



Fourth Quarter Looks Shaky for Paper Sector, says BIR

Over 400 million tonnes of paper and cardboard are produced worldwide each year. When we consider that the raw ingredients for over half of this production come from recovered sources, the importance of the recovered paper market becomes clearly evident.

A long time representative of the recovered paper industry, the Brussels, Belgium based global recycling association - the Bureau of International Recycling (BIR) has published its third quarterly report on the international recovered paper market in 2010.

According to the report increased domestic demand and lower levels of collection in Asia have prompted a strengthening of prices. Mills in many Asian markets have focused on buying local fibre and reducing imports in a bid to meet domestic demand at lower price levels. Markets that continue to import include India, Taiwan, South Korea, Vietnam and Thailand. As is the case for many reclaimed materials,

China is a huge market. However, despite becoming the second largest economy in the world, growth in manufacturing output was noticeably slowing during the third quarter, affecting demand for both new and recovered paper.

BIR expects the fourth quarter to be a challenging period in Asia, with the expectation that mills will increase procurement, while collection levels will be heavily dependant on the severity of the winter in both Europe and the U.S.

Aided by the reluctance of Asian buyers to place orders, BIR reported that in Western Europe market conditions were comparatively relaxed. In Germany, as in Europe in general, demand during the third quarter remained stable, and was spread evenly across lower, middle and higher grades. There were however, reports of a price differential between east and west Europe.

European countries are reporting lower collection rates. Combined with generally strong demand this

has led to rising prices. Meanwhile in Spain stocks of white grades are reportedly close to zero, and prices for white woodfree ledger are exceeding €300 per tonne. Some Spanish mills are reported to be importing sorted white ledger (SWL) from the USA in an attempt to offset domestic shortages.

Reduced collection rates have also been felt in Italy where the recovered paper industry has been going some way to making up for the previous 18 months through higher prices and improved margins. The UK and France have seen a similar pattern of reduced collection volumes.

The falling cost of freight, combined with favourable exchange rates has led to rising prices from the Far East being reported in the UK during September. This is supported by reports from France of strong demand for OCC from Asian buyers over the past two months. France is also releasing containers quickly to promote exports. Somewhat bucking the trend, the Czech Republic

has reported significant increases to paper collections in the third quarter, with a year-on-year rise of some 14.6%. This upturn is expected to continue. Paper consumption has only increased at a rate of 6%, while the consumption of Czech mills has remained unchanged. The additional collection tonnage is going to export - up 21% for the year.

The BIR report then paints a mixed picture of global consumption, collection and production. In general both Europe and Asia have experienced collection shortages, largely brought about by the economic downturn.

The reduced availability of one of the paper industry's key raw materials has not been entirely balanced out through a corresponding reduction in demand, and this has led to rising prices - and in some cases short supplies. The prevailing outlook from BIR for the fourth quarter is one of caution, with the market broadly expected to maintain a precarious balance.

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