

## BIR World Recycling convention RCF market: “could be better, has been worse”

During the coffee breaks, the lobby and lounges of the Brussels Sheraton were filled with over 800 recycling delegates all networking furiously. Delegates representing the recovered paper and packaging industries were in a minority, but sixty or more were present for the “Paper round table and trading session”, to discuss this year’s theme: “Factors that cause movements in recovered paper markets”.



*The BIR Paper division awards an annual prize for outstanding contributions to recycling and sustainability, and the 2010 award went to an Indonesian mill, Indah Kiat Serang (part of the APP Group)*

**Ranjit Baxi**, President of the BIR Paper Division, opened the proceedings with a brief reminder of the current world situation for recovered papers. Third quarter results were poor, he said, reflecting the difficult economic situation in the developed world, but growth rates for the Chinese and Indian economies, at 10% and 7,5% respectively, were an encouraging sign for the future. Supply and demand for recovered papers continued to be erratic, and see-sawing prices made even medium-term prediction difficult.

The BIR Paper division awards an annual prize for outstanding contributions to recycling and sustainability, and the 2010 award went to an Indonesian mill, Indah Kiat Serang (part of the APP Group). Delegates watched a short film presenting the Indonesian mill’s eco-friendly approach to waste recycling, water treatment and em-

ployee welfare, after which two senior managers of Indah Kiat received their award from the hands of the President.

**David Symmers** of the British Recycling Association pointed out how regional factors affect prices, such that (for example) German recovered paper prices are strongly affected by demand in Eastern Europe. However, as Ranjit Baxi pointed out, the world’s number one buyer of recycled fibres is China, which in 2009 imported 28 million tonnes. The corresponding figure for 2010 will probably be closer to 24 million, partly due to lower Chinese exports of manufactured goods and partly due to improved paper and packaging collection programmes both in China and in other Asian countries.

European Exports to China - January 2010 - June 2010						
Country	1st Quarter 2010		2nd Quarter 2010		3rd Quarter 2010 July - August	
	Tonnes	Share (%)	Tonnes	Share (%)	Tonnes	Share (%)
U.K.	698 146	34%	728 100	39%	411 817	41%
Holland	428 744	21%	451 419	24%	237 361	23%
Italy	172 377	8%	181 366	9%	66 150	6%
Germany	170 635	8%	111 080	6%	51 688	5%
Belgium	171 056	8%	90 873	4%	85 973	8%
France	111 979	5%	47 468	2%	44 819	4%
Spain	158 399	8%	140 278	7%	40 887	4%
Ireland	53 101	3%	30 702	1%	35 658	3%
Portugal	20 475	1%	8 494	0,46%	4 581	0,46%
Norway	16 967	1%	8 494	0,46%	5 075	0,51%
Turkey	3 950	0,19%	3 473	0,19%	839	0,08%
Rest of EU	24 076	1%	26 982	6%	16 622	4,5%
<b>TOTAL</b>	<b>2 029 905</b>		<b>1 833 943</b>		<b>1 001 477</b>	

Source : J & H Sales (International) Ltd - Globally Exporting Recovered Fibre

*In a flood of European recovered paper which departed for China on the weight of France is not very high, it ranked between 2 and 5% depending on the quarter. However these figures may contain Customs error and it is not impossible that some Belgian and Dutch exports come from France. With over a third of export volumes Britain is the leader in exports.*

China's Imports of Fibre - 2007 - 2010					
Year	Total (tonnes)	1st Quarter Tonnes	2nd Quarter Tonnes	3rd Quarter Tonnes	4th Quarter Tonnes
2007	22 560 480	5 955 521	5 812 989	5 636 295	5 155 674
2008	24 149 938	5 917 558	6 289 672	6 046 617	5 896 089
2009	27 642 602	6 052 631	7 924 111	7 333 091	6 332 767
2010	24 000 000 (projected)	6 366 887	6 079 791	5 403 039 (projected)	0

Source : J & H Sales (International) Ltd - Globally Exporting Recovered Fibre

*With an estimate for 2010 of 24 million tonnes, imports of recovered paper in China fell more than 3 million tonnes compared to 2009, they find themselves at the same level as in 2008.*

**Bill Moore** is a US-based researcher specialising in developing pricing models for the paper industry. He pointed out that, while container shipping rates are a determining factor in worldwide prices and availability of recovered fibres, proximity to a port is today no longer important. Globalisation means that dollar prices vary less from one region to another, but exchange rate fluctuations affect profitability particularly for sterling and euro zone exporters.

