

Markets appear to have disappeared overnight

Report of the BIR Autumn Round-table sessions of the non-ferrous metals division in Düsseldorf (30. – 31. October 2008)

"We live in interesting and unsettling economic times and we've arranged a meeting that we hope will answer some of the questions that abound" – with these words Robert Stein, president of the non-ferrous division opened the Autumn Round-table sessions of the non-ferrous metals division in Düsseldorf. He told the audience that – with sobering rapidity – the metal markets have replicated the financial markets exaggerated and panicked activities of recent months.

When has our industry ever witnessed the evaporation of price, credit and trust in such short order?, Stein asked, and summarized the development of the last weeks with the insolvency of the most venerable investment bank, Lehman Brothers, reduced lines of credits for companies, a lack of funding and sharp downturns in business – especially in the automotive industry. He concluded that many countries are in recession or achieving near zero rates of growth and said: "As an industry we are in the process of experiencing huge losses due to inventory reevaluations. Sales that we thought we had have evaporated." According to the speaker the current crisis in the non-ferrous business will serve to define the future way recyclers do their business in international markets. "When matters settle down, the strong and efficient buyers will have survived." Mr Stein did not see the

problem in low prices, but in the performance of trading partners. He wished all participant success in meeting the challenges ahead and showed himself optimistic: "We are by nature a resilient industry, we have proven ourselves capable of surviving

so many obstacles over the years – and we should survive this one as well."

Europe: Many black months ahead

In the search for answers to the current challenges South Africa's Mark Sellier of KMR Stainless BV spoke about its world market round-up of the international market situation, starting with the dramatic words: "A bloodbath, catastrophic, gravity defying, free fall, collapse, default, renegotiation..." Main facts were governmental guarantees for bank deposits in New Zealand and Australia, October as a "nightmare" in the Middle East ("Credit is non existent") and order cancellation in the United States. In the US domestic aluminium consumption is poor and the state of the automotive industry is unlikely to stimulate demand in that area for

some times. UBC scraps have followed the LME and the seasonal shift into winter will hopefully allow some of the excess volume to be soaked up. Copper consumers are buying, but only on a very careful basis.

In Italy leading consumers are sitting on their hands as prices fall daily. The domestic demand for copper, brass and nickel alloys is very weak.

The major concern in the UK is the stability and reliability of trading partners since the current market debacle started. Traditional Asian markets appear to have disappeared overnight and many buyers have walked away from contracts even where substantial cash deposits were placed earlier. Brass, a traditionally export reliant product, has been very hard to handle with some grades now being sold to European copper refiners rather than Asian remelters. Aluminium seems even worse off than copper and brass as Asian buyers have largely disappeared. Many producers have no ingot orders for the 4th quarter – "and the weaker ones will be under pressure to survive these circumstances", Mr. Sellier said.

The Nordic countries are reporting a regional decrease in GDP of 1 – 2 % in 2008. In Finland major mining investments have either begun or are in an advanced planning stage. These may accelerate activity in the NF



Board of the non-ferrous session (all photos: METALL)



Prof. Paul Thomes

sector although the economic climate will likely slow this process down, Mr. Sellier said.

New equipment in Russia

Russia is undergoing changes: In the past, market success was determined by volume rather than process control ability and quality control. This situation is changing with many processors opting to invest in new equipment. The market remains somewhat artificial due to the export duties in place for non-ferrous scrap. It is further expected that the government will submit a draft proposal to increase the duties on export for scrap.

Market decline in China and India

China sees a market decline beyond expectations with metals losing 40 to 70 % of their values. Following the closure of a few well known copper mills some shipments lie distressed at Chinese ports, some have been rejected and some have been subject to heavy downward price adjustments.

Demand from within India has almost vanished in what is traditionally a season of generally high demand around the Diwali Festival.

The situation in South Africa was clearly explained by citing one merchant's words: "This is worse than a divorce. I have lost half my assets ...

and I still have my wife." Commenting this, Mr Sellier said: "It's great to have sense of humour in these turbulent times" and he gave all participant the advice to remain positive: "Our business is cyclical and in spite of gravity what comes down may still go up". The speaker's proposal was: "Let us go back to future and create a responsible capitalism together. Let us invent a new market economy."

Big business = successful business?

But there is a need for answers, a real challenge for the two guest-speakers. Prof Paul Thomes of Aachen University's Faculty of Business and Economics gave an analysis of the great depression from 1929 and made a first attempt to compare it to the current situation. He showed that both situations had several points in common, for example, both started in the US. But in 1929 it started as a stock exchange and industrial crisis. Besides the US had less intensive global economic relations than today (at that time India, China and Japan were sleeping tigers) and there was little experience in handling a crisis. Both situations teach, "big business is not by definition successful business". The speaker suggested that the current economic crisis emphasises the need to aim for a fair allocation of resources and for more social responsibility that he dubbed "responsible capitalism". He called for "a certain level of systemic control" of economic players while leaving "space for creative entrepreneurial action".

