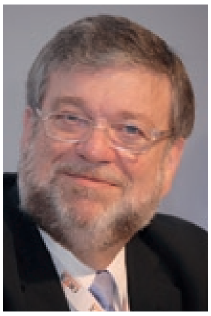
By Ian Martin

Non-Ferrous

Volatility not about to disappear

The sensitivity of the markets to economic developments and to other seemingly unrelated incidents around the world was highlighted at the BIR Non-Ferrous Metals Division meeting in Istanbul. Discussion also focused on new scrap-related rules introduced in Turkey and China in late May and early June, as well as on the AQSIQ licence renewal process for exporters of recyclables to China.

Remember those days long ago (well, actually, not so long ago) when metals markets were swayed almost solely by those twin forces of supply and demand? In today's globalised world, by contrast, markets react to concerns about sovereign debt or to the pace of recovery in any of the major economies. And even natural disasters such as a volcano springing to life in Iceland or environmental calamities like the massive oil spill in the Gulf of Mexico can be seen to register on the market radar screen.



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

David Chiao of the US- and China-based Uni-All Group.

Carmelo Paolucci of Italy's Trentavizi Srl.

Robin Bhar, Senior Metals Analyst at Crédit Agricole in the UK.

These thoughts from Robert Stein of US-based Alter Trading were contained in his President's introduction to the BIR Non-Ferrous Metals Division meeting in Istanbul. The industry is living 'in interesting times', he said, in which metals prices 'have yet again proven their resiliency' even though volatility has been 'somewhat more pronounced than we might like'. Intra-day price ranges often exceed the margins realised by processing facilities during normal times - 'and there is no reason to believe that this situation will be remedied any time soon', he suggested.

Regulatory confusion

Describing the economic atmosphere as 'not overly clear', Mr Stein also highlighted the uncertainty created by legislation. 'New regulations are sometimes misunderstood or not universally enforced, leading to extended confusion on the part of both the exporting and importing communities,' he said.

Only a matter of a week before the start of the BIR Spring Convention in Turkey, the host country's government had introduced 'severe' restrictions on copper and brass scrap exports, Mr Stein pointed out. Under these new provisions, anyone wishing to sell such materials to an overseas buyer must not only prove an export link but also secure written confirmation from at least three domestic consumers that the scrap in question is not suitable for their own use.

BIR had already informed the EU of these 'difficult rules', Mr Stein assured delegates in Istanbul.

Introduction of Notice 21

Details of an even more up-to-the-minute regulatory change were provided by David Chiao of the US- and China-based Uni-All Group. On June 1, the very day of the latest BIR Non-Ferrous Metals Division meeting, the Chinese authorities introduced its Notice 21 initiative designed to eliminate under-declaration of consignment values by requiring the individual packaging of each item in a mixed load. Although it was too early to comment on enforcement practices, Mr Chiao had been given to understand that Zorba was to be identified as a single item but that a detailed analysis of all components appeared to be required for irony aluminium and other mixed materials.

In relation to Notice 21, the willingness of the Chinese authorities to listen to the recycling industry and to provide clarification of this regulation drew praise from Mr Stein. 'We were successful in advising various agencies of the Chinese government as to the practicalities, or lack thereof, in having to package such items and they were responsive to what we had to say,' he said. 'We, as a trade organisation, were listened to - and that is a major step in co-operation going forward.'

AQSIQ renewals process

Mr Chiao also provided an update on the registration process for overseas suppliers of recyclables whose licences to export to China are scheduled to expire at the end of this year. Beginning on July 1, the renewals process will be 'similar to the 2007 procedure', with China's Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) requiring applications to

be submitted in both English and Chinese. Mr Stein noted AQSIQ's assurance that renewals will be handled as quickly as possible 'but accuracy in the application will be extremely important in seeing that this is accomplished'.

First-time applicants must be able to demonstrate certification to ISO 9001, RIOS or an equivalent standard. It was also pointed out in Istanbul that AQSIQ operates the 'three-strikes-and-out' principle whereby a supplier company can have its licence revoked if three infringements have occurred in the last two and a half years.

'Positive signs'

'The fundamentals and long-term outlook remain healthy in China,' proclaimed Carmelo Paolucci of Italy's Trentavizi Srl in opening his review of the world non-ferrous metals markets. The Asian giant's copper demand is expected to climb 12% this year to 8.96 million tonnes, he noted by way of example. He also spoke of the US economy 'giving plenty of positive signs' and of a 39% year-on-year improvement in India's automotive sector.

But while many EU economic indicators are continuing to show mounting strength, Mr Paolucci expected volatility to persist 'as long as uncertainties remain over Europe's debt crisis'.

According to Robin Bhar, Senior Metals Analyst at Crédit Agricole in the UK, the fundamentals do not justify a primary aluminium price below US$ 2000 per tonne at present. Even though the global aluminium market surplus is set to top 1 million tonnes with some ease in 2010, the light metal's average LME cash price should soar from US$ 1650 per tonne in 2009 to US$ 2300 this year. An improvement in demand will lead to an average of nearer US$ 2500 per tonne for 2011, he added.

Less aggressive

The Chinese have been less aggressive this year in the copper scrap market, reported fellow guest speaker George Voyadzis, Director of the metals division of copper fabricator Halcor in Greece. His company's consumption of scrap plummeted from around 50 000 tonnes in 2008 to 37 000 tonnes the following year because of China's prominence in the marketplace, but this figure is expected to rise to nearer 44 000 tonnes in 2010.

Sedat Göksu, General Manager of Özel Copper Company in Turkey, told the meeting in Istanbul that approximately 70% of copper wire manufactured domestically in 2009 was destined for export. At the same time, he added, the country is heavily dependent on imported raw materials. □