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**BEFORE THE  
BUREAU OF INDUSTRY AND SECURITY  
UNITED STATES DEPARTMENT OF COMMERCE  
HEARING ON COPPER SHORT SUPPLY CONTROLS**

**MAY 19, 2004**

Metalsco, Inc. is a USA based merchant firm dealing exclusively in copper, brass & aluminum scrap. We have been in business since 1976, although my personal experience goes back to 1951. We employ about 15 people in trading, transportation, contract administration and finance.

We ship millions of pounds of scrap monthly both export and domestic specializing in #2 copper and #1 copper where we are major suppliers to USA brass and tube mills and specialty consumers such as chemical companies and copper foil manufacturers.

95% of our scrap originates with wholesale metal dealers in all parts of the USA, Canada and South America. The 5% balance is industrial scrap and government bids. We do not operate any physical scrap facilities. Some of our supply relationships with dealers go back 40-50 years.

As a merchant, we buy and sell for our own account. We have participated in ISRI activities for many years. In 1987 I was a National Vice President of NARI, the predecessor trade group to ISRI which was formed in 1987 by a merger of NARI and ISIS.

A) "All Scrap is Not Created Equal".

It is quite unrealistic to lump together all copper scrap grades in assessing your industry review vis-à-vis control of export of "copper scrap".

For trade purposes there are 5 main groups of copper and brass scrap; each is designated by "ISRI" specifications as noted

- 1) "Barley" - "bare bright" wire & cable scrap – clean – oil free, new production scrap from wire and rod mills, as well as obsolete scrap such as insulated power cable that has been stripped of insulation. This material is widely used by the brass mills.

- 2) "Berry / Candy" - Ordinary #1 copper. This is relatively clean and ash-free. Mainly burnt wire and cable and clean new and old copper tubing and pipe. Packing is either mixed or segregated.

"Candy" – (segregated) #1 copper clips, punchings, skeleton and busbar – a brass or tube mill grade of bare #1, not quite equal to "Barley". "Berry / Candy" and "Candy" are used by a smaller subset of the market – mainly tube mills. "Candy" excluding tubing is ok for brass mills.

- 3) "Birch/Cliff" - #2 copper scrap consisting of mixed burnt wire and cable, low grade pipe and tubing, and misc copper scrap solids that falls below "Candy" in quality. It may be tin coated and assays min 94% copper. This scrap requires refining to produce copper cathodes. It cannot be consumed directly by any brass or tube mill but is used by brass ingot manufacturers, in limited quantity, as a supplemental feed to brass scrap. It will contain as impurities, minor amounts of other metals – aluminum – zinc – nickel – iron – etc. This material is not used by brass or tube mills.

A relatively small amount of #2 copper is consumed by some leaded – brass mills but only after processing by a wire chopper, who, hungry for plant feed, puts the #2 through a chopping line. They reduce size, remove magnetics, fluff, dirt and non-metallics. The product is of marginal quality but can be blended for production of brass rod. Some very high quality #2 copper is briquetted and likewise consumed.

- 4) Brass ingot maker's scrap includes most of the standard brass mill grades but generally below brass mill standards. It includes some yellow brass, red brass, auto radiators, brass tubes, rod brass, etc. They will buy some #2, Birch/Cliff as a needed blend to fill scrap needs but it is not a major consumption item.
- 5) Copper smelter items consist of low grade copper content materials – 15% to 60% copper that require the use of a blast furnace and an anode furnace in conjunction with an electrolytic refinery to produce copper cathodes. THERE ARE NONE OPERATING IN THE USA AT THIS TIME.

Instead, this type of "copper scrap" is shipped to European and Far Eastern smelters who have such smelting facilities in place. In many instances, motors, rotors, transformers, etc are hand stripped to recover copper wire and steel scrap. The same is true for miscellaneous insulated wire and cable scrap going to China and India.

As the USA copper scrap custom smelting industry, once consisting of a dozen or more major facilities, is now reduced to zero, it seems quite unreasonable to control and license copper scrap export to protect a domestic industry that doesn't exist! This refers only to #2 copper scrap – the major segment of copper scrap exports. If the scrap metal

trade cannot export such copper scrap it will cause serious problems. The scrap will continue to be generated through ordinary accumulation activities that will have to be paid for and stored, impacting very negatively on cash flow. There will probably be a domino effect of reduced labor needs causing loss of jobs throughout the industry.

We should not confuse a "short supply" with a desire to avoid high market prices.

As an active scrap merchant we have been able to cover our domestic scrap sales without undue difficulty. Admittedly, there is a tight supply of some grades, particularly bare bright #1 copper (Barley). The price of Barley has risen following the rise in price of copper cathodes. However, we believe there is not a vital shortage but rather a demand caused increase in the price level which many mill consumers object to.

Under more "normal" conditions of supply and demand, top quality mill scrap "Barley" sells at about a 3 to 4¢ discount to cathodes & Berry / Candy about 5-6¢. These relationships are about unchanged except that cathodes have escalated from 3 – 3.5¢ to 7-8¢ above Comex or more, permitting the mill consumer to buy #1 copper at about the same scrap relationship as previously. Where "Barley" has been in tighter supply this normal spread has likely been impacted upon causing higher prices than normal. Please note that the cathode price and premium moves up and down as the market leader, whereas scrap merely follows behind.

It is also interesting to note that many mill buyers have recently widened their payment terms from a standard net 30 to net 45. If pressed to acquire scrap so desperately – they could have changed the terms to net 15 or even net cash, which would certainly have increased the scrap flow. As a merchant, we observe this phenomenon regularly.

Our view that there is no real shortage of scrap is further enhanced by the fact that many mills have delayed dealer scrap deliveries already on their books because of excessive inventories. They have also put off new purchases as their anticipated consumption needs, usually 1 or 2 months ahead, are already covered by prior purchases. We have tried recently to make new scrap sales to several mills only to be told they don't need it at this time!

The above commentary certainly doesn't look like a situation calling for control and export licensing of copper scrap!

A further degree of uncertainty in the copper market now exists as LME and Comex copper stocks have fallen dramatically in recent months. This fact, coupled with the threat of a work stoppage this month at Noranda Copper in Canada, a major supplier of cathodes in the north east and east coast, could cause some conditions of panic to develop in the global market place. However we believe that supply / demand will be normalized through market influences without resorting to export controls.

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