The end of the beginning?

Some more answers were given by Christian Schirmeister of RBS Semptra Metals in an excellent presentation. He analyzed the situation of the metal markets in this turbulent time: "It is not a crisis in the world of metals, it has come from outside. We all try to survive". And he asked: "Where are we?" The speaker suggested the world economic/financial crisis still has some considerable distance to run by quoting British statesman

Winston Churchill: "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."

The Chairman of the LME's Copper Committee contended that, in recent years, the influence of the financial community has increasingly distanced the metal markets from the fundamentals of supply and demand. In the speaker's opinion metal prices no longer reflect the needs of the industry. In past times a price of copper over 5,000 \$ was not realistic and now it topped 8,000 \$. Mr Schirmeister said: "This is not realistic, this is not fair."

Money was too cheap...

A look at the 12 leading members of the LME gives an answer: It shows the influence of the banks. 50 % are dominated by banks. With background of speculation, copper has the highest forecast for the year 2008 "well done". But what will the future bring? For 2009 some analysts say ,5500, for 2010 a price of 4,600 is forecasted. But the speaker said that he has doubt about this, because it is not possible to give a prediction for the next three months.

... Now it is too expensive

In a list of the LME turnovers from 1990 until now two effects can be



Christian Schirmeister



Technical exhibition

seen: The start up of the electronic trading and the influence of the finance community. The speaker concluded: Metal prices would not have risen to this level if we had 5 to 7 % influence of banks. Money was too cheap, but now money has become expensive. Prices have collapsed because of a need to liquidate among people who have "never seen a cathode", "never seen an ingot of zinc", he told delegates. Now they have to sell. And the speaker gave a warning; the LME is a non-cash cleared market. He explained the processes – margining, cotango and backwardation and concluded: "To borrow a metal is to lend money" and "To lend metal is to borrow money".

Responsive to change

The speaker ended with Darwin: "It is not the strongest of the species that survives, not the most intelligent, but the most responsive to change". This way he showed optimism that the recycling sector can survive.

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BIR officially calls upon EU Commission to bring contract breaches to a halt

7. November 2008 - The Bureau of International Recycling has sent an official letter to EU Commissioners Günter Verheugen (Enterprise and Industry) and Catherine Ashton (Trade) to express serious concern regarding the commercial behaviour of many buyers of secondary raw materials in the EU and in other countries worldwide.

As a result of the current financial and economic turmoil that is affecting all sectors including the production and manufacturing industries, many buyers of secondary raw materials are failing to pay for shipments, renege on open contracts or seek extraordinary discounts from

the contracted price for materials even after the goods have reached the ports in the country of destination.

As only one of many examples, BIR informed the Commission that a major European steelmaker with a market share of 34% in Europe recently sent a letter to all its suppliers where he announced that "because of the current situation on the steel market and of the subsequent of the scrap consumption, we are sorry that we have to immediately renege on all contracts which were concluded before the month of September and for which the materials have not been delivered yet". It

must be stressed that this steelmaker also just announced a record profit for the third quarter of 2008.

Although BIR members understand that the current market situation can lead to a reduction of demand for steel, paper, metals etc., they want to vigorously denounce the current practices of some buyers, which are unfair and unethical and which endanger the functioning of the whole European recycling industry. BIR has asked for an official response of the competent directorates within the EU Commission and intends to discuss the matter at world level within the World Trade Organisation.

Stainless steel production declines further

BRUSSELS. 15 Sep. 2008 - Preliminary figures released by the International Stainless Steel Forum (ISSF) show that stainless steel crude steel production has decreased in the first half of 2008 by 1.8% compared to the same period of 2007. The decrease was 2.9% in the first quarter but just 0.6% in the second. All major regions have shown lower production volumes in the first half of this year. In the Asia region, stainless

steel production declined by 1.5% to 8.3 mmt in the first half of 2008. All stainless steel producing countries reduced their production except China. For individual countries, the rates of decrease range between 6 and 13%. With an increase of 10%, China is the only country in the region to increase stainless steel production to a total of 3.9 mmt in the first six months of this year. The second largest producing area, West-

ern Europe/Africa reported a 0.8% decrease in stainless steel production during the first six months of 2008. Total production was 4.9 mmt for the half year.

In The Americas, stainless crude steel production declined by 6.4% to 1.4 mmt in the first six months of 2008. Production in the Eastern Europe region showed a decrease of 4.3%, or 0.2 mmt on a low level of volume.



