

'Worrying times for us all'

Paper

Ranjit Baxi

Slower growth in many of the world's major developing economies and almost no growth at all in the developed world adds up to disconcerting times for the global paper industry and for its raw material suppliers. The customer is king – and the customer's focus at present is on fibre price and quality, it was emphasised at the BIR Paper Round-Table in Barcelona.

Cold, hard statistics suggest that Europe 'has to get back to the drawing board' with regard to the quality of the fibre – and particularly the lower grades – supplied to China and other customers in Asia, the Paper Round-Table meeting in Barcelona was told by divisional President Ranjit Baxi of UK-based J&H Sales International.



BIR Paper Division President Ranjit Baxi: 'Somewhere, Europe is not doing the right thing.'



President of the European Recovered Paper Association, Merja Helander of Lassila & Tikanoja in Finland.



Jaroslav Dobes of Remat in the Czech Republic notes that there is significant new mill capacities scheduled to come on stream in Turkey over the coming years.



Guest speaker Björn Voigt, Managing Partner at S&P Mergers and Acquisitions and former Managing Director of German scrap giant TSR Recycling.

According to his figures, US recovered fibre exports to China jumped around 3.3 million tonnes – or 66.6% – when comparing January-June 2007 with the first half of 2012, whereas European shipments to the same market over the comparative periods climbed just 1.4 million tonnes or 35%. Stacking US deliveries to China in January-June this year alongside those in first-half 2011, the increase was not far short of 2 million tonnes to 8.28 million tonnes while European shipments increased by 1.35 million tonnes to slightly more than 5.38 million tonnes. 'Somewhere,' said Mr Baxi, 'Europe is not doing the right thing. The Americans are leading the race.'

Japan has also assumed 'a very prominent position' in terms of supplying the Chinese market, boosting its fibre shipments to this destination by 29% – or approaching half a million tonnes – over the same five-year period mentioned above. Mr Baxi had earlier described the Euro-zone crisis as the 'biggest threat' to the world economy but also highlighted the adverse impact of the slowdown in China, where growth in 2012 is expected to be at its lowest for more than a decade. 'So these are worrying times for us all,' he said.

'Major step forward'

The issue of recovered paper quality re-emerged in various guises during the course of the meeting in Barcelona.

For example, during a question-and-answer session moderated by Recycling International's

Editor Manfred Beck, one of the Paper Round-Table's two guest speakers, Nuno Messias, reiterated the adverse impact on his business of non-paper components (NPCs) in the consignments

'The Americans are leading the race.'

of recovered fibre reaching his business: for every 1 kg of these NPCs found in incoming supplies, 4 kg of paid-for material is rejected and ends up being sent to landfill at a cost, he calculated.

In his main presentation, the Raw Materials Purchasing Manager at Spain-based Europac described the revised EN643 list of standard grades of recovered paper and board as 'hopefully a major step forward towards quality improvement' but emphasised that the gap remains substantial between the current level of rejects and what the proposed standard requires. There is consistently around 3% of NPCs in recovered paper supplies, Mr Messias argued.

'The longer road'

In her report as President of the European Recovered Paper Association, Merja Helander of Lassila & Tikanoja Plc in Finland confirmed that the EN643 revision is awaiting final comments from CEN member countries and so has yet to come into effect. However, translations



Awards at the double for Paprec founder

The latest Papyrus prize awarded by the BIR Paper Division for services to the sector brought recognition for a man who President Ranjit Baxi hailed as a prodigious 'in-house talent'.

Jean-Luc Petithuguenin, founder/President of the France-based Paprec group and also a BIR divisional Vice President, has transformed his business over the course of 18 years: in 1994, it had one plant, 45 employees and an annual turnover of Euro 5 million; in 2012, the empire extends to 80 plants across France and Switzerland, around 3500 employees, a turnover of some Euro 700 million per annum and an annual production of around 5 million tonnes of recycled raw materials. In effect, said Mr Baxi, this means the group has achieved an annual growth rate of more than 20% over this period.

