

The age of cheap scrap is over

Report from the BIR Autumn Round-Table Sessions

More than 700 delegates attended the Autumn Round-Table Sessions of the Bureau of International Recycling BIR (24 to 25 October 2005, Milan, Italy). This is an impressive evidence for the need for information of traders and recyclers in face of the current problems on the global market. The sessions were discussing several interesting topics.

The meeting in Milan also featured a special award to recycling industry stalwart Fred Nijkerk of The Netherlands in recognition of the fact that he was attending his 100th BIR Convention. Present at the launch of BIR in 1948, Mr Nijkerk was described by BIR President Fernando Duranti as "one of the best known figures in our recycling community".

Ferrous scrap market prospects more positive

Thanks to representations from the metals recycling industry with the assistance of BIR, the Indian government had agreed to relax import control procedures applied to US and European ferrous scrap, the Ferrous Division and Shredder Committee Joint Round-Table in Milan was informed by BIR Ambassador

for South Asia Ikbāl Nathani of the Nathani Group of Companies. Inspections had been tightened after accidents and loss of life resulting from the inclusion of explosive materials, including

ammunition, in imported heavy melting scrap (HMS). The Indian government had now accepted that US and EU scrap should be subject to less rigorous customs procedures since it was not arriving from a war zone, although scrap from the Middle East and Africa would continue to undergo closer scrutiny. An outright ban on HMS imports was being applied to Iran as a war zone, Mr Nathani pointed out. In the first six months of 2005, India took over from Turkey as the leading buyer of EU scrap by importing 1.357 million tonnes (Mt) from the region - equivalent to an increase of 257.1% over the first half of 2004, according to the European report delivered by Anton Van Genuchten of Germany-based TSR GmbH & Co. KG. Turkish imports slid 35.8% to 1.062 Mt over the same comparative periods while EU steel scrap shipments to China fell 14.2% to around 200,000 t.

Ferrous scrap market prospects for the coming months appeared more positive than negative, added Mr Van Genuchten. Key factors included good orders from the steel industry, available demand from outside of the EU, and the potential for winter weather to disrupt the supply of scrap.

High export duties imposed by the Ukraine had almost eliminated the country's overseas shipments of scrap, according to Denis Ilatovskiy of Mair Joint Stock Company in Russia. In his home country, meanwhile, scrap collection had increased by 8% this year and was likely to total around 30 Mt for 2005 as a whole. Sales to domestic scrap buyers had risen 11% to 12.4 Mt in the first nine months of the year while exports had edged 3% higher to 10.3 Mt.

Increase in iron ore prices - a positive factor for scrap?

The majority of US scrap traders were anticipating an upturn in prices of around 30 US\$/t for November, according to John Neu of Hugo Neu Global Trade. "An increase of this magnitude seems justified," he said, "as it will restore scrap collection rates, yet not cause short selling." The Speaker also provided the Round-Table with a report on the Asia Pacific market in which he noted a recent increase in production levels among some electric arc furnace mills in South East Asia. The anticipated increase in iron ore prices for 2006 would represent "another positive factor" for the scrap sector, he added.

Round-Table guest speaker Antonio Gozzi, Managing Director of Duferco Group, predicted that scrap prices would remain above 200 US\$/t in 2006, before adding that "the age of cheap scrap is finished once and for all". He also speculated that some 60% of world steel demand would be emanating from Asia by the year 2010.



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



A report on BIR Shredder Committee activities confirmed the commissioning of at least 12 new shredders over the previous five months: six of these units had been installed in North America, four in Europe and two in Australia. Worldwide shredder capacity currently stood at between 75 Mt and 90 Mt/a "and will probably pass 100 Mt in the next few years", said Jim Schwartz of Texas Shredder Inc. of the USA.

BIR Environmental & Technical Director Ross Bartley provided delegates with feedback from the Stakeholder Working Group responsible for reviewing the EU targets for 2015 relating to the reuse, recovery and recycling of end-of-life vehicles. "The compromise favoured by shredders was for 80% reuse/recycling and 95% reuse/recovery", he pointed out.

Mr Bartley also noted with regret that, on the evening prior to the Ferrous Division & Shredder Committee Joint Round Table in Milan, a European

Parliament delegate had spoken out against the export of ferrous scrap to developing countries on the grounds that the trade constituted a danger to health. According to the speaker, this demonstrated once again the importance of the industry's role in offering expert guidance to politicians on issues relating to recycling.

