

Paper

Mills and recovered paper sector face tougher times

The recovered paper industry is feeling the pressure from freight rate increases, currency fluctuations and reduced demand from producers who have been affected by a general economic slow-down. Nevertheless, confidence in the strength of long-term demand for recovered paper remains undiminished as China in particular continues to set lofty paper and board production goals.

China has provided the locomotive for the massive surge in global recovered paper trading over recent years. However, growth in the country's imports is likely to slow this year, according to BIR Paper Division President Ranjit Baxi of UK-based J & H Sales International Ltd.

China boosted its imports by 15% to some 22.6 million tonnes last year but a first-quarter 2008 figure of 5.9 million tonnes suggested a total for this year of around 24 million tonnes - equivalent to an annual import growth rate of nearer 7-8%. The USA had satisfied some 47% of China's recovered paper import needs in the January-March period compared to 44% for 2007 as a whole; this increase was achieved at the expense of suppliers in Asia. 'Looking forward, China's paper and board production is anticipated to exceed 100 mil-

lion tonnes (per year) some time by 2014, which means there will always be a demand for fibre which should continue to grow at over 8-10% per annum,' said Mr Baxi. Demand for recovered fibre would also be underpinned by tax increases on exports of wood chips from Russia and other countries, and by the anticipated closure of pulp mills, the speaker added.

Difficult to sustain exports

But while the future 'looks good', the more immediate outlook was 'slightly tough' given that freight rate increases and currency fluctuations had been 'making it difficult to sustain fibre exports', Mr Baxi contended. Having joined several speakers in noting a recent decline in the price of OCC, the divisional president claimed that the economic slow-down in the USA and Europe had impacted

directly on Asian exports, resulting in reduced consumption of packaging paper and 'signs of suffering order books' among producers.

A similar message was delivered via several of the country-based market reports submitted to the Paper Division meeting. In particular, Giuseppe Masotina of Masotina SPA spoke of 'a very deep crisis' among Italy's packaging producers as a result of a drop in consumption. He also calculated that 22 domestic paper mills had closed down since the start of the Millennium.

Similarly, Jaroslav Dobes of Remat SRO suggested that the closure of the Norske Skog paper mill in Steti would have a marked impact on the Czech market given that the facility consumed around 80 000 tonnes per annum of deinking grades. The Spanish market was also witnessing mill closures and downtime, with newly-elected Paper Division Vice-President Francisco Donoso of Reciclajes Dolaf SL noting: 'Smurfit Kappa is definitely closing the Valladolid mill which consumes about 130 000 tonnes per year'.

Meanwhile, Turkish mills were likely to take downtime in response to significantly higher energy costs, noted Ekrem Demircioglu of Donkasan AS. But on a brighter note, he added, Modern Karton's 400 000-tonnes-per-

annum PM4 machine had come on stream during the second quarter of the year.

Round wood worries

Merja Helander of Paperinkerays Oy in Finland warned that Russian plans to increase customs duties on round wood exports to her home country would result in 'a considerable rise in raw material costs to paper and board producers'. She added: 'I can imagine some machines will close down.'

The new Chair of the European Recovered Paper Association (ERPA), Ms Helander also confirmed that the ninth version of the EN 643 standard grades list revision provided 'a good basis for further discussion' with the Confederation of European Paper Industries (CEPI) and FEAD.

For Sweden, Jan Bruzelius of IL Recycling AB noted a recent US\$ 10 per tonne drop in the OCC price but continuing tightness in the tissue grades market. Jean-Luc Petithuguenin of Paprec in France also noted the OCC market decline and proclaimed: 'We are waiting for the Chinese.' The outlook for Estonia, Latvia and Lithuania was 'promising' despite the OCC price drop, commented Ain Lindre of Estonia-based Tallinna Sekto.

Reinhold Schmidt of Recycling Karla Schmidt reported that the recovered paper utilisation rate in Germany had advanced to 68% last year while generation had reached an all-time record high of 15.8 million tonnes. Meanwhile, David Symmers of the Independent Waste Paper Processors Association confirmed that UK exports of recovered fibre had exceeded domestic consumption in 2007 and that overseas shipments in February 2008 alone had almost matched the total for the year 2000. Some domestic producers had reportedly taken downtime owing to a lack of supply of

recovered paper while construction had begun on the Palm newsprint mill in the east of England, he added.

Lifelong services award

BIR's Paper Division has initiated two new awards in a bid to boost the recognition accorded to this sector of the recycling industry and to provide a means of honouring its 'champions', explained Mr Baxi. BIR's current World President Dominique Maguin of France became the first recipient to mark his lifelong services to the paper recycling industry.

At each of the world body's Spring Conventions, a lifelong services award will be conferred on an individual while an award for the contribution of an organisation or a corporation to paper recycling will be given at BIR's Autumn Conventions. Having received his award, Mr Maguin declared: 'We are the only recyclers.' Whereas mills consumed recyclables with the specific intention of manufacturing a product, 'our only aim is to recycle'.

In announcing the award scheme, Mr Baxi insisted: 'Our role does not always receive the full recognition it deserves. The work done by the paper recycling industry goes a long way towards promoting carbon reduction and reducing global warming.' The positive environmental role performed by the paper sector provided the basis for the guest presentation from Holger Alwast whose Germany-based company Prognos AG had recently unveiled the results of a study into the potential benefits of recycling in terms of resource saving and carbon dioxide emission reduction. In Monte-Carlo, he pointed to an emission saving of 840 kg per tonne of paper recycled and argued that a more ambitious approach to waste management and recycling as a whole could contribute between 16% and 27% of European emission reduction targets for 2020.

Threat to lower grades

Fellow guest speaker Ilpo Ervasti, Leading Advisor with Poyry Forest Industry Consulting of Finland, argued that 2.5 tonnes of paper equated to one tonne of oil in energy content terms, thus giving paper a value of US\$ 338 per tonne based on current oil prices. It was therefore important to maintain high standards of collection and sorting to avoid the 'great threat' of lower grades of recovered paper being deployed in the production of energy.



Guest speaker Holger Alwast of Prognos AG in Germany (left) Jan Bruzelius of IL Recycling AB in Sweden.



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



Delegate Thomas Braun of the German waste management and recycling organisation BVSE.



Merja Helander of Paperinkerays Oy in Finland and Giuseppe Masotina of Masotina SPA in Italy.

According to Mr Ervasti's figures, recovered paper has increased its share of paper-making fibres by 10 percentage points in the last decade. Recovered paper volumes had grown from 117 million tonnes in 1995 to 194 million tonnes in 2006 - and this upward trend was expected to continue. Over the same period, China's share of global recovered paper utilisation had leapt from 7% to 22%.

However, Mr Ervasti also argued that, without an injection of virgin fibre into the raw material loop, Europe would run out of paper industry fibres within two or three months. Basing his assertion on average rotation times, he described this overall structure as 'very fragile'. The guest speaker identified 70% as a likely ceiling for global recovered paper collections, adding that Europe was close to this figure and that Japan had already achieved this milestone. Production/collection comparisons for China were affected, he argued, by the large volume of packaging material shipped overseas with exported goods. □



Recovered paper has increased its share of paper-making fibres by 10 percentage points in the last decade.