Freie Fahrt für unverzichtbare Klimaschützer

NE-Metallindustrie wählt Vorstand und Präsidium neu

Düsseldorf, 6. Nov. 2008 – „Deutschland braucht zur Sicherung der industriellen Wertschöpfungskette eine starke Metallindustrie“, so Ulrich Grillo, Vorsitzender des Vorstandes der Grillo-Werke AG und Vorsitzender der Geschäftsführung der Rheinzink GmbH & Co. KG, auf der Mitgliederversammlung der Wirtschafts-Vereinigung Metalle, die ihn einstimmig für zwei weitere Jahre im Amt des Präsidenten der WVM bestätigte.

In seiner Rede erklärte Grillo zu den weltweiten Erschütterungen durch die Finanzkrise und deren Auswirkungen auf die deutsche Metallindustrie: „Wenn wir in Deutschland kein Öl mehr haben, fahren unsere Autos nicht mehr. Aber wenn wir keine Metalle mehr haben, dann produzieren wir keine Autos mehr! Die Unternehmen ... haben die Kraft, die Herausforderungen erfolgreich zu bewältigen, - vorausgesetzt

es werden uns nicht noch zusätzliche Gewichte draufgepackt. Wir brauchen freie Fahrt für unverzichtbare Klimaschützer und keine zusätzlichen Lasten. Das ist das beste Konjunkturprogramm!“

Mit Blick auf die bevorstehende Europa- und Bundestagswahl im nächsten Jahr rief Grillo die Unternehmen der NE-Metallindustrie auf, als Botschafter aufzutreten und der Wirtschaft und Industrie, Gesicht und Stimme zu geben. „Helfen Sie dabei, Industriepolitik als Politik für eine wettbewerbsfähige Industrie wieder auf die politische Agenda zu setzen!“

Ulrich Grillo hat sich in seiner ersten Amtszeit als entschiedener Kämpfer

für faire Rahmenbedingungen in Wirtschaft und Politik, insbesondere bei der Versorgung mit Energie und metallischen Rohstoffen zu wettbewerbsfähigen Preisen, hohes Ansehen erworben. Als Vorsitzender des BDI-Rohstoffausschusses hat er die Diskussion über die Entwicklung einer umfassenden Rohstoffstrategie auf deutscher und europäischer Ebene entscheidend vorangetrieben und geprägt. In der Debatte um wettbewerbsfähige Strompreise sowie der indirekten Belastung der Metallindustrie durch die Einpreisung der Zertifikate in den Strompreis setzt sich Grillo nachdrücklich für die Entlastung der energieintensiven Industrien am Standort Deutschland ein. Er bringt es auf den Punkt: „Wollen wir Exportweltmeister bleiben oder Strompreisweltmeister werden?“

Appell von BDI und Confindustria zum Emissionshandel

10. Oktober 2008 - „Die Situation an den Finanzmärkten ist beunruhigend. Die realwirtschaftlichen Folgen sind noch nicht absehbar. Mehr denn je kommt es jetzt darauf an, die Rahmenbedingungen für die Realwirtschaft so zu gestalten, dass Wachstum, Wettbewerbsfähigkeit und Beschäftigung nachhaltig gestärkt werden. Zuversicht und Vertrauen in die Zukunft zu

schaffen, ist das Gebot der Stunde.“ Dies erklärten die Präsidentin des italienischen Arbeitgeber- und Industrieverbands Confindustria, Emma Marcegaglia, und BDI-Präsident Jürgen R. Thumann bei einem Treffen in Berlin. Die Industrieverbände beider Länder, Deutschlands und Italiens, appellierten an den Europäischen Rat Verantwortung zu übernehmen durch ein beson-

nenes Vorgehen in der EU-Klimapolitik. „Wachstum und Beschäftigung sind gefährdet, wenn jetzt der europäischen Industrie durch unausgeglichene Emissionshandelsregeln weitere Kosten aufgebürdet werden.“ so Marcegaglia und Thumann. Investitionen in klimafreundliche Technologien erfordern eine solide finanzielle Basis der Unternehmen.

Neues Fachbuch: Grenzenlos handeln? – Emissionsmärkte in der Klima- und Energiepolitik

Emissionshandel – ein Dauerthema, an dem sich die Geister scheiden. Ist es eine gute Sache oder eher eine wettbewerbsverzerrende Belastung für die ohnehin arg gebeutelte Industrie? Aktuell tritt der Emissionshandel in eine neue Phase, der Testlauf ist vorbei: Der Emissionshandel muss beweisen, ob er den großen Verursachern von CO₂-Emissionen

wirtschaftliche Anreize bieten kann, um ihren Ausstoß zu verringern. Was aber lehrt der Testlauf? Werden die gewünschten Effekte eigentlich erzielt? Fügt sich der Emissionshandel in andere Instrumente der Klimapolitik ein und kann er wichtige Impulse für die Weiterentwicklung eines internationalen Klimaschutzregimes geben? Dieses Buch analysiert die

Erfahrungen der ersten EU-Handelsperiode und gibt Hinweise auf die zukünftige Gestaltung des Emissionshandels.