Mr Petithuguenin is a 'successful recycling entrepreneur' who can rightly be regarded as both a 'role model' and 'ambassador' for the recycling industry, Mr Baxi told delegates.

An important business engagement prevented Mr Petithuguenin from attending the BIR Paper Round-Table in Barcelona and so the Papyrus prize was accepted on his behalf by his son Sébastien, a Joint Director General of Paprec. The latter underlined his father's belief that 'recycling is a very big industry for the 21st century' and that the group's spectacular growth from small beginnings would not have been possible without an enthusiastic and motivated workforce.

Only a matter of days before the Barcelona meeting, Jean-Luc Petithuguenin also won France's Entrepre-

neur of the Year award hosted by Ernst & Young, Company Edmond de Rothschild and 'Express' magazine.

In the absence of Papyrus prize winner Jean-Luc Petithuguenin of Paprec, BIR Paper Division President Ranjit Baxi (left) presents the award to his son Sébastien Petithuguenin.



into the different languages have already begun and the list should be in use 'hopefully by the end of 2013', she assured Round-Table delegates in Barcelona.

Ms Helander lamented that 'end-of-waste' status for paper was not sealed at the European Commission's Technical Adaptation Committee meeting on July 9 this year. But despite the process now being forced to travel down 'the longer road', she rejected doubts that recovered paper will ever reach this goal (see the introduction to Recycling International's coverage of the Barcelona Convention).

In the aforementioned question-and-answer session, Ms Helander called for greater encouragement of an increase in fibre collections among those European countries with a paper recycling rate below 60%. In 2011, it has been revealed, a dozen European countries recorded a rate below this threshold whereas 13 others recycled more than 70%. As both she and Mr Messias agreed, there is still ample scope for an improvement in Europe's overall paper recycling performance.

'Culture clash' danger

The other guest speaker at the Paper Round-Table was Björn Voigt, Managing Partner at S&P Mergers and Acquisitions GmbH and former Managing Director of German scrap giant TSR Recycling. He described mergers and acquisitions as a path to all-important growth but acknowledging pitfalls can be encountered along the way.

For example, problems can occur if the companies involved constitute 'a poor strategic fit' or if insufficient human resources are devoted to their integration. He also warned of the scope for a 'culture clash', particularly if a family business is being taken over by a far larger conglomerate.

According to Mr Voigt, establishing an accurate valuation of the target business constitutes one of the most important aspects of any acquisition; there can often be a yawning gulf between the expectations of the buyer and the aspirations of the seller for whom this may well represent a 'once-in-a-lifetime' transaction, he pointed out. Asked by Mr Beck whether the trend towards consolidation threatens the role of smaller, often family-owned businesses as the backbone of the paper recycling sector, Mr Voigt agreed that relatively new pressures - such as onerous environmental regulations - will put 'a squeeze' on such companies but that family-run enterprises will remain an important source of 'imagination' within the industry.

'Story of the day'

The BIR Paper Division's Honorary President Dominique Maguin of France kicked off a series of third-quarter regional market reviews based

on submissions to the latest BIR Recovered Paper World Mirror, which was released at the Barcelona Convention. Focusing on developments in Western Europe, he pointed to low stocks of the bulk grades in certain countries and to still-weak collection volumes.

'Mill closures are the story of the day,' it was declared in the Northern European report delivered by Lars-Gunnar Almryd of IL Recycling AB in Sweden, while Francisco Donoso of ALBA Servicios Verdes in Spain noted that difficult economic conditions in Southern Europe have significantly reduced consumption of paper products. And for Eastern Europe, Jaroslav Dobes of Remat SRO in the Czech Republic also identified generally low inventory levels in his own country as well as significant new mill capacities scheduled to come on stream in Turkey over the coming three years, with several presaging an increase in the production of fluting and testliner. □



According to Francisco Donoso of ALBA Servicios Verdes in Spain, difficult economic conditions in Southern Europe have reduced consumption of paper products.



Lars-Gunnar Almryd of IL Recycling in Sweden: 'Mill closures are the story of the day.'



Guest speaker Nuno Messias, Raw Materials Purchasing Manager at Spain-based Europac.