



Mixed feelings about positive recovered paper prospects

By Ian Martin



Global consumption of recovered paper has already entered uncharted territory and will reach even headier heights over the next few years, thanks mainly to major capacity investments in Asia and Europe. Given this scenario, however, processors are somewhat disappointed about the price levels and margins they have been able to achieve.

The Ritz Hotel at Piccadilly, which was built in 1906, is famous for its high tea.

The guest presentation at the BIR Paper Round-Table in London left no room for doubt that recovered paper consumption was set to increase sharply in the coming years. However, Paper Division President Dominique Maguin of Soulier in France lamented that this steep growth had yet to lead to substantially higher prices for the recovered paper industry's products. 'It is very surprising to see that prices are not moving rapidly,' he told delegates. 'Prices are still under pressure from the mills and are not under the direction of our own producers. We have to decide what level of prices we need to sell at so that we can continue to work.'

General Delegate Thomas Braun of BVSE in Germany also observed that, in his domestic market, paper mills were becoming increasingly engaged in direct procurement procedures involving local authorities and offering discounts 'not available to the wider market'.

Massive capacity growth

In his guest presentation entitled 'The outlook for the global recovered

fibres market', sector expert Esko Uutela of Germany-based EU Consulting calculated that an additional 18 million tonnes of paper recycling capacity was scheduled to come on stream between 2003 and 2007. Massive increases in Europe and the Asia/Pacific region would be offset only slightly by capacity declines in North America and Japan. The capacity expansion in China alone would equate to around 11 million tonnes by 2007, the speaker's charts indicated.



Paper sector expert Esko Uutela of Germany-based EU Consulting.

Global recovered paper consumption jumped from 160 million tonnes to 168 million tonnes in 2003 but was expected to soar to well over 220 million tonnes by 2010 with China accounting for approaching 45 million tonnes of this total, according to Mr Uutela. And since China's domestic recovery rate was expected to reach only 39.3% by 2010, the nation's imports of recovered fibre could rise from an estimated 12 million tonnes in 2004 to 17 million tonnes in six years from now. By that year, he envisaged that North American exports would have risen from between 13 and 14 million

tonnes to nearer 20 million tonnes.

Mr Uutela also highlighted a major development in the European market, namely the emergence of the UK as the region's leading recovered paper exporter in place of Germany. UK exports were forecast to rise from 1.861 million tonnes in 2003 to nearer 2.4 million tonnes this year. 'They could be 3 million tonnes or even more by 2010 because collection and domestic recovery are growing very rapidly,' he indicated. In contrast to some other analysts, Mr Uutela believed that Germany would still be a net exporter of recovered fibre in 2010 - 'but not a major one'.

Merchants chasing tonnage

Maarten Kleiweg de Zwaan, President of the European Paper Recovery Association (ERPA), said possible price reductions in Europe were 'unnecessary'. And he added: 'Merchants are chasing each other's tonnage and this is hitting margins. If it continues, I see businesses going bust or having to join forces.' He also confirmed that 'Recovered Paper Quality Control Guidelines' and 'Best Practices on Recovered Paper Baling Conditions' had been approved by ERPA and the Confederation of European Paper Industries (CEPI). However, delivery conditions had been dropped because ERPA had disagreed with the inclusion of place of loading details.

Noting that the European recycling rate had reached 53.9% in 2003

and was on course to meet the 2005 target of 56% laid down in the Declaration on Paper Recovery, Mr Kleiweg de Zwaan said that ERPA favoured entering a further voluntary declaration after next year but insisted: 'We need greater participation.'

On-going freight problems

In his report on the Asian market, BIR Paper Division Vice-President Ranjit Baxi of J&H Sales International Ltd said that the Chinese registration scheme covering overseas suppliers of recyclables had led to 'a period of uncertainty' but that many recyclers had now secured their registration numbers. However, regular movement in sea freight rates was causing 'on-going problems for all exporters'.

In his US report, BIR Paper Division Vice-President Michael Moulton of Koch Pulp and Paper Trading LLC described market conditions as 'generally stable' and suggested prices could rise over the next couple of months on the back of 'firm' Asian demand. □



Hubert Neuhaus, van SITA Bohm GmbH, Germany (left) and Paper Division President Dominique Maguin of Soulier in France.



General Delegate Thomas Braun of BVSE in Germany.