Bureau of International Recycling

PRESS RELEASE

Recent BIR World Recycling Convention & Exhibition in Berlin (30 May – 1 June 2016)

Non-Ferrous Metals Division:

Positives to be found amid payment delays and insolvencies

Brussels, 3 June 2016

The non-ferrous metals recycling industry should focus on its strengths of sorting, processing and logistics rather than on trying to second-guess price movements, it was argued by European Metal Recycling's Murat Bayram at the BIR Non-Ferrous Metals Division meeting in Berlin on May 31.

Providing a summary of what divisional President David Chiao of the Uni-All Group had described as a "difficult" period for the trade, Mr Bayram said yard numbers remained excessive and further consolidation was required in the sector despite the recent business closures and major metals-related insolvencies. He also highlighted increasing evidence of payment delays across a number of key markets.

Mr Bayram went on to note that the recent spike in ferrous scrap prices had triggered a significant upturn in collections of both ferrous and non-ferrous scrap grades. Nevertheless, availability still remained "very tight" in certain cases, including copper.

On the plus side, Mr Bayram pointed to "full" order books in the secondary market and to "huge opportunities" offered by the easing of international commercial sanctions on Iran, not only for local and international base metals companies but also for machinery and equipment suppliers. Although no other market on its own could match the scale of a slowing China, there was encouragement to be taken from gradual growth in the "very important" Indian market as well as from the reasonably positive signs coming out of Europe.

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According to Eugen Weinberg, Head of Commodity Research at Commerzbank AG in Germany, China would remain a hugely significant factor in the markets but was currently a focus for “unreliable” growth data and “huge overcapacity”. During a panel discussion moderated by Peter Dahmen of Metallgesellschaft Schoof & Haslacher, Mr Weinberg suggested that the rest of the world would need to protect itself until such time as subsidies in China were ended.

Also on the panel, the LME’s Head of Physical Market Sales Robert Fig agreed that China was “incredibly important” for the metals industry - “and I don’t think that’s going to change dramatically”. He also contended that the imposition of duties was generally an unsatisfactory approach as it often led to retaliation and could encourage unprofitable production in other countries.

Earlier, Mr Fig had underlined the central role of the LME in helping companies to manage the risks associated with uncertainty over the underlying prices of metals. At the same time, he emphasised that hedging “is not a profit centre in a company”.

The best-performing metal on the LME this year had been zinc with a price increase of around 25%, it was pointed out by Mr Weinberg. This was an example, he argued, of what could be achieved through a strong supply reduction.

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