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Pulp Technology

BIR delegates clash on proposal to balance recovered fiber price swings

BRUSSELS, June 3, 2002 (paperloop.com) Calls to mitigate the recent volatile price rises for recovered fiber sparked a lively debate at the Bureau of International Recycling (BIR) World Recycling Conference in Monte Carlo, Monaco, on May 31, 2002.

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"My cost for old corrugated containers has gone from \$70/tonne to \$140/tonne in the last 45 days. This sudden 100% increase is not acceptable," said Indian company ITC Bhadrachalam Paperboards Division's general manager, Jogarao Bhamidipati. "Recovered paper suppliers and paper makers need to put their heads together to create a sustainable and coherent policy on pricing and to work together as one industry," he added.

Bhamidipati's comments echoed those made by several European waste-based containerboard suppliers and converters in recent weeks. Meanwhile, other Asian paper manufacturers attending the conference pointed out that shipping freight hikes for Europe to Asia cargo have compounded the cost increase.

One recovered fiber supplier even stepped forward to support Bhamidipati's position. "This sudden upsurge in prices frightens me somewhat," said Italian firm Masotina's vice president, Giuseppe Masotina. "The European packaging sector is not in good health and many companies can't pay the raw material price imposed by the market. One small containerboard plant in Italy has already collapsed because of this," he explained.

Masotina advised that collectors should not neglect established, individual customers close to home and urged caution amid the "euphoria" of ballooning Asian demand. "If exports to Asia should suddenly stop for some reason, such as China going ahead with its proposed 24% import duty or an event like September 11, this would drastically change our situation," he added.

But the appeals received half-hearted applause from a floor dominated by recovered fiber collectors. BIR Paper Division and French recovered fiber supplier Soulier's president, Dominique Maguin, indicated that while the market could benefit from more stability, the paper producers have had it too good for too long. "The paper industry has never acknowledged the value of raw materials in the finished product. While 50% is too high, the traditional rate of 7% is too low," said Maguin. "The recent price volatility should make paper manufacturers establish fairer rules for going forward instead of always trying to strangle the supplier," he added.

The president also warned that while paper producers will "try to manipulate" collecting activity and prices, the recovered paper suppliers have come too far as an industry to let this happen. "It's going to be very difficult for the paper world to become a major player in our world," said Maguin.

Other recovered paper suppliers were even less sympathetic to the idea of increased co-operation with buyers. "Consumers must stand up and face the market," said UK recovered fiber exporter J & H Sales International's R. Baxi. "It's survival of the fittest and those who are not fit must shut down."

One recovered fiber buyer also concurred with Baxi's stance. "After 30 years in the business, I have learned that the only force that prevails in the market is the law of supply and demand," said French cartonboard producer Etablissements Leonce Bloch's vice president, Claude Beaumont.

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