Seasonal price variations seem to be less marked now than in the past, according to Moore, although there is a



**Bill Moore** a  
US-based  
researcher

tendency for end-year prices to go up. Rising fibre recovery rates in many Western countries have put higher volumes onto the market but the quality of this marginal tonnage is below average. While everyone in the business agrees that prices are driven by a) freight rates and b) Chinese demand, Bill Moore adds what he calls a “wild card” which

is availability of credit.

As concerns US recovered fibre markets, he sees evidence that the market was counter-cyclical during 2008/09; OCC prices hit an all-time high in US in July of this year, but he foresees a gradual downward slide over the next six months.

## Update on freight

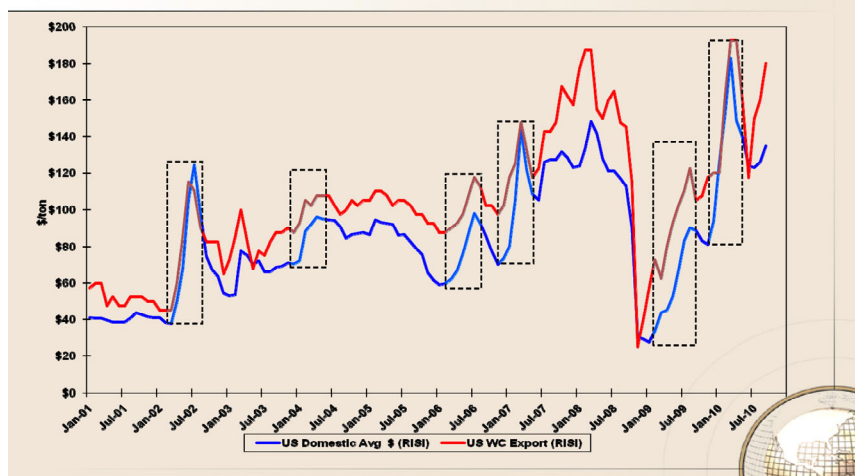
**Peter Hall**, Managing Director of APL Liner Shipping, explained what is happening in the world of ocean freight. He reminded delegates that shipping lines lost twenty billion dollars in 2009. They laid up or scrapped older vessels and cancelled orders for new ones. Worse, almost no new containers were built. Globally, as a result, freight rates rose in the first two quarters of 2010, but are now likely to decline slightly as shipping capacity is brought out of mothballs, and to stabilize in 2011. Freight costs start at the seller's warehouse, not at the port, he reminded his listeners, urging them to seek economies in land transportation.

Reverting to an earlier theme **Hubert Neuhaus** of Neuhaus Handelsgesellschaft reported that new paper mills in Poland and Hungary have significantly boosted recovered paper prices in the Eastern part of Germany. He was however concerned about recent legislative changes and in particular the recent additions to the Kreislaufwirtschafts- und Abfallgesetz, (Recycling and Waste Management Act) which, he says, are tilting the balance of power away from private collection/recycling companies and towards schemes run by local authorities who, in his words “are not always competent in this domain”.

## Will the West's supply match China's demand?

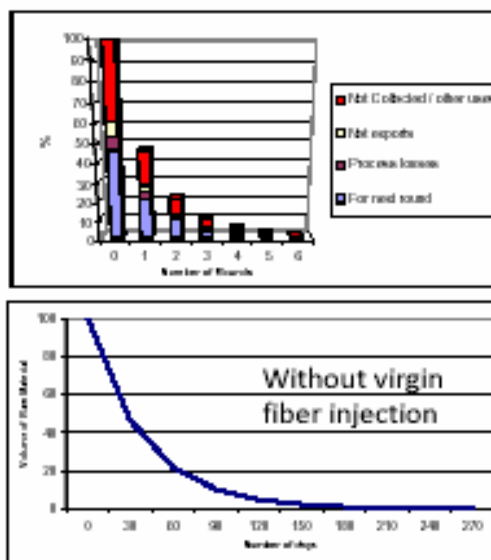
**Ilpo Ervasti**, an independent consultant from Finland and former recovered pa-

## OCC Price: 6-month Bull Markets



Source : Bill Moore

## Fibers are lost in each round



Source : Ilpo Ervasti

Technically, fibers could be utilized several rounds, but the real world is different – “pipeline” leaks

