

## Non-Ferrous



# Golden times for copper?

In Singapore, the BIR Non-Ferrous Metals Division meeting departed from tradition as the bulk of the morning's proceedings were dedicated to a symposium entitled 'Copper - the next gold?' during which six speakers contributed their own specialist and highly-individual perspectives on the red metal market.

**T**he future leading raw material suppliers' is how Björn Grufman described the recycling industry immediately following his election to the role of BIR World President in Singapore last month. And his words found an echo at the BIR Non-Ferrous Metals Division's special Copper Symposium where scrap was identified as leading the global growth in red metal supply.

The presentation from Carlos Risopatron, Head of Environment and Economics at the International Copper Study Group (ICSG) in Portugal, also indicated that 'copper scrap may need to fill the gap of mine capacity for some time' given the mining industry's expansion plans have been put on hold to a large extent by the credit crisis. Substantial new capacity has either been delayed or cancelled - although the outlook is promising for much more mining output by 2014 'if prices remain supportive'. Coinciding with this delay in mining expansion, major growth in demand for copper is being witnessed in certain major application areas, creating a potentially 'good situation' for scrap, the speaker contended. However, on the other side of the balance, the high price of copper is already leading to substitution initiatives - most notably in China, he said.

## Greater transparency

Mr Risopatron expressed the hope that BIR and other leading scrap organisations - including the US Institute of Scrap Recycling Industries - will work closely with the ICSG to improve the quality of data coming forward, which he deemed to be 'not high'. At present, he suggested, up to 2.5 million tonnes of copper scrap

is lost to the statistics. The scrap industry, he argued, should consider sacrificing a little of its fiercely-protected confidentiality for the sake of creating greater transparency around its activities and achievements.

Mr Risopatron's presentation also emphasised the growing importance of China to the world market since the turn of the Millennium. According to 2009 figures, the Asian giant was using in excess of 2 million tonnes more recycled copper than in the year 2000 whereas, over the same period, usage in the rest of the world dropped by around 1.7 million tonnes.

Glenn Gross:  
*'They are unseen financial flows that regularly rocket and torpedo our markets.'*

## 'Leaps and bounds'

The almost limpet-like correlation between Chinese copper scrap consumption and the country's GDP over the past three decades was highlighted by Shanghai-based trade journalist Adam Minter, a regular contributor to Recycling International over many years. He went on to forecast that China's consumption of copper scrap will exceed 2 million tonnes 'by leaps and bounds' in 2011, having amounted to just 360 000 tonnes as recently as 2002.

Mr Minter also identified a change in emphasis within China following the global 'crash' of 2008: immediately prior to this pivotal date, the



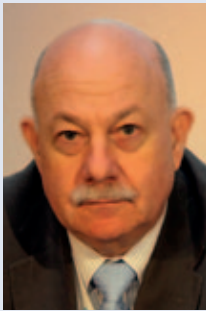
Carlos Risopatron, Head of Environment and Economics at the International Copper Study Group (ICSG) in Portugal.



Shanghai-based trade journalist Adam Minter, a regular contributor to Recycling International for many years.



BIR Non-Ferrous Metals Division's President Robert Stein of US-based Alter Trading.



Michael Oppenheimer, President of the British Metals Recycling Association.



Christian Schirmeister, Executive Director of JP Morgan and Chair of the LME Copper Committee.

Guangdong copper scrap market had reportedly become '70% speculative', with most players trailing along simply 'for the casino ride'; subsequently, however, major and medium-sized processors have responded to rising workforce costs by switching

from labour-intensiveness to a more mechanised and efficient approach to copper scrap.

### Copper's 'ghosts'

In prefacing the 'Copper - the next gold?' symposium, the BIR Non-Ferrous Metals Division's President Robert Stein of US-based Alter Trading highlighted the 'dramatic changes' that have taken place in the copper scrap business over the past decade or so. 'Demand patterns for the metal have shifted; the commodity has been "financialised" to a much higher degree than ever as the investment community continues to use the metal as a source of leveraged speculation; and consolidation in the scrap industry has led to a more concentrated supply chain,' he stated.

