

Paper

Confidence dampened by China factor

Finished paper and board products have become more difficult to sell and market sentiment has dropped to 'very low' levels, resulting in a significant weakening in recovered fibre prices over recent weeks, the BIR Paper Round-Table meeting in Munich was told by divisional President Ranjit Baxi. Nevertheless, he expressed confidence in the sector's ability to overcome the current challenges.

The pecking order for supply of recovered fibre to China is seeing changes that could ultimately prove highly detrimental to the interests of European exporters, warned BIR Paper Division President Ranjit Baxi of UK-based J&H Sales International in his remarks to the Round-Table meeting in Munich.

Whereas Europe has traditionally been China's second choice after the USA, the world's leading importer is looking increasingly at other supplier nations such as Japan and Australia. The quality of Europe's recovered paper is now broadly similar to what China can find elsewhere in Asia, he maintained. Therefore, if China were to cut back on its imports, Europe is likely to be 'the first to suffer'.

Mr Baxi reiterated his view that quality is 'paramount' for the recovered fibre sector.

And the importance of establishing and following strict quality procedures was also underlined by guest speaker Herman van der Meij, Commercial Sales Director at Viridor UK which handles some 1.7 million tonnes of recyclables annually. Every product within the group has a definition and a specification - including 'objectionable' and 'prohibitive' materials - to which all operations must conform, he explained.

Slight increase expected

In his now-traditional statistical review of the Chinese market, Mr Baxi recalled that the sharp

dip in the country's recovered fibre imports in the third quarter of last year had played a big part in cutting overseas purchases for the year as a whole to 22.186 million tonnes compared to 27.642 million tonnes in the previous year. There have been signs, he then noted, of a similar downturn in Chinese imports during the latter part of the third quarter and early in the fourth quarter of 2011, although he expected the grand total for this year to be slightly higher than that of 2010.

Reviewing Europe's exports of recovered fibre to China during the first half of this year, Mr Baxi highlighted a steep drop in German shipments - to 217 393 tonnes from 281 716 tonnes in the corresponding period of 2010. The UK, Europe's leading exporter of recovered fibre, upped its shipments to China from 1.426 million tonnes in January-June 2010 to 1.494 million tonnes in the same period of this year.



Ranjit Baxi, Paper Division President.



Nobutaka Okubo of the Japan Recovered Paper Association.



Jean Luc Petithuguenin of Paprec and Merja Helander of ERPA.





China not immune

Third-quarter GDP growth in China was the slowest in two years - proof that even the world's main driver of demand for recovered fibre has not been immune to the latest economic crisis, according to Mr Baxi. 'China in recent years has been seen as the main source of positive growth but signs of a slow-down have certainly dampened our market confidence,' he continued. Although he noted that paper mills 'are finding it difficult' to sell their finished products, he also offered delegates 'good news' with the words: 'China is still set to grow by 9.5% this year and 9% next year compared to maybe 1-2% growth projected in most of the European economies.'

Mr Baxi argued that the global economic outlook is perhaps the main factor behind the current decline in demand for recovered fibre and that 'just slashing the price is not the answer - price is not the precursor for demand'. He also told delegates that today's logistics costs are 'the lowest possible'.

Delay in procedure

According to the President of the European Recovered Paper Association (ERPA), Merja Helander of Finland-based Lassila & Tikanoja Plc, the end-of-waste issue is one of the most important currently facing the sector in Europe. In similar vein, UPM's Head of Environmental Projects Dr Wilhelm Demharter

used his guest presentation in Munich to urge politicians to accept that recovered paper is a resource and not a waste. However, the BIR's Environmental & Technical Director Ross Bartley confirmed that there has been a delay in the process to establish 'end-of-waste' criteria for recovered paper, with an important vote by the Technical Adaptation Committee now expected on or after May 4 next year.

Ms Helander indicated that the EN643 standard list of European recovered paper and board grades will play a central role in the EU 'end-of-waste' criteria. Under revision for more than three years, this list has now been passed to CEN - the European Committee for Standardization - for approval. 'We were hopeful of getting the list approved by the end of this year but it seems that it will take a longer time because of different opinions brought up by member countries of CEN,' ERPA's President told delegates in Munich.

Considerable controversy

The final presentation at the Paper Round-Table shed light on a new law in Spain which has been generating considerable controversy because, according to Francisco Donoso of Reciclajes Dolaf SL, it holds the potential to threaten exports of recovered paper and board beyond the EU - despite the fact that the region ran up a surplus of 8 million tonnes last year and of nearer 12 million tonnes in 2009.

Merja Helander:
'EN643 standard list of European recovered paper and board grades will play a central role in the EU 'end-of-waste' criteria.'

Relating to 'all waste materials which can be recycled', Article 16 of the law states that public administrations will be able to apply mechanisms - temporarily - which will give priority to recycling inside the EU, as far as these are justified by environmental considerations. Mr Donoso argued that any restriction on exports would serve to reduce business opportunities, leading to lower prices and to a drop in financial resources for collection. □

China dominates Japanese exports

The significance of Chinese recovered fibre imports was reinforced via another presentation in Munich, delivered by the Vice President of the Japan Recovered Paper Association, Nobutaka Okubo. He revealed that China accounted for 79.8% of all Japanese recovered paper exports last year - equivalent in volume terms to just under 3.5 million tonnes. In second place on the list came Thailand on 439 733 tonnes (10.1% of all Japanese exports), with Vietnam third on 139 965 tonnes (3.2%). Of the 4.374 million tonnes exported by Japan to all destinations last year, OCC made up 50.6% and news/OMG a further 34.3%, pointed out Mr Okubo. The paper recovery rate within Japan, he also noted, was more than 78%.

'Passion' rewarded with Papyrus prize

The man responsible for managing the 2 million tonnes of recovered fibre and other recyclates handled annually by the recycling division of UK-based producer group D S Smith has become the latest winner of the BIR Paper Division's Papyrus prize, which is awarded twice a year to a company, organisation or individual deemed to be making a particularly valuable contribution to paper recycling. Dr Jim Malone has been Sales & Purchasing Director for the last 10 years at Severnside Recycling, which was recently re-branded D S Smith Recycling. Speaking in Munich, he acknowledged his 'passion' for recycling and the fact that he was 'still learning' about it some 24 years after first joining Severnside. Over that period, he has been a key player in the development of numerous paper recycling initiatives. With the world's population on the verge of exceeding 7 billion at the time of the BIR Autumn Convention, Dr Malone reflected on the fact that available resources are likely to become ever more stretched, with the result that 'recycling has never been more important'. It is the responsibility of everybody in the industry 'to keep recycling high on the political agenda', he said. Echoing the words of BIR Paper Division President Ranjit Baxi, Dr Malone said the industry risks undoing all its good work if it fails to collaborate on creating 'high-quality recyclate'.

Dr Jim Malone, Sales Director at paper manufacturer D S Smith is the proud recipient of the BIR Papyrus Prize.

