

Making the cut

A competitive scrap market in the Middle East likely will result in some degree of consolidation, rewarding efficient operators.



The Middle East region has long since established itself as a hub for scrap metal recycling and trading. The region's metals recycling industry, as all other industries worldwide, has had its ups and downs in recent years. In the Middle East region, the recycling sector had been performing better than in some other countries because of its strategic positioning at the crossroads between the east and west and the major development projects underway in the Middle East and in its main markets of India and China.

But with a steep drop in crude oil prices and a slowdown in construction and other economic activities, the sector is facing difficult times presently. The region being mostly a supply market, much of what's happening in other parts of the world also is affecting the industry on the demand side. Major metal consuming nations are in a declining growth phase, with the Indian and Chinese metals production sectors continuing to languish.

Recyclers and traders in the Middle East say 2015 provided a number of challenges, and many of them say they do not see 2016 as likely to be any easier.

A BAD PATTERN

"2015 was a tough year and most likely will follow through into 2016," says Dr. Sayed Hussain, CEO of Dubai, United Arab Emirates- (UAE-) based Sayed Metal. Considering the region's economy is oil driven, "such a steep fall in oil prices will definitely affect the recycling industry directly or indirectly," he adds.

The metal recycling industry is directly linked to global commodity markets, especially crude oil prices and foreign exchange rates. This sector in the MENASA (Middle East North Africa South Asia) region has been affected by declining oil prices and slowing global economies combined with tight cash flow, says Salman Shaban, senior manager of Doha, Qatar-based Lucky Star Alloys. "The recent corrections in BRIC (Brazil, Russia, India and China) economies brought down metal prices to the lowest levels seen since the 2008 financial crisis," Shaban says.

CONFEX OFFERS 2016 CONVENTION OPPORTUNITY

Recyclers based in or trading with the Middle East region will have the opportunity to gather in early December 2016 at the Recycling CONFEX Middle East event in Dubai, United Arab Emirates. The CONFEX is being held 4-5 December at the Hyatt Regency Dubai & Galleria.

The new event is being organized by Media Fusion Inc., publisher of *Waste & Recycling Middle East* magazine, in cooperation with the Recycling Today Media Group.

"By combining the best attributes of a conference and an exhibition, the CONFEX delivers unique value in the form of industry insight, networking and a look at technology and machinery," says Dr. Kayyum Ali, CEO of Media Fusion.

Media Fusion says the event is designed to provide "comprehensive recycling market insight to industry professionals, waste management professionals and other interested parties."

CONFEX Middle East builds upon previous recycling conferences co-organised by the two publishers from 2012 through 2014. The Paper & Plastics Recycling Conference Middle East events and the Middle East Metals Recycling Conference provided regional and global market insight to delegates from throughout the MENA (Middle East and North Africa) region and beyond.

More information on the event will be hosted on the Web at www.waste-recyclingme.ae as it becomes available.

Anshul Gupta, CEO of the Sharjah, UAE-based PGI Group, says, "2015 has been the toughest for recyclers and all commodity dealers."

He adds, "In the 21st century, this is the second major downside for the metal industry. In contrast to 2008, when the market dropped sharply and bottomed out in a short span, year 2015 [demonstrated] a consistent slow downslide."

Recyclers likely are still waiting for conditions to hit rock bottom, Gupta says. Many "small and inefficient" scrap collectors already have disappeared, he comments. "This cycle of 2015 will play a major role in accepting only healthy and long-term players who can survive this grind," Gupta states.

One major change perceived by Turkish recycling equipment manufacturer Aymas Makina is that at the moment the Middle East's scrap yards appear to be shrinking in average size. "We don't know if this is a short-term effect or a long-term one," says Cemal Sincar, the company's international marketing manager. He also observes that investments in "hyper yards" have been low as compared with earlier times, or the projects have been put on hold.

The situation in Turkey is slightly different, though, Sincar says. "Like all other countries, Turkey has also been affected by negative events around the world," he says. But, at the moment, Turkey's markets remain "healthy and stable," and Sincar speculates that the country has slowed down for a short time, which will not affect its future growth.

METAL RECYCLERS GATHER AT BMR EVENT



Members of the Bureau of Middle East Recycling (BMR) and other recyclers and traders who do business in the region, gathered 19-20 February 2016 in Dubai, United Arab Emirates (UAE), for the BMR's annual conference.