During the symposium itself, the CEO of US

broker dealer Wimco Metals - Glenn Gross - spoke of the 'ghosts' that impact daily business. He elaborated: 'They are the unseen financial flows that regularly rocket and torpedo our markets. Standard deviations are enormous. The ripple effects from computer-driven strategies, commodity indices and powerful hedge funds overshadow and mask traditional supply and demand analysis.' As a result, 'managing risk seems to consume an inordinate amount of our time' and has 'created the most challenge', he contended. 'No longer is buying and selling the primary focus of our businesses.'

Mr Gross also reviewed some of the huge changes that have taken place in his domestic market over recent decades. 'There is not one smelter of No 2 copper in the USA,' he told delegates. 'When I entered this business in 1974, I can remember no fewer than eight buyers. As for burnt No 1 copper scrap, we do have buyers - but their requirements are not enough to satisfy supply. I would guess that 40-50% of generated No 1 gets exported.'

### No collapse

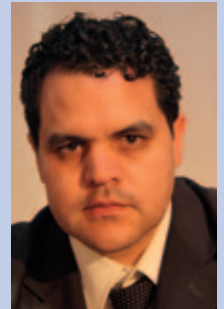
Although price predictions played virtually no part in the copper symposium, Christian Schirmeister ventured to suggest that volatility will persist in the market but that 'copper prices will not collapse'. The Executive Director of JP Morgan and Chair of the LME Copper Committee also contended that 'scrap supply in China - and globally - has vastly improved' in the couple of months leading up to the BIR Convention in Singapore.

Turning to in-house affairs, the speaker acknowledged pressure on the LME to establish warehouses in the emerging powerhouses of China and India. However, he also insisted: 'The Chinese government has made clear they have no interest in allowing any foreign exchange to open any warehouses.' Negotiations are said to be on-going but no U-turn is anticipated in the foreseeable future, he added.

The symposium was also addressed by Miguel Garcia, Managing Director of LaFarga Lacambra (LFL) of Spain who provided an insight into his company's recovery process which, he explained, now consumes 100% No 2 copper scrap as compared to 60% in 1997. The process, he claimed, reduces sulphur dioxide emissions by 86%, water consumption by 98%, generation of solid waste by 99% and consumption of energy by a factor of five. □

## Mexico gets tough over theft

In terms of its GDP, Mexico lies just outside the top ten of the world's leading economies. But despite its role as a major consumer and Latin America's biggest foreign trade player, the country's copper scrap community finds itself operating in a 'high-risk environment', the symposium in Singapore was told by Alejandro Jaramillo of Recicladora Cachanilla in Mexico.



Alejandro Jaramillo of Recicladora Cachanilla in Mexico.

In a bid to clamp down on theft and organised crime, the Mexican government has endowed the police with extraordinary powers to raid private properties - including scrap yards - without a search warrant. Simple possession of goods deemed to have been stolen leads to imprisonment - 'no matter how many precautions were taken at the time of the purchase', explained Mr Jaramillo. Several yards have been raided and, in some cases, owners and workers have been detained.

Given that 'copper will not stop trading' in Mexico, the speaker expressed the concern that activity could shift more towards 'the black market'. Coupled with the lobbying power of consumers, widespread copper theft has created 'fertile ground' for initiatives calling for scrap export bans; at present, less than half of the copper scrap generated in Mexico is consumed domestically. Furthermore, the problem of theft has accelerated the substitution of copper in water transmission and other construction-related applications that were previously strong outlets for scrap, according to Mr Jaramillo's presentation.

Earlier, in reviewing contributions to the newly-released 100th edition of the BIR Non-Ferrous Metals Division's World Mirror, Michael Oppenheimer of Brookside Metal Co. in the UK noted that this difficult situation in Mexico has led to some businesses 'shutting down totally or stopping copper trading temporarily as a precautionary measure'. In addition, shipping lines, shippers and consignees are looking to bypass transit ports in Mexico because of 'excessive inspections' and frequent cargo detentions 'on suspicion of illicit trade'.