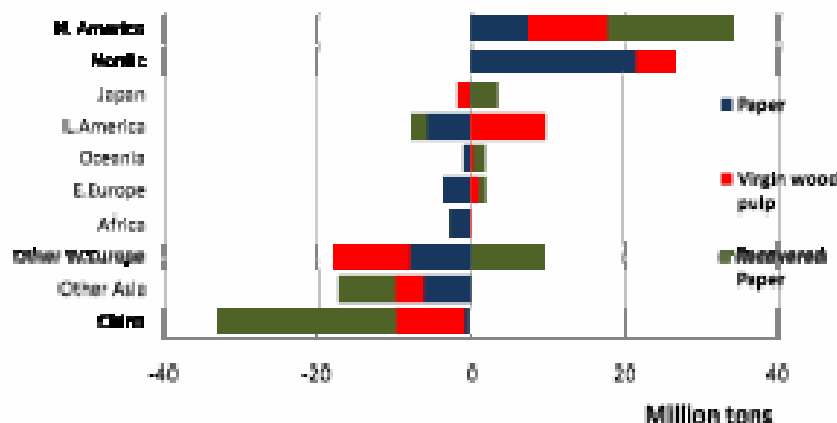
### Basic assumptions:

Collection rate 61%  
Export volume 12% of collection  
Process losses 13% in average

per manager for Pöyri Forest Industry Consulting, warned delegates not to place too much faith in statistics, particularly when it comes to recycling rates, where different methodologies mixed with sheer guesswork can often throw up sharply divergent figures. World demand for packaging is currently estimated at around 400 million tonnes per year, he said, and is scheduled to rise to 530 million tonnes by 2024. Much of this increased demand will be in Asia, according to Ilpo Ervasti's predictions, and China, which currently imports around one third of all the world's recovered papers, will continue to be the biggest customer. But will the supply of recovered fibres keep pace? In developed countries, with their ageing populations and packaging-reduction mentalities, probably not. Collection rates for waste paper, he reckons, are probably not far from the maximum attainable, and while the long-term squeeze on supply could be good for prices, it could see sharply reduced tonnages of recovered paper being shipped internationally.

# Global Fiber Net Trade 2008

Fiber moves from West to East



Source : Ilpo Ervasti

The graph shows the great movements of flows of raw material and paper that depart from North America, Nordic countries, Oceania and in a very small extent from Europe to China and other Asian countries



Ilpo Ervasti, an independent consultant from Finland



Ranjit Baxi, President of Division Papier from BIR

poor old seller in Europe or US has to sell fast or pay the high costs of storage in moisture-resistant warehouses.

**Merja Helander** of Lassila & Tikanoja, Finland, reported to the delegates on the "End of Waste" issue, which redefines recyclable papers, subject to certain criteria, as raw materials and not as waste.

Working with the EU Commission, organisations such as ERPA, CEPI and FEAD are making progress in refining the EN643 product grading schedule. Quality control guidelines have been hammered out, said Ms Helander, but there is still disagreement on what constitutes a "non-paper component". European paper recycling, she said, has now reached a world record of 72,2%, considerably above the EU target level (but see remarks above on statistics). However this apparently excellent performance of European recyclers was helped (in percentage terms) by the dramatic fall, during the crisis years of 2008-09, of total packaging consumption.

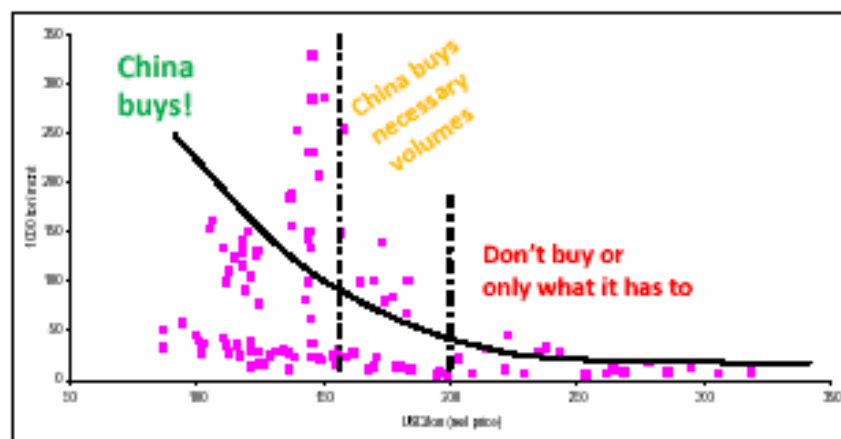
This year's BIR recycling convention brought no surprises for those in the recycled fibre business. On prices and volumes, the consensus was "could be better, has been worse" as the packaging sector along with the global economy, starts moving out of recession. With ocean freight rates stabilising, the top priority for the recovered fibre industry is improving the certifiable quality in its products.