Von R. Schüle, oekom verlag, 2008, 180 S., br., 19,90 Euro, ISBN-13: 978-3-86581-095-3



INSG October 2008 Meetings

LISBON. 7 October 2008 - The International Nickel Study Group (INSG) met under the Chairmanship of Mr. Per Z. Brekke (Norway). More than 70 government and industry representatives from Member Countries, including observers and several international organizations, participated in the meetings.

Nickel market observations for 2007, 2008 and 2009

The participants in INSG meetings extensively discussed current nickel market trends. Year 2007 saw strong primary nickel usage (consumption) in the first half, but demand and usage substantially declined as stainless steel production was curtailed in the latter part of the year. World primary nickel usage in 2008 started well but as the world economic upheaval continued, including tightening of credit facilities, which also resulted in lower nickel prices, demand and production of stainless steel dropped off from the middle of the year in most parts of the world, including China. Due to these reasons, it was considered unlikely that any material improvement will take place this year. Any recovery in primary nickel demand and stainless steel production is at this point of time, not anticipated for until well into 2009.

World primary refined nickel production was 1.43 Mt in 2007, and is calculated to decline to 1.41 Mt in 2008. For 2009 a substantial recovery to 1.55 Mt is anticipated, including new production facilities in Brazil,

Korea Rep. and New Caledonia coming on stream. The 2009 figure does not include any adjustment factor for possible production disruptions.

Increasing consumption

World primary nickel usage (consumption) was 1.31 Mt in 2007, and is estimated to increase to 1.38 Mt in 2008. For 2009 a slow recovery of nickel usage is anticipated with main increases taking place in Asia and is forecast at 1.44 Mt. As in recent years, the key factor in the 2009 forecast remains the increase in demand from China for nickel and nickel-containing products. Due to the current severe economical circumstances one should be careful in regard to its impact on production and usage. Benno Kratz, ELG, Germany, spoke on the latest world trends in the supply and demand for stainless steel scrap from the point of view of a large processor. MPeter Kaumanns, ISSF, Belgium, spoke on the latest developments in the world stainless steel market.

INSG Industry Advisory Panel

The Study Group received valuable input on its work program priorities from the INSG Industry Advisory Panel, comprised of representatives from the world's nickel producing,

consuming and recycling industries. During the meeting of the Panel the following presentations were made: Salvatore Pinizzotto, Managing Director of Xida Market Research, Italy, made a presentation on Special Steels. Xinfang Jiang, President Director of Shanghai Tsingshan Mineral Co., Ltd., China P.R., made a presentation on Nickel Pig Iron in China and its raw materials.

Environmental & Economic Issues

Discussions in the Environmental and Economics Committee focused on environmental regulation and recent international policy initiatives that may affect nickel. INSG reported that work was underway to improve the statistical coverage of downstream nickel-using sectors.

Stephen Barnett, President of Nickel Institute, Belgium, spoke on "REACH and Nickel" and provided an update on the crucial "read-across" issue. Mickey Thompson, Chief Researcher of Intierra, Australia, spoke on "Intierra's Global Nickel Map 2008", showing the global distribution of nickel deposits, mines, smelters, refineries and concentrators.

Next Meetings of INSG

The next meetings of the Study Group will be held in Lisbon, Portugal in the week beginning 20 April 2009. Presentations will be available on the INSG website: www.insg.org.

Stahlschrottmarkt: Drastischer Preisrückgang

16. Sept. 2008 - „Die seit Juli rückläufige Preisentwicklung setzte sich im September noch stärker fort“, sagte Jürgen Karle, Präsident der BDSV – Bundesvereinigung Deutscher Stahlrecycling und Entsorgungsunternehmen e. V. „Nach Preisrückgängen auf dem deutschen Markt

im Juli (5 – 40 EUR/t) und August (50 – 100 EUR/t) kam es im September zu einem Preisverfall, der sich je nach Region, Ausgangslage und Sorte zwischen 80 und 140 EUR/t bewegt.“

Ein Hauptgrund liegt in der schlechter gewordenen Beschäftigungslage

der Betonstahlwerke. Man spricht hier von einem Preisrückgang für Betonstahl in den letzten Monaten von über 400 USD/t. Als Gründe werden u. a. die Immobilienkrise und die Beeinträchtigung der Bautätigkeit in der Ölregion durch den Ramadan genannt.