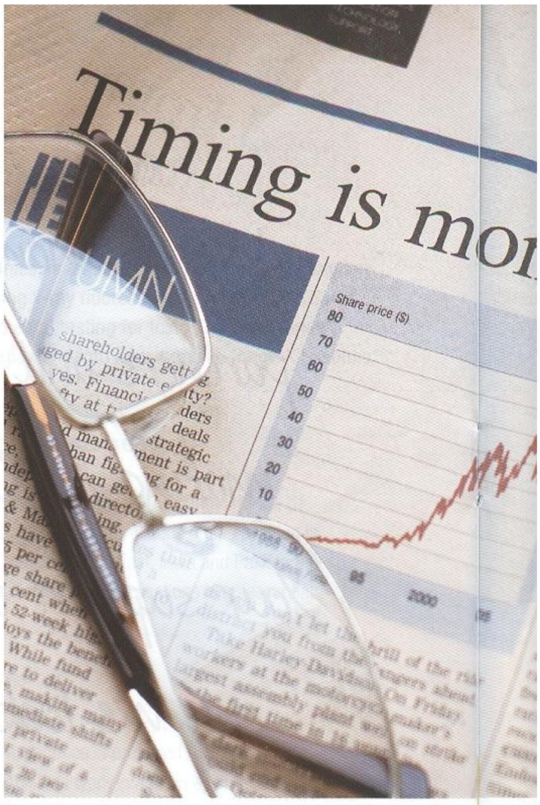
Proud performance by recovered paper industry



The following article is based on a report prepared by former BIR Paper Division President Giampiero Magnaghi which analyses 2005 and 2006 figures relating to the world paper and board, pulp and recovered paper industries, including collection, consumption and international trade flow statistics. The author concludes that, despite being confronted with some baffling legislative developments, the recovered paper industry has reason to be more than satisfied with its growing impact.

By Ian Martin

'For the first time in the history of our profession, consumption of recovered fibre has exceeded consumption of virgin fibre,' declares world-renowned sector expert Giampiero Magnaghi in his latest statistical review of the global market.

Taking into account the volumes of recovered paper destined for panel and thermal insulation applications which are not included in paper and board industry figures, the world recovered paper consumption total was no lower than 198 million tonnes in 2006. 'For the first time, this total appears higher than that for the production and use of virgin fibres,' asserts Mr Magnaghi, whose career in the recovered paper industry has included the presidency of the BIR world recycling body's Paper Division. 'Operators within the recovered paper branch should be really proud of the evolution of their profession and of the results of their work - and of their costly investments.'

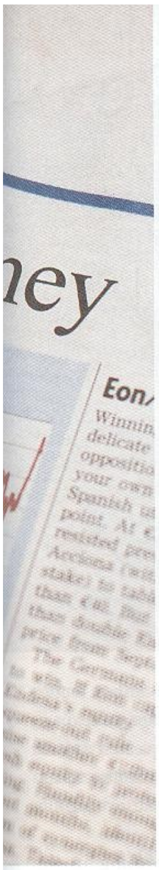
With this performance in mind, he goes on to lament: 'It is difficult to understand how and why, time and again, our profession is subjected to new complications despite making a serious contribution to the cleaning up of the environment by producing increasing volumes of useful and demanded materials that still, incomprehensibly, are very often not considered as secondary raw materials.' In particular, he describes demands for recovered paper shippers to state their individual sources of supply as 'perplexing'.

Asia posts strong growth

Global collections of recovered paper jumped 7.3% from 182.6 million tonnes in 2005 to a shade over 196 million tonnes the following year. Top of the pile was Asia with a collection total of just over 70 million tonnes as against 63 million tonnes in 2005. Europe boosted its recovery from 57.7 million tonnes in 2005 to 61.7 million tonnes, while the North American total advanced around 4% from 49.9 million tonnes to 51.8 million tonnes over the same period. Elsewhere, the following collection volumes were recorded in 2006: Latin America 8.93 million tonnes; Africa 1.79 million tonnes; and Australasia 1.72 million tonnes.

Many of the key regional statistics are collated in *Table 1*, in which the import and export totals include materials moving within continents.

