

# Good demand but prices con

*Data provided by China's State Environmental Protection Agency (SEPA) confirm that, by volume, recovered paper accounted for 43% of the host nation's 2005 imports of recyclables - far more than any other secondary raw material.*

*But despite huge and growing demand in China and many other parts of Asia, recovered paper prices are failing to match the stunning progress made by many other commodities, it was once again underlined at the BIR Paper Division meeting in Beijing.*

**By Ian Martin**

**A** fascinating presentation from UK-based Asian market expert Ranjit Baxi of J&H Sales International revealed that China had imported 17 million tonnes of recovered paper last year compared to 12.3 million tonnes in 2004. The American share of these imports slid from 51% to 44% in 2005 despite an increase in volumes from 6.23 million tonnes to 7.47 million tonnes, although American market share had climbed back up to 48% in the first quarter of 2006, Mr Baxi pointed out to the BIR Paper Division meeting in Beijing. Europe claimed a 27% share of the Chinese import market last year in boosting its shipments to 4.57 million tonnes; the 2.66 million tonnes exported from Europe to China in 2004 accounted for 22% of the same market. Shipments from elsewhere in Asia - notably Japan and Hong Kong - maintained their 23% share of the market in 2005.

Mr Baxi also highlighted a massive shift in the make-up of the recovered paper imported by China since the start of the Millennium. According to his figures, newspapers had made up 29% of China's fibre imports in 2005 compared to 59% in the year 2000 while the corrugated board share had increased over the same period from 31% to 52%.

Having noted that freight rates were currently on a rising trend, the speaker suggested that the introduction of new shipping capacity would push these costs lower. Shipping capacity was set to grow by 16.7% in 2006, followed by 14.5% in 2007 and 13% in 2008, he told delegates.

## Leading European supplier

David Symmers of the Independent Waste Paper Processors Association underlined the UK's status as the leading European exporter of recovered paper to China, with around 1.5 million tonnes shipped in 2005 alone. Having recorded an annual recovered paper export total of 264 000 tonnes only a decade ago, UK shipments surged almost 700 000 tonnes higher in 2005 alone to reach 3.286 million tonnes. Exports had leapt 28.6% in the first quarter

of 2006 and could break through the 4 million tonnes barrier this year.

According to Mr Symmers, the volume of recovered paper shipped overseas 'may well exceed domestic consumption' in 2006. UK paper and board production had peaked at 6.6 million tonnes around the turn of the Millennium but had dropped to just over 6 million tonnes last year. Domestic recovered paper consumption had been stable for the last five years at 4.5-4.6 million tonnes but the figure was expected to decline in 2006.

Rising exports of recovered paper have also been a feature of the Spanish market, with spokesman Jaime Broquetas reporting an 86% leap in overseas shipments last year to more than 500 000 tonnes. Spain was beginning to feel the effects of new domestic capacity coming on stream, with OCC exhibiting upward price momentum.

## Consumer restructuring

Other market reports delivered in Beijing underlined the impact of restructuring within the European paper and board industry. Divisional President Dominique Maguin of Soulier in France pointed to the closure of four Smurfit mills in his home country while Hubert Neuhaus of BVSE in Germany said the merger of Kappa and Smurfit would mean domestic capacity losses.

Merja Helander of Paperinkera Oy in Finland



Paper Division President Dominique Maguin of Soulier in France (left) and General Delegate Thomas Braun of BVSE in Germany.





# tinue to disappoint

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noted that UPM was planning to cut 680 000 tonnes of annual coated paper production in her own country while other companies were also engaged in restructuring programmes. Stora Enso was planning to close down a deinked market pulp unit in November this year unless a buyer was found for a facility which consumes approximately 70 000 tonnes of news and pams per annum.

## Prodigious growth

The rapid and on-going development of China's paper and board industry was a prominent theme of the BIR Paper Division meeting. Mr Baxi, for example, suggested that the country's paper and board production had sky-rocketed 150% to around 50 million tonnes in the space of a decade. One of the companies behind this prodigious growth is Nine Dragons, which has confirmed plans to increase its current annual capacity of 3.3 million tonnes to 5.3 million tonnes as early as next year. Peter Wang, CEO of Nine Dragons' major fibre supplier America Chung Nam (ACN), told delegates that the sheer volume of recovered fibre demand required his own company to be 'a consistent buyer in the market'.

According to figures presented by Mr Wang, China's apparent consumption of recovered paper would jump from 30.9 million tonnes this year to 33.6 million tonnes in 2007. Domestic collection would advance from 13 million tonnes to 14.2 mil-

lion tonnes over the same period, while imports would surge from 17.9 million tonnes in 2006 to 19.4 million tonnes next year. Statistics confirm that imports contribute around 57% of China's total apparent consumption of recovered paper.

Bold expansion plans were also revealed at the meeting by Billy Leung, Managing Director of the Hong Kong-based Fook Woo Group. His company, which collects and processes more than 290 000 tonnes of recyclable materials every year, was aiming to improve product quality and efficiency through automation, delegates learned.

## Published without agreement

In his submission to the Beijing convention, the President of the European Recovered Paper Association (ERPA) Maarten Kleiweg de Zwaan explained that the Confederation of European Paper Industries had opted to publish 'Guidelines on Responsible Sourcing' without ERPA's agreement. Noting that it had not been possible to find a common position on fundamental issues relating to food safety, ERPA's President said his organisation felt strongly that 'recovered paper and board from households, if intended for use as grades that come into contact with foodstuffs, must be sorted before being forwarded to a mill'. Furthermore, ERPA believed that paper and board collected from households together with cans, bottles and plastics 'should not be

used for the production of food-contact grades'.

Meanwhile, the board of ERPA had decided in principle to sign a new European Declaration on Paper Recovery for the period 2006 to 2010 on condition that work would be started on the revision of EN 643. 'A revision is necessary due to the fact that the current version does not mention any allowance for contraries while some grades are not mentioned at all, which creates difficulties with Customs and Excise,' stated Mr Kleiweg de Zwaan in a report read out in his absence by Thomas Braun of BVSE in Germany.

In wrapping up the meeting in Beijing, Mr Maguin expressed some confusion at why recovered paper prices had failed to mirror the boom witnessed in other secondary raw materials. There had been evidence of some upward movement in recent months 'but the prices are still very low compared to other commodities', he lamented. □



From left: Billy Leung of the Hong Kong based Fook Woo Group, Cheng Fei Zhang of China's Nine Dragons paper mills and Peter Wang of America Chung Nam, California, USA.



From left: David Symmers of the UK's Independent Waste Paper Processors Association, Paper Division Vice-President Jaroslav Dobes of the Czech Republic and Herbert Neuhaus of Sita Böhm in Germany.



UK-based Asian market expert Ranjit Baxi of J&H Sales International.