to steel packaging. 'The recent problems in Italy with respect to steel scrap imports have demonstrated that the current situation is confusing and that a revision of the EU framework directive on waste might be necessary,' he concluded.

Eurometrec President Fernando Duranti of Leghe & Metalli International in Italy.

to Asia. He went on to note that, owing to the high price of clean scrap, billet and slab producers were increasingly using scrap with up to 10% contamination depending on the individual operation's ability to clean the exhaust gases.

BIR Non-Ferrous Division President Marc Natan confirmed that recycled aluminium prices had been reasonably stable and that demand had held up well, although volumes had been insufficient to meet all of the consumers' demands. He added that there would be a wider debate on the aluminium market at a special symposium taking place on May 26 next year during the BIR Spring Convention in Oslo.

Lead and zinc adventures

Sylvain Ostier of Norzinco-Metaleurop in France believed a recovery in the zinc market would be possible only once producers had introduced significant production cutbacks. However, Ashwini Singhal of Singhal Commodities in India pointed out that, while China's Zhu Zhou smelter had recently announced an almost 50 000 tonnes per annum reduction, Outokumpu had indicated that it would recommence production at its Tara facility in Ireland. On an upbeat note, Mr Singhal suggested prices might be gearing for a rally in the first quarter of next year due to 'signs of recovery' in the zinc-consuming sectors of the steel industry.

Meanwhile, the year 2002 was described by

Johan Van Peperzeel of W.A. Van Peperzeel BV in The Netherlands as 'a disaster' for lead recycling companies, not least because the sales price of scrap had often been lower than the buying price. A poor outlook for the automotive industry in 2003 suggested further difficulties for the lead market, he added. □



Robert Stein of Louis Padnos Iron & Metal Co. in the U.S.