The Fifth BMR International Conference was held at the Atlantis, The Palm, hotel and resort, and attracted more than 450 delegates, according to BMR President Salam Al-Sharif, who is chairman of the

UAE-based Sharif Group.

Sharif says the 2016 BMR event offered a “balanced program that featured regional and international industry leaders who shared their remarkable insights [via] presentations tackling the most recent developments in the context of global markets, trade constraints [and other] issues the industry is facing.”

Sharif says the assembled delegates heard a message emphasizing in part that “recycling is a green way to curb pollution and helps in the alarming issue of global warming.”

Additional information on the Dubai-based BMR can be obtained by emailing the group at info@bmr.ae.

– Recycling Today Global Edition *staff*

ADDRESSING THE CHALLENGES

“The Middle East market is slow at present, but it is much better than Europe and the Far East markets,” says Ehsan Haji Amin, a vice president of the Metals Recycling Association of India (MRAI) trade group and CEO of the Dubai-based Ala Group. “Scrap generation has been better, though quite slow as compared to previous years,” he adds.

India has been “a major player and a big game changer” as a metals buyer, Amin says. “The major factor affecting the Middle East is the structure in India, especially with regard to aluminium,” he says. “The biggest problem is FTA (free trade agreements), where other countries export finished goods to India on zero duty, and India has a duty on scrap.”

Gupta says the Indian market will be a major supporter of the Middle East recycling industry. “I only see reasonable growth in India in 2016, and we have continuously increased our focus on India,” he says, noting exports of copper, brass, aluminium and other metals to Southeast Asia and Far East Asia have been reduced drastically.

SHARJAH'S BEE'AH EARNS TRADE CENTRE CONTRACT

Waste management and recycling firm Bee'ah, based in Sharjah in the United Arab Emirates (UAE), has been awarded the contract to provide integrated waste and recycling services to the World Trade Centre complex in the neighbouring Dubai, UAE.

According to an online report prepared by the TradeArabia News Service, Bee'ah “will be the sole provider of integrated recycling and waste management logistics” at the convention and meeting complex.

The online report by TradeArabia quotes Khaled Al-Huraimel, the group CEO of Bee'ah, as saying, “The new deal fits in the company's regional expansion plan and will consolidate our efforts to truly uplift the environmental footprint of our beloved country.”

Bee'ah reportedly will offer a source-segregated recycling service "to encourage the ultimate recycling efforts by the complex's staff and residents" and will deploy GPS-equipped collection trucks to service the convention centre campus.

Dubai's World Trade Centre describes itself as having more than 1 million square feet of convention and meeting space and as "the epicentre for business tourism in the region." The complex also hosts hotels and apartments within the 39-story Sheikh Rashid Tower.

Bee'ah, which was founded in 2007, says it has quickly gained waste management and recycling market share in the UAE and also provides services to Dubai's landmark Burj Kalifa tower, the tallest building in the world.

– Recycling Today Global Edition *staff*

The industry may once again need to focus on Western markets for a few years, as they have good potential. "Though, in the long term, I still see Asia as a major force that will drive the recycling industry in this century," Gupta says.

Although the current situation is not conducive, the industry is hopeful that things will soon take a turn for the better, particularly in light of several anticipated high-profile developments. These long-term investments in infrastructure and related projects are in some cases affiliated with "mega events" coming up, including World Expo 2020 in Dubai and the FIFA (Fédération Internationale de Football Association) World Cup in Qatar in 2022. In addition, the master plans for waste management and recycling being drawn up by various governments in the region likely will lead to more widespread recycling practices.

"There is a constant increase in metal scrap generation in the Middle East, mainly due to construction and demolition activities, as well as the rapid increase in population," Hussain says. "As most of the countries in the region prepare for future commitments, such as World Expo 2020, it is assumed that more metal scrap will be generated."

Yet, metal recycling in the region has not reached "full maturity," and tons of scrap generated there are mostly exported to other markets. "Nevertheless, the Middle East is a proficient collection and sorting point that supports recycling centres all over the world," Hussain says.

The steady outflow of scrap (and higher prices) highly depends on the capacities of large end-user economies, such as the BRIC nations, and, Shaban says, "if the demand in these nations weakens, it will have a direct negative impact on our supply quantities."

However, the upcoming events and projects in the Gulf Cooperation Council region that require long-term investment and government spending "will ensure the continued demand for raw materials used in the construction and services sector, contributing to the growth of the regional recycling industry," he adds.