

Paper

China confounds the sceptics

The 'green shoots' of recovery have become more apparent in the recovered paper sector since this year's BIR Spring Convention in Dubai, with market support notably coming in the form of strong demand from China. However, a number of serious challenges continue to face the paper recycling sector - including low collection volumes and rising costs.

At the beginning of this year, a number of leading industry commentators and media giants - including the BBC - suggested that the global economic crisis could potentially destroy the very fabric of international trade in recyclables.

In the case of recovered paper, export and import activity certainly took a severe knock in late 2008 and early 2009. However, figures presented to the latest BIR Paper Round-Table in Amsterdam reveal that the world's leading buyer - China - is now well on course to shatter its previous import record.



From left: Ain Lindre of Estonia-based Tallinna Sekto, Merja Helander, President of the European Recovered Paper Association (ERPA), and Lars-Gunnar Almryd of IL Recycling AB, Sweden.



BIR Paper Division President Ranjit Baxi of J & H Sales International in the UK (left) and guest speaker Bill Moore of USA-based consultancy Moore & Associates.

The Asian giant bought in some 18.6 million tonnes of recovered paper in the first eight months of 2009, according to BIR Paper Division President Ranjit Baxi of J & H Sales International in the UK. Of this total, the USA supplied 7.654 million tonnes and Europe around 6.5 million tonnes. If this pace of imports is maintained throughout the remaining third of the year, China will buy in some 27.9 million tonnes in 2009 as a whole - an increase of some 15% over the 24.15 million tonnes imported last year. Indeed, China's recovered paper import growth has accelerated in 2009, having risen 'only' 7% between 2007 and 2008.

Guest speakers at the meeting were equally bullish about China's buying frenzy. Data provided by Bill Moore of the well-known USA-based consultancy Moore & Associates revealed that China's recovered paper imports slumped from around 2 million tonnes in December 2008 to nearer 1.5 million tonnes in January this year - the lowest monthly total since October 2006. However, China's overseas purchases quickly re-gathered momentum to exceed 2 million tonnes in February; and by April this year, an all-time monthly import record of more than 2.7 million tonnes was set.

Indian imports to leap?

From less than 25 million tonnes in 2008, China is expected to become a net importer of around 35 million tonnes of recovered paper by the year 2014, according to Mr Moore. On the other side of the scale, North America and



Western Europe are expected to be even more substantial net exporters five years from now: the figures are put at around 22-23 million tonnes for the former and 12-13 million tonnes in the case of the latter.

For his part, fellow guest speaker Trilochan Singh of RKS International Sales GmbH & Co. KG in Germany predicted that import demand from China would rise to 37 million tonnes by the year 2012 while requirements in India would jump to 20 million tonnes by the year 2020 in response to paper manufacturers upscaling their technologies. However, some industry insiders believe the latter figure will be hard to achieve within this timescale.

Having noted the encouraging news that China and India are expected to register GDP growth rates of, respectively, 9% and 6.5% in

2010, Mr Baxi returned the focus of the meeting to the harsher realities of the nearer term. While the recession appears to have 'bottomed out', the recovery is set to be slow, he said, with rising unemployment impacting negatively on spending and therefore on paper consumption. Low recovered paper collection volumes represent 'a problem we are all currently facing', along with cash-flow issues, an increase in bank charges and a strongly rising trend over recent months in sea freight rates.

Exchange rates important

Market reports from around the world emphasised the drop-off in recovered paper collection volumes. According to Merja Helander of Finland-based Paperinkeräys Oy, incoming tonnages have declined between 10% and 15% in northern Europe; and generation in the USA has slid by similar proportions, noted Michael Moulton of Koch Pulp and Paper Trading.

Jean-Luc Petithuguenin of Paprec pointed to weak collection tonnages in his home country of France and in nearby nations. The future scale of exports beyond Europe will depend to a significant degree on the US dollar/Euro exchange rate, he added.

Low generation and a high level of exports were noted in the report for southern Europe, delivered by Francisco Donoso of Reciclajes Dolaf SL of Spain. Statistics for the first half of this year showed that Spanish exports of recovered paper exceeded 600 000 tonnes while its imports were below 400 000 tonnes, thus confirming the country as a net exporter of secondary fibre after a long history as a predominantly importer nation.

In Italy, collection volumes have declined but demand from the paper and board industry has also been lower as a result of production cuts. This situation led Giuseppe Masotina of Masotina Spa to re-work a familiar proverb in the following way: 'The horse may not be thirsty, but we may have no water to offer it.' Reporting on developments in the Turkish market, Tümay Erdil of TUDAM informed delegates that the country's Ministry of Environment and Forest has issued new pre-shipment inspection certificate criteria similar to those introduced in India. Mills are discussing the new rules with the ministry given that these are seen to have



Reinhold Schmidt of RKS GmbH in Germany and Michael Moulton, Vice President of US based Koch Pulp & Paper Trading.

resulted in additional costs and bureaucracy. On a more positive regulatory note, Mr Baxi explained that the Indonesian government has extended the list of approved pre-shipment inspection surveyors from two to upwards of 20. The government may look to implement its new import controls with effect from January 1 next year - although Mr Baxi emphasised in Amsterdam that no firm date has yet been issued.

Rates 'unsustainably low'

Rising sea freight rates was one of the challenges to the recovered paper sector highlighted by Mr Baxi. And guest speaker Peter Hall, Managing Director for the UK & Ireland of container transportation specialist APL, warned that a continuation of 'unsustainably low' freight rates will lead potentially to shipping line failures, to a degradation of service levels and, in the longer term, to a lack of re-investment within the container shipping industry.

During 2009, Mr Hall explained to delegates in Amsterdam, global container trade volumes have plummeted 20% while container shipments have declined for the first time in more than 20 years. Faced with these conditions, carriers have incurred losses running into billions of US dollars and the shipping industry as a whole finds itself 'in serious negative territory'. More than 500 container



Thomas Braun of the German waste management and recycling association Bvse (left) and Trilochen Singh of RKS International Sales in Germany.

SAICA scoops Papyrus prize

For its increasing use of recovered fibre as well as its 'healthy partnership' with companies in the supply chain, the SAICA Group of Spain has become the latest recipient of the BIR Paper Division's Papyrus prize. The award was presented by BIR World President Dominique Maguin to the company's Materials Director Guillermo Vallés Albar during the Round-Table in Amsterdam.

Formed in 1946, the family-owned SAICA Group has relied solely on secondary fibre for its raw material needs since 1997 and recovered almost 2.3 million tonnes of paper last year at a total of 43 centres, delegates were informed. The company is currently installing a waste-to-energy plant at its mill in El Burgo de Ebro - the first of its kind in Spain - to consume the recycling waste from the host mill and from its facility in nearby Zaragoza.

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Paper Division President Ranjit Baxi (left) and BIR President Dominique Maguin (right) present the Papyrus prize to Guillermo Vallés Albar of the SAICA Group of Spain.

ships are idled at present - 'and that's a big problem', the speaker underlined. 'I don't think the recovery in our industry will happen that quickly.'

The report on European Recovered Paper Association (ERPA) activities, delivered by Ms Helander, confirmed that the European paper recycling rate has reached 66.6%; the total amount recycled in paper mills last year amounted to 60.3 million tonnes - an increase of 8.2 million tonnes since 2004. The key question now, she said, is how high the recycling rate can feasibly go. 'It can't go up forever,' she concluded. □



BIR Honorary Life Member Heinz de Fries of Germany.