

Copper inventories hard hit; service centers hunt bargains, dump high-priced stocks

By Noella Kertes

WASHINGTON — Copper and brass service center executives said this week that inventory values have fallen about 20 percent as a result of the copper market crisis, leaving distributors' nerves—and profit margins—frayed.

"It's a very chaotic time for the industry," said Jim Herring, vice president of materials at Copper & Brass Sales, Eastpointe, Mich. "We are working hard on a daily basis to buy what we sell. It's a very difficult time."

Service centers have been particularly concerned with the effect that copper's dramatic price drop—about 21 percent since mid-May in Comex contracts for July delivery—has had on inventories. Several acknowledged that much of their stockpiled metal has lost value, and they expect their profit margins to take a hit as they sell off the last of their inventories bought before the market's decline.

According to Joe Yereb, vice president of sales at Guardian Metal Sales, Morton Grove, Ill., service center inventories have been devalued by the same amount as copper prices.

"That'll affect the profit margin significantly," Yereb said, adding that just how much profits will be affected would depend on the size of the resale order.

One strategy service centers are employing, according to Yereb, is selling off all of their inventories bought at prices before copper prices tumbled, and stocking their inventories with products at the current market level. "There's not much we can do other than to quickly convert," he said.

Bruce J. Farmer Sr., president of Farmer's Copper & Industrial Supply, Galveston, Texas, said, "It's going to mean a bad quarter, but not a bad year. It's not going to devastate (the industry)."

Another service center executive said, "Obviously ... inventories just took a big hit."

Steve Buzash, president of Standard Metals Inc., Hartford, Conn., and president of the Copper & Brass Servicenter Association, said margins will be squeezed, but much more in the case of free-cutting brass rod than in the case of niche-oriented markets.

“The alloy rods won’t get hit as hard,” he said, because other metals’ market factors are at play besides copper.

According to Herring, many service centers price their products on the day of shipment, which means they have to use current prices.

“All service centers are in the same boat,” William Hamilton III, president of Scioto Metals Inc., Columbus, Ohio, said.

While many service center executives said they would like to see stability in market prices, which have been volatile since last fall, most suggested it’s not likely to happen as the industry struggles to recover from its most explosive trading scandal. “Instability really hurts the industry,” Herring said.

“Really, there’s not a lot we can do (but) wait,” Hamilton said. “We would like some stabilization. It doesn’t look like we’re going to see any for a while.”

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