

Paper



Chinese importers take their foot off the gas

China may have become a more reluctant buyer and some recovered paper prices may have wobbled in recent weeks, but few of the expert presentations in Istanbul suggested long-term pessimism. The BIR Paper Division meeting also saw the award of the latest Papyrus prize, news of which is contained in the introduction to our BIR coverage.

In 2010, Chinese imports of recovered fibre are unlikely to scale the same heady heights reached last year, according to Ranjit Baxi of UK-based J & H Sales International. However, economic forecasts for the world's top emerging markets - including China and India - are 'still quite bullish', BIR's Paper Division President reminded delegates in Istanbul.

Easily the world's largest magnet for recovered paper, China imported 6.367 million tonnes in the first quarter of this year, he informed delegates to the BIR Spring Convention. The total outstrips the 5.934 million tonnes of January-March 2009 but falls well short of the 7.924 million tonnes and 7.331 million tonnes recorded in, respectively, the second and third quarters of last year.

Interestingly, America's share of the Chinese import market had soared from 39% in the second quarter of 2009 to 46% by the final three months of last year. In the January-March 2010 period, Europe's share of sales into China stood at 32% compared to 35-36% in the middle quarters of 2009. Meanwhile, Chinese imports from fellow Asian nations have remained steady at between 18% and 19% since the recent peak of 23% in the second quarter of last year.

Extrapolating figures

Last year saw the Chinese buy in a total of 27.522 million tonnes of recovered fibre - some 13.9% more than the 24.15 million tonnes that they purchased from overseas suppliers in 2008. By extrapolating the latest available figures, Mr Baxi predicted that China would import between 25 million and 26 million tonnes of recovered paper throughout the course of 2010.

He went on to note that, this year, European

exports to China followed up a weaker January and February with a strong total of 808 744 tonnes in March. However, significantly lower figures of around 600 000 tonnes were anticipated for both April and May. The UK remained Europe's largest exporter to China by some considerable distance, supplying almost 700 000 tonnes - equivalent to 34% of the continent's total - in the first quarter of this year. According to Mr Baxi, the weaker Euro has increased export prices out of Europe as well as the landed cost to importers. European OCC sales prices into China had declined more than 20% in the six weeks leading up to the Istanbul convention.

Despite the pre-eminence of China, it was made clear to BIR Paper Division delegates that the country is not alone among Asian countries in offering a consistent outlet for recovered fibre. Mr Baxi reported steady-to-growing demand from India, Indonesia, South Korea, Taiwan and Thailand; and he singled out Vietnam for particular mention as significant new domestic production projects are prompting continual increases in the country's consumption of recovered paper from overseas.

Also on a positive note, Mr Baxi noted 'some easing' in bank finance although conditions remain 'difficult'.



'Huge stock'

In the customary country-by-country market review, the report prepared by Jean-Luc Petithuguenin of Paprec in France suggested that, in terms of the lower grades of recovered paper, buyers in Asia had largely neglected the European market in the previous two months. 'The reason is that they have a huge stock of finished products and they do not succeed in selling them,' it was stated.

Giuseppe Masotina of Masotina Spa in Italy reported a shortage of fibre available for recovery in his domestic market - an observation echoed by several other experts. For example,



Ain Lindre of AS Tallinna Sekto in Estonia estimated a 17-18% decline in the Baltic Countries' collection tonnages in the first quarter of this year. He added: 'Starting from the second half of March, recovered paper collection increased 7-8% but it is still slower than it was in 2009.' Meanwhile, Merja Helander of Paperinkeräys Oy in Finland confirmed an almost 7% reduction in domestic collection volumes during the first four months of 2010. 'Paper and board mills' order books have improved and many mills estimate to run well over the summer period,' she said. 'The big question is whether there is enough raw material available and how much the seasonal summer drop in collection will affect volumes. Stocks are far below normal levels.'

Shortage to worsen

Reinhold Schmidt of Recycling Karla Schmidt in Germany also emphasised that the summer period is likely to hit collection tonnages while the report prepared by David Symmers of The Recycling Association in the UK indicated that the shortage of material - particularly noticeable in the mechanical and woodfree de-inking sectors - 'will become more acute over the next three months'.

According to Jaroslav Dobes of Remat SRO in the Czech Republic, Mondi's new capacity brought on stream in Poland has had a 'considerable impact' throughout Central Europe. The additional demand created for OCC in particular served to elevate prices 'even above the level in other European countries,' he said.

Reporting on the latest activities of the European Recovered Paper Association (ERPA), the organisation's President Merja Helander reviewed the work conducted by ERPA, the Confederation of European Paper Industries, FEAD and the European Commission towards defining end-of-waste status for recovered paper. Among the key issues, she noted, have been moisture content and quality control at the depots.

Recycling rate to jump

In the first of three guest presentations, the Chairman of the Turkish Pulp & Paper Industry Foundation Erdal Sükan predicted that his country's recovered paper recycling rate would jump from around 40% at present to more than 50% by the year 2015, at which point more than 3 million tonnes of fibre 'will be recycled locally'. Mr Sükan also emphasised that Turkey's per capita consumption of paper and board is well below the European average and therefore offers 'significant growth potential'. Consumption has been rising steadily from 51.2 kg per person in 2005 to just over 60 kg in 2008.

Peter Clayson, Business Development Manager for major UK paper and board recovery firm Severnside Recycling, outlined the significant disparity experienced by his company between the contamination levels found in supplies of recovered paper from source-segregated and co-mingled sources: in the case of the former, contamination has been typically between zero and 2% whereas 5-8% has been the average for the latter. He identified key contaminants as plastic bottles, tubs, trays and bags, as well as foil, steel and aluminium

Focus on output not input

In the past, he suggested, operators of materials recycling facilities (MRFs) had concentrated on input specifications whereas 'the newer wave of MRFs coming into the market tend to be more focused on the output specification'. He called on MRF operators to gain an understanding of reprocessors' requirements since all mills work to different tolerance levels and quality specifications. 'Sending the right product



Erdal Sükan, Chairman of the Turkish Pulp & Paper Industry Foundation.



Om Bhatia, Managing Director of Macquarie Bank in the USA.



Merja Helander of Paperinkeräys Oy in Finland, who is also President of the European Recovered Paper Association (ERPA).



Peter Clayson, Business Development Manager for major UK paper and board recovery firm Severnside Recycling.



Thomas Braun of the German recycling and waste management organisation Bvse.



BIR Paper Division President Ranjit Baxi of UK-based J & H Sales International.

to the right reprocessor is vital,' it was insisted. He concluded that a collaborative approach was required between collectors, sorters and reprocessors to ensure 'quality remains paramount'. The meeting in Istanbul also heard from Om Bhatia, Managing Director of Macquarie Bank Ltd in the USA, who recommended the use of hedging tools such as fixed price swaps to help the recovered paper industry to reduce its risk in these uncertain times. 'These tools are very common in OCC and ONP because they are the two most volatile,' he told delegates. If the world continues to witness economic recovery, a shortage of pulp could well emerge in 2011 and 2012 owing to the lack of new production capacity in the pipeline, according to Mr Bhatia. This would represent good news for paper recyclers, he went on to note. □