

A boom in exports but not in prices

By Ian Martin

The paper sector may have missed out on the recent boom in commodity prices but it has certainly felt the impact of the phenomenal growth in Chinese demand for raw materials. Latest figures presented to the BIR Paper Round-Table in Milan underlined the scale of recovered paper demand growth in both China and India, while emphasising how many Western World countries have become increasingly dependent on deep-sea exports.



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around 100 boxes. At the same time, Mr Baxi emphasised the growing importance of India as a consumer of recovered paper. Expansion programmes and new projects announced for the period 2005-2008 would add more than 500 000 tonnes per annum to the country's recovered paper requirements.

Import powerhouse

In terms of imports, China is almost in a league of its own. According to Mr Baxi's statistics, the South East Asian powerhouse is likely to import more than 16 million tonnes of recovered paper this year based on the fact that over 9.5 million were imported during the first seven months of the year - more than in the whole of 2003. OCC is expected to make up almost half of China's recovered paper import tonnage this year.

In the January-July 2005 period, the USA provided China with 4.522 million of recovered paper, while a further 2.485 million tonnes was sourced in Europe and 1.707 million tonnes in Japan. Mr Baxi pointed out that recovered paper shipments from Japan to China had been increasing strongly over recent years - from a monthly average of 164 217 tonnes in 2003 to 285 816 tonnes in 2005.

China's top supplier in Europe, the UK, shipped almost 794 000 tonnes to the country in the first seven months of this year, well ahead of The Netherlands in second place on 675 552 tonnes and Germany in third spot on 365 833 tonnes. Maarten Kleiweg de Zwaan, President of the European Recovered Paper Association, said that the UK was on course to export a grand total of more than 3 million tonnes of recovered paper in 2005 and that the figure 'could double in the next three or four years'. He also noted that, as a whole, Europe's exports had



Paper Division President Dominique Maguin of Soulier-Onyx in France.



David Symmers of the UK-based Independent Waste Paper Processors Association.

India's central government has stepped up its campaign to safeguard the quality of its recovered paper and board imports, it was revealed at the recent BIR Paper Round-Table in Milan.

A circular issued by the country's finance ministry in late September confirmed that stricter measures were being adopted in relation to the 'import of banned municipal and other wastes in the guise of recovered paper or paper board'. Any container found to contain 'a mixture of contaminated garbage/municipal waste or plastic waste' would not be permitted customs clearance 'under any circumstances'. Furthermore, importers would be compelled to re-export it 'at their own risk, cost and consequences immediately or latest within a fortnight'.

According to the circular, recovered paper and board comprises 'shavings, cuttings, clippings, torn sheets, old newspapers and journals, proof sheets, printers' reject and similar material'. It includes 'scrap articles or paper or paperboard normally used for pulping and is often presented in compressed bales', the circular adds.

Commenting on this latest development, BIR Paper Division Vice-President Ranjit Baxi of UK-based J&H Sales International said that almost all containers were now being inspected and that the Indian authorities had already forced the re-export of



increased by 48% to 4.9 million tonnes last year while its recycling rate had reached 54.6%.

In his report on the European market, Mr Kleiweg de Zwaan suggested competition for recovered paper supplies remained 'fierce' and that a number of consuming mills were under threat of closure.

Fuel price increases

In his UK market report, David Symmers of the Independent Waste Paper Processors Association agreed that his country's exports were likely to exceed 3 million tonnes this year although the recent fuel price increases had thrown into question whether widening collection activities was worthwhile in many instances.

Mr Symmers also drew attention to a consultation paper issued recently by the British government which proposes that all yards are covered and enclosed. Any such move would entail 'tremendous' costs of perhaps Euro 1.5 million for a typical operation, he argued. Noting that the proposed revision of EN 643 would cover contraries, the speaker expressed regret that tolerance levels were becoming the focus of high-level discussions in the UK prior to the revision taking place.

The report from BIR Paper Division Vice-President Giuseppe Masotina of Masotina SPA in

Italy confirmed that the UK is not the only country in Europe to have its recovered paper activities turned upside down by demand from Asia. Thanks to the considerable increase in domestic collections and to the opening up of these wider export markets, Italy had switched from being a net importer to being a net exporter of recovered paper. With supply and demand in reasonable balance, he predicted little change in domestic prices for the remainder of this year.

New capacity installed

Stability had also been apparent in the German market over recent months, according to Hubert Neuhaus of Ludwig Melosch Vertriebs GmbH. New capacity had been installed - notably in the east of the country - but demand had barely changed given the struggle to fill order books. Having noted that the German recovered paper sector was coming under increasing pressure from mill customers to put labels on its bales, the speaker went on to estimate that trucking costs had been rising on average by 5-10% per quarter. Mr Neuhaus added: 'It is very hard to get enough trucks to transport our goods, particularly between Germany and France but also Italy.'

Guest speaker at the Paper Round-Table in Milan was Philippe Chalmin, Professor at Dauphine

University in Paris and President of commodity market research company CycloPe. Having described paper as 'the only commodity not to have boomed' during the recent global price surge, he added that there was still 'some excess production, at least in Europe and North America'.

Noting that the paper market lacked an international-level price indicator, Professor Chalmin rejected suggestions that China might become a net exporter of paper, not least because the country lacked an adequate forest resource of its own. □



Guest speaker Philippe Chalmin, President of commodity market research company CycloPe.