**John Penhallow**

## OCC Imports in China – Price Sensitivity

Monthly import volumes against the average monthly price of OCC

➔ The Chinese demand is highly price elastic  
China acts like a company



Source : Ilpo Ervasti

The price curve of the OCC is directly correlated with the purchasing policy of the Chinese.

As today's recovered paper prices fluctuate roller-coaster fashion, Chinese buyers are aware, as **Ranjit Baxi** pointed out, that the odds are stacked in their favour. As buyers, they can order recycled fibres when prices are lowest and store the material for months even in damp conditions, while the



### An Interview with Ranjit Baxi “My word is my bond”.



*Ranjit Singh Baxi is the founder and Managing Director of J&H Sales, one of Europe's top traders in recovered fibres. He is also President of the Paper division of the Bureau of International recycling (BIR), and he took time out from the BIR World Recycling Convention in Brussels in October 2010, to answer questions from Pap'Argus.*

**John Penhallow:** *There is a lot of popular pressure in Europe, and particularly in Germany and Britain, to reduce packaging in all its forms. Will this have a negative effect on the recovered paper and packaging business?*

**Ranjit Baxi:** Obviously, to an extent. But remember that the world's population is estimated to increase from six to nine billion over the next 40 years, and those three billion extra consumers will all be using packaging; now put that alongside the fact that the world can only produce a finite quantity of virgin fibres, and I think you have the answer to your question.

**John Penhallow:** *So far at this conference there has been little discussion of steps being taken by local and national authorities in Europe to promote recycling. Surely this is important?*

**Ranjit Baxi:** Remember that the objective throughout Europe is to get to zero landfill, and to achieve this the various schemes which encourage the private citizen to sort household waste are very important. We in the recovered paper business are in favour not of more regulation but of better regulation. For example by having better-defined categories of recycled fibres.

**John Penhallow:** *The world's leading finance ministers are meeting today to discuss how to avoid “competitive devaluations”. Do you consider fluctuating currency rates to be an important variable in your business?*

**Ranjit Baxi:** Worldwide, most business in recycled papers is still conducted in US dollars. However buyers are becoming more open to contracts in euros or pounds. To

answer your question, yes, exchange rate fluctuations can easily turn a profitable trade into a loss-making one. I try to stress to my fellow-members of BIR the importance of finance in our business – for example the need to buy forward to cover the exchange risk when buying and selling in two different currencies. The other thing we need in our business is to ensure we're getting credit at competitive rates. If any international trader is paying over the odds for his financing and not hedging against currency risks, he won't stay in business very long.

**John Penhallow:** *Let me ask you a personal question: you do business with people from all over the world, people whose cultures and business practices vary widely. How do you cope?*

**Ranjit Baxi:** I have this notion that wherever I am in the world I am showing an invisible flag, and this flag is linked not just to my origins in Britain, nor to my Indian family background, but to a certain notion of integrity, the old dictum “my word is my bond”. And whatever the country or culture, I want to be sure that I am dealing with people with whom I share certain values.

**John Penhallow:** *Yours is a family business, which you yourself founded some 30 years ago. Do you have any thoughts about a succession?*

**Ranjit Baxi:** I am pleased to say that my son is now playing an active role in our company. Insofar as such things are possible, I can hope that the long-term future of J&H is assured, and that we shall still be around to help meet the needs of those three billion extra people we talked about.

### Tullis Russell prepares for an even greener future

The team at Tullis Russell has plenty of reasons for celebrating with successes and investments that are going to further increase the environmental guarantees for its products.

The company won an Award at 2010 Procarton/Ecma for its packaging for Tommy Hilfiger perfumes, produced using SBS trucard 0 matt board, and printed by Cartondruck in Germany. The nautical themed 3-D graphics with their complex shapes required very delicate cutting.

The company also confirmed the construction of a 50 MW capacity biomass-fired power generation plant that will make it possible to stop using fossil fuels and thereby eliminate 250,000 tonnes of CO2 emissions. The work for this 200 million pound investment, being built by RWE npower, is underway.

Finally, in helping achieve a better understanding of the environment the company is also building an eco-education center on the site which will be open to schools and associations for further adding to their green education.