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- Industry News
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 - week in review
 - month in review
 - sales & earnings
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 - printing news
 - converting news
 - ecommerce news
 - people news center
 - property & asset sales
 - event coverage
 - archive search
 - weekly poll

- Market Intelligence
- pricing
 - grade centers
 - risi viewpoint
 - ceo corner
 - PPI Outlook 2002
 - market analysis
 - statistics
 - operating rates

- Corporate Intelligence
- global projects online
 - company reports
 - sales & earnings
 - corporate analysis
 - stock quotes

- Regional Centers
- country reports
 - country spotlights
 - PPI's annual review

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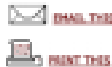
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Non-Japan Asia to emerge as new top dog in recovered fiber markets, BIR predicts

MONTE CARLO, May 31, 2002 (paperloop.com) - The Far East is set to become the leading force in recovered paper consumption growth over the next three years, as the North American and West European markets reach maturity. Overall, the global growth rate of recovered fiber usage will fall by 2005, but actual demand will continue to rise year on year.



These trends were predicted by Edward Walker of the UK's Edward Walker Consultants in his keynote address at the Bureau of International Recycling (BIR) World Recycling Convention held in Monte Carlo, Monaco, May 29-31. "The baton of growth is well and truly being passed to Asia and a new world order is emerging in the recycling business," said Walker, "China and the Far East will increasingly dictate developments in the global recovered fiber business as well as world trade patterns."

World consumption of recovered fiber grew by 5.8%/yr during the 1990s to reach some 160 million tonnes in 2002. While volumes will continue to increase over the next three years to a level of some 185 million tonnes/yr by 2005, the annual growth rate is tipped to fall to 4.1%, according to Walker. The decline in growth will be led by North America, western Europe and Japan (the notable exception to the Asian trend), which together account for almost two thirds of present global recovered fiber consumption.

Several factors are contributing to the slowdown in "the big three" regions. The growth rate of paper and board consumption has begun to fall. During the 1990s global consumption of paper and board grew by an average of some 3%/yr. But the rate is set to dip to 2.1% in the period 2000 to 2005 due to a maturing newspaper market and government pressure to reduce packaging waste, through, for example, a move toward lightweight packaging options. "In some important parts of the world demand for paper and board is now leveling out, if not declining in some cases," said Walker.

While the US currently accounts for over a third of world recovered fiber consumption, the country will contribute a mere 2.1 million tonnes to the 21 million tonnes of new paper and board capacity investments slated between 2002 and 2005. The Japanese demand for waste-based containerboard and newsprint will grow only "marginally" in the next three years. The fall in growth will be at its mildest in western Europe, where Walker believes that there is still scope for newspapers to increase their pagination. There are also a number of new waste-based containerboard projects in the pipeline. "But the growth in demand in western Europe is slowing," he cautioned.

Walker also highlighted a push toward a lower proportion of recovered fiber usage in the furnish of paper and board producers in developed markets. "Recycled fiber content levels are getting nearer and nearer to the optimum under present conditions of recycling and paper making technology," he said.

Complicating the process

But producers have also been turned off an increased usage of recovered fiber for other reasons. The growth in collection activity in the key regions has brought about a deterioration in recovered fiber quality. Paper and board manufacturers are having to fork out for new recovered paper processing technology in order to maintain the integrity of their raw materials. Many producers are also being forced to mix in higher amounts of virgin fiber pulp into their furnish.

The European, North American and Japanese tissue markets have also experienced a swing toward bulkier and softer products that require virgin fiber pulp as the main raw material.

"[Meanwhile] the continuing high level of investment [in paper and board production] in the Asia Pacific region catches the eye," said Walker, highlighting China as a "spectacular" example. China has already unveiled capacity increases of 6.7 million tonnes by 2005. "Additional investment plans are still being announced and more will emerge," indicated Walker.

The Asian situation was fleshed out by BIR Paper Division president, Dominique Maguin. Asian demand for paper and board "exploded" by 33% between 1996 and 2000, making the region the world's number one paper and board consumer, he said. In 2000, Asia accounted for almost 58 million tonnes of the total 323 million tonnes of world paper and board consumption, placing it ahead of Europe (44 million) and North America (41 million).

All the signs indicate that Asia will outpace the pack still further in the coming years. Chinese consumers currently use just 25 kg of paper and board per person/yr (in India the rate is 5 kg) compared to 350 kg in the US. With a combined population of some 2.5 billion people, the potential for growth in India and China alone is staggering.

The Chinese government has further boosted the country's need for recovered fiber by slashing timber quotas in reaction to deforestation-related floods. The Chinese state has also committed to phase out the use of straw pulp in packaging production by 2004, due to toxic waste produced in the pulp-making process.

Today, China itself is already the world's third largest consumer of recovered fiber, behind the US and Japan. In 2000, the country imported 3.5 million tonnes of recovered fiber, but in 2001 the figure leapt up to 6.5 million tonnes. "China's consumption of recovered paper will continue to rise," said Maguin. "By 2006, China will import between 20 and 22.5 million tonnes of recovered paper each year," he added.

The result of these trends is that, "North America will have a rapidly growing surplus, but so will both western Europe and significantly Japan, which has moved from being a net importer to becoming a significant exporter of recovered fiber," said Walker. The world's hungriest consumers will transform into the world's leading suppliers of waste-based raw materials.

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