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The State of Play

May 17th, 2010

The chairman of the BIR world recycling body’s International Trade Council (ITC) has urged the Chinese authorities to work with -- and accept input from -- the international recycling community with regard to the country’s controls on imports of “vital” secondary raw materials. Robert Voss, who is also managing director of Harrow-based Voss International and president of Eurometrec, lamented the lack of a level playing field when it comes to trade in recyclables.

“Duties and taxes, export and import restrictions in many emerging countries such as China mean that the flow is certainly not even,” he insisted. “As chairman of the ITC, I must wholeheartedly support free trade of our strategic raw materials around the globe. And as a trader, I will always support any moves to lift all and any tariffs, duties, taxes and impositions by any government anywhere that hinder free movement of our materials.”

Speaking at this month’s annual convention of the Institute of Scrap Recycling Industries (ISRI) in San Diego, Voss went on to identify the “distinct possibility” that, in the future, companies in China and also India may attempt to buy secondary scrap trading operations as part of their bid to secure some of the raw materials required to feed their continuing economic expansion.

“There is going to be a shortage of scrap over a long period of time. Scrap is a very valuable asset and prices are going to go up”

Access to raw materials has become the focus of ever-more intense discussions and lobbying, with studies on the subject currently being conducted by the EU, OECD, UN and a number of other supra-national bodies, Voss pointed out. “If consumer-driven, I see this as a desire by some consumers to gain access to cheap and easy raw material sources.”

In this context, he expressed surprise at the exclusion of scrap industry representatives from a recent EU discussion on this important issue. He continued: “As an industry, we will always support a strong and sound local consumer market. After all, who wants to send material halfway around the world with the costs and risks involved when you can deliver it down the road for a similar market price?”

Matthew Heitmeier, director of non-ferrous marketing at Michigan-based scrap company Louis Padnos Iron & Metal, joined Voss in focusing a significant proportion of his speech on China when addressing ISRI’s ‘Spotlight on Copper’ meeting. He argued that the six-part procedure confronting scrap exporters to China constituted a “huge regulatory hurdle” which placed the burden of compliance on “the wrong side of the business”. The real target, he suggested, should be the minority of importers guilty of “misrepresentation”.

The same speaker also called on the Chinese authorities to clarify the Notice 21 proposal directed at the country's imports of mixed scrap loads. It was unclear, he noted by way of example, whether the scheduled introduction date of 1 June related to the day of loading or the day of arrival in China.

As regards copper prices, fellow guest speaker Ed Meir, commodity consultant at New York-based MF Global, told the meeting: "I think we have seen the highs for copper for this year - $3.60 and $3.70 per lb levels are probably history for now." His opinion was based to a large extent on an International Copper Study Group forecast of a 13% fall in China's red metal usage in 2010. The same organisation is also anticipating a decline in worldwide usage this year.

By contrast, it was predicted in San Diego that the LME three-month aluminium price would bounce back strongly later this year after tracking lower in the shorter term. Jorge Vazquez, founder and senior analyst at Texas-based Harbor Intelligence, suggested to the 'Spotlight on Aluminium' meeting that the metal would probably trade no lower than $2,000 per tonne in the near term before climbing to a peak of $2,700 in the next six or seven months. But he qualified this by saying that any persistent uncertainty in commodity investor circles could damage price prospects.

The key factor influencing aluminium's recent price gains was the 46% upturn in global demand between January 2009 and March 2010, according to Vazquez. Meanwhile, scrap tightness has reached "unprecedented" levels and this dearth of material is likely to persist in the west, he argued.

The LME three-month nickel price has already recorded an increase of around 54% in 2010. And further strong progress can be anticipated for the rest of the year and into 2011, the 'Spotlight on Nickel/Stainless' session was told by Jason Schenker, president and chief economist of Texas-based Prestige Economics. "We still fundamentally believe the trend is upwards," he assured delegates. "The medium-term outlook is very strong."

Schenker predicted an average LME three-month value of $25,000 per tonne for the second quarter of 2010, rising to $27,000 in the third quarter and onwards to $29,000 for the final three months of the year. For next year, he is currently forecasting an average of $30,000 per tonne.

Having noted that "volatility is now a constant" in the nickel market, the LME's business manager for non-ferrous and membership George Adcock confirmed that the molybdenum and cobalt contracts launched by the Exchange in February are trading "pretty good volumes". He played down the possibility of an LME contract for chrome on the basis that the industry has not been pushing for its introduction.

It was also suggested at San Diego that alternative energy production, batteries for hybrid vehicles and a trend among airlines to introduce more fuel-efficient aircraft would continue to boost demand for nickel, stainless steel and special alloys.

Immediately before this year's ISRI convention, ferrous scrap prices had been suffering a downward adjustment. But Michael Locker, president of New York-based consultancy Locker Associates, insisted to the 'Spotlight on Iron and Steel' session: "I don't see any long-term decline. I think there is going to be a shortage of scrap over a long period of time. Scrap is a very valuable asset and prices are going to go up."

Several of his fellow guest speakers confirmed that availability of scrap had been a source of concern in the recent past. Keith Grass, president and chief executive of scrap processor David J Joseph Co and executive vice-president of steelmaker Nucor, described scrap flows early in 2010 as "very low". But there had been an improvement in April and May to levels not seen since the peak months of 2008.

Vice-president of operations at steelmaker SSAB Americas Larry Schnurbusch also identified an increased flow of scrap, and that suggested prices would probably move either downwards or sideways in the near term. For the second half of 2010, Schnurbusch said he suspected that the slowness of the economic/steel industry recovery was likely to stop scrap prices from "running away", although higher iron ore and coking coal prices could influence pig iron and subsequently create a floor for scrap prices.