Meanwhile, world production of paper and board climbed 4.2% in 2006 to just over 382 million tonnes, with Asia accounting for approaching 11.6 million tonnes of the global increase of 15.7 million tonnes in recording a production total of 140.8 million tonnes. By comparison, growth was restricted in Europe to around 3% and in Latin America to nearer 2.7%, while overall production in North



America was static at the 2005 level.

However, at 37.2 kg per annum, Asia's apparent consumption of paper and board remains well below the world average which increased from 56.3 kg per capita in 2005 to 58 kg the following year. In 2006, apparent consumption reached the following per capita levels elsewhere in the world: North America 292 kg; Europe 139 kg; Australasia 119.6 kg; Latin America 41.6 kg; and Africa 7.1 kg. Chinese production of paper and board leapt 16.1% in 2006 to around 65 million tonnes but is expected to approach 90 million tonnes per annum within the next 10 years. 'This will have a corresponding effect on local recovered paper collection and imports,' observes Mr Magnaghi.

Not constructive

The close correlation between collection and apparent consumption is seen as confirmation of recent trends towards stocks becoming tighter and consumers purchasing material on an increasingly 'just-in-time' basis, according to Mr Magnaghi. 'This behaviour is not constructive because it could create price instability, not to mention problems of obtaining containers for recovered paper in a timely manner,' he observes.

As a result of increased demand among the different continents, merchant recovered paper volumes increased to approaching 50 million tonnes in 2006. A breakdown of the world's leading recovered paper importers is provided in *Table 2*.

Turning to other trends, Mr Magnaghi notes that several Western World mills have recently ceased production 'and others will probably follow - possibly because they are too small and insufficiently modern to be competitive'. There appears to be a transfer of smaller and medium-sized paper and board plants to India because of its type of market, commercial background and private structure. 'And there has been an increase in the quantities of recovered paper available to the Asian market partly because of a drop in mill consumption in certain Western markets, such as Great Britain,' he adds.

As to whether collections of sufficiently clean and cheap material can be increased, Mr Magnaghi points to the existing high levels of activity in many countries before concluding: 'If demand for recovered paper follows current trends, some scarcity will emerge.'

Constant pressure to collect more

Raising a topic regularly tackled at international meetings, Mr Magnaghi ponders the reasons why recovered paper prices have failed to keep pace with the escalation seen in other secondary raw materials, notably metals. 'Many operators are wondering about the reasons for this difference considering the strength of demand,' he acknowledges. 'The answer is made up possibly of more than one factor: for instance, constant pressure to collect more and more recovered paper creates a relative abundance of materials, and this abundance, by definition, will reflect on prices. Furthermore, collection of those last possible available quantities requires more and more costs in terms of, for example, local transportation, sorting, and baling at a good level of density.'

The constant upward march of overseas transport costs 'has had a clear influence on the value of the materials at the point of destination', he adds. 'And it is evident that distant consumers have been compelled to accept - even if only partially - such cost increases, probably with repercussions for their final paper and board product prices.' □

Giampiero Magnaghi of Italy, Past President of BIR's paper Division.

* *The full version of Mr Magnaghi's report can be viewed on the BIR website at: www.bir.org*

Table 1

Key recovered paper statistics for 2006 (tonnes)

	Collection	Imports	Exports	Apparent consumption
Asia	70 040 200	28 781 900	5 944 000	92 715 400
Europe	61 716 522	12 370 685	19 669 340	54 417 870
North America	51 819 000	2 407 000	16 926 000	37 300 000
Latin America	8 926 920	1 925 340	293 870	10 558 395
Africa	1 790 425	234 590	70 985	1 954 925
Australasia	1 715 510	7 466	1 170 950	552 026
Totals	**196 008 577**	**45 726 981**	**44 075 145**	**197 498 616**

Table 2

Leading recovered paper importers (tonnes)

	2005	2006
China	17 030 000	19 620 000
Indonesia	2 520 000	2 811 000
Canada	2 130 000	1 969 000
India	1 475 000	1 760 000
Mexico	1 625 000	1 444 000
South Korea	1 350 000	1 210 000
Thailand	946 000	1 050 000
Taiwan	652 000	761 000
Philippines	380 000	310 000