Non-Ferrous Division: New regulations in Russia

Important changes to Russian regulations were reported to the BIR Non-Ferrous Metals Round-Table in Milan by Ildar Neverov of Moscow-based TeplotovResource. He explained to a packed auditorium that his government had reduced the export duty on secondary aluminium alloys from 10% to 3%, while the duty on nickel alloys had been removed altogether. In addition, all scrap operations were set to become VAT-exempt from the start of next year although the impact



Loretta Forelli (Forelli Pietro SNC, Italy): "Vanishing scrap is the concern for us."

of this measure was difficult to predict, he said.

In his review of the European non-ferrous scrap markets, Carmelo Paolucci of Trentavizi Srl in Italy noted that high LME copper prices had led to

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Marc Natan, Malco SA, France; the President of BIR's Non-Ferrous Metals Division: "We have to purchase and we have to sell at realistic prices."

scrap price increases and a lack of prompt availability of raw material. Meanwhile, poor consumption of semi-finished products had led to sluggish demand from secondary aluminium smelters. European demand for lead and antimonial alloys had been stable while availability problems had kept prices at high levels, he added.

The two major hurricanes in the USA had helped to create an "extreme" short supply of trucks and other forms of transport, explained Robert Stein of Alter Trading. He expected a continuation of the support offered to the markets by hedge funds and, in the case of copper, by lack of material. Delegates also heard that, in July-September 2005, the Chinese economy had achieved growth of more than 9% for the ninth consecutive quarter - despite government measures to curb this upward momentum. According to Ben Lee of China's Alco Resources, his country's demand for copper and brass scrap remained particularly strong while the stainless steel scrap market had been suffering the effects of over-production.

Problem: Vanishing scrap

In an innovative departure from the normal meeting structure, the BIR Non-Ferrous Metals Round-Table in Milan also featured an open discussion moderated by Bob Garino, Director of Commodities at the US Institute of Scrap Recycling Industries. One of the panellists, Loretta Forelli from Italian scrap consumer Forelli Pietro SNC, said that Chinese demand for scrap had created huge supply problems for industrial users in both Europe and North America. "Vanishing scrap is the concern for us," she underlined. "It is important that your clients survive." Europe "lacks the tools" to fight against the long working hours and low labour costs assisting the competitiveness of Asian countries, she added.

Marc Natan of Malco SA in France, the President of BIR's Non-Ferrous Metals Division, defended Europe's scrap industry by insisting that its sales were not confined solely to the wider export markets. While voicing concern for the supply problems encountered by consumers, he also contended: "We have to purchase and we have to sell at realistic prices."

Earlier, Eurometrec President Bjorn Grufman of MV Metallvarden AB in Sweden had told delegates: "We know that EU consumers do not like scrap exports because the materials escape EU recycling facilities, but we have to defend totally free trade as long as it is fair."

Need for legislative methodology to solve waste definition issue

Diverging definitions of "waste" have led to court cases in a number of countries, with BIR supporting legal actions where the industry's interests have come under threat. However, BIR Director General Francis Veys insisted to the International Environment Council (IEC) meeting in Milan: "The solution for any framework legislation on waste is not to re-write the definition of waste at the United Nations or at the OECD or in the EU, but to construct a legislative methodology to



Ildar Neverov, TeplotovResource, Russia: "The consequence of new changes in the law are hardly predictable."

determine what is not waste and when waste ceases to be waste."

Italy is among those countries to have hosted court cases dealing with the definition of "waste". IEC Co-Chair Ruggero Alocci of Italian association Assofermet explained that, in 2002, legislators in Italy had introduced an "authentic interpretation" of the waste definition which virtually excluded scrap already conforming to specification from waste regulations. The European Commission had responded by issuing an infringement proceeding against Italy which was now awaiting the final judgement of the European Court of Justice. And in July this year, he added, the European Commission had begun new infringement proceedings on the grounds that "secondary raw materials have been taken away from the waste regulation".

Electronics recycling had been a growth issue in the USA since the previous BIR Convention, according to Robin Wiener of the US Institute of Scrap Recycling Industries. In this context, her organisation was supporting the introduction of a short-term financing mechanism to stimulate markets and to promote design for recycling, she told delegates.

Note: Report from the Stainless Steel & Special Alloys Committee see METALL (2005), p. 694



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