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Bureau of International
Recycling

BIR is the international trade association of the recycling industries. More than 55 countries are represented through their national trade associations and individual companies which are involved in recycling. BIR comprises four commodity divisions: iron and steel, non ferrous metals, paper and textiles, and has committees dealing with stainless steel and special alloys, plastics and rubber. BIR's primary goals are to promote recycling and recyclability, thereby conserving natural resources, protecting the environment and facilitating free trade of secondary raw materials.

PRESS RELEASE

FOR IMMEDIATE RELEASE

Brussels, 9th June 2006



Non-Ferrous Metals Division: **Investor money exceeds market liquidity**

More than 20% of the value of aluminium is currently in the control of the hedge funds, according to Jim Southwood, founder and President of Commodity Metals Management Company of the USA. "Unfortunately, we are at that point today where the investors have saturated the markets for base metals," he told the BIR Non-Ferrous Metals Division meeting in Beijing.

A world aluminium expert, Mr Southwood suggested that investor money exceeded the liquidity of the markets and forced prices to rise. And as prices climbed higher, more people clamoured to invest in base metals, thereby fuelling further price increases. The result was "a self-fulfilling prophecy", said the guest speaker, before adding "this will all end in tears".

His presentation also alluded to a "chronic under-supply" of scrap in China owing to rapid consumption growth and to the current low volume of aluminium embodied in products nearing the end of their useful lives. This gap between supply and demand would not close until the year 2013 at the earliest and possibly not until 2025, ventured Mr Southwood.

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The second guest speaker at the meeting was Mr Ma, Vice-General Secretary of the China Non-Ferrous Metals Industry Association Recycling Metal Branch. He revealed that Chinese output of secondary copper had climbed from 1.16 million tonnes in 2004 to 1.42 million tonnes last year, while secondary aluminium output had jumped from 1.66 million tonnes to 1.94 million tonnes. By 2010, domestic secondary copper and aluminium output was expected to reach, respectively, 2 million and 4.5 million tonnes. Chinese imports of non-ferrous scrap were thought likely to double between 2005 and 2010.

One of the aims of China's eleventh five-year development plan (2006-10) was to encourage consolidation within the country's secondary non-ferrous metals sector which was currently dominated by smaller enterprises, the speaker added.

In summarising the global markets, divisional board member Michael Oppenheimer of UK-based Mountstar Metal Corporation pointed out that the Bombay Metal Exchange (BME) had asked the Indian government to cut excise duties and CVD from 16% to 8%, and also to reduce the import duty on metals from 7.5% to zero. Meanwhile, in a "brisk" North American market, scrap merchants' volumes and margins were healthy but dealing with the issues associated with high-priced commodities was proving to be "stressful". Across in Russia, the government had introduced a VAT exemption for all scrap metal-related operations at the start of 2006. The state authorities believed this exemption would have a favourable impact "but the measure was not welcomed by scrap companies", according to Mr Oppenheimer.

According to Marc Natan of GDE Non-Ferreux-ECORE in France, the President of BIR's Non-Ferrous Metals Division, the price of copper had soared almost 190% since the start of 2005 - only to be outstripped by the 200% leap in zinc prices. He cast doubt on suggestions that the markets were being influenced more by speculation than by the fundamentals. "The current upturn is being fed first and foremost by insufficient supply and very strong demand, particularly in emerging countries," he told delegates.

He went on to warn once again of the need to combat prohibitive customs restrictions and unfair tax rebates - "in short, everything that prevents the free and transparent movement of our products in accordance with international commercial law".

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