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Brussels, 26 October 2007

BIR Warsaw Round-Table Sessions

Paper Division: Exports affected

Freight rate increases, rising oil prices and the increased volatility of the US dollar have conspired to affect exports of recovered fibre, the BIR Paper Division meeting in Warsaw on 22 October was told by its new President - Ranjit Baxi of UK-based J & H Sales International. He succeeds Dominique Maguin of France who is now BIR's World President.

Since October 1, European exporters to main Asian ports have been facing freight increases of around US\$ 600 per 40-foot container while further BAF increases are anticipated for November and December, said Mr Baxi. "Exporting is a rather difficult task at the present time," he stated.

In other international developments, the speaker noted that Taiwan had banned the export of recovered fibre with effect from August 1 and, as a result, China will be looking to replace the approximately 50,000 tonnes per annum obtained from this source. Mr Baxi contended that currently "negligible" African fibre exports to Asia will increase over the coming years; according to his figures, the leading African shippers to China at present are Cameroon followed by Nigeria. Among the European nations, Mr Baxi identified Norway and Poland as ever-stronger exporters of fibre to China. Meanwhile, Japan remains "a major player" in the Asian market, having shipped slightly more than 2 million tonnes to other countries in the region during the first half of 2007, including almost 1.7 million tonnes to China.

Mr Baxi ended his presentation with an earnest plea to fibre exporters to set themselves high quality standards. President of the European Recovered Paper Association Michael Kühl of Kühl Unternehmungsgruppe in Germany later added: "We can survive in this industry only if we produce quality." The comment followed his progress report on efforts to update the EN 643 European list of standard grades of recovered paper and board: a ninth draft, including definition of tolerance levels, has been sent to the Confederation of European Paper Industries.

Reviewing the world markets, Mr Kühl noted that, in addition to freight and currency factors, EU exporters have also been forced to contend with revised Waste Shipment Regulations which came into force on July 12 this year. He added: "Freight increases have been a source of particularly acute concern in the UK which exports more than 50% of its recovered fibre - with a very high proportion of this tonnage going to China, India and other Indian destinations."

The first of two guest presentations to the Paper Division meeting in Warsaw was delivered by Marek Skorwider, Raw Materials Purchasing Director of Mondi Packaging Paper Swiecie SA of Poland. He explained that Polish collections of recovered fibre had surged from below 900,000 tonnes in 2002 to more than 1.4 million tonnes last year, equivalent to a collection rate of 35%. There exists the potential to increase collection levels to 3 million tonnes per annum by 2015, according to Mr Skorwider, but he believes this figure will not be reached without substantial development of selective collection systems.

Om Bhatia, Global Head - Forest Products at Barclays Capital in the USA, outlined the scope for using financial hedging in the "highly volatile" recovered paper market. He identified fixed price swaps and minimum price protection (put option) as two of the most common hedging strategies, adding that these provided operators with an opportunity to minimise their risks. According to Mr Bhatia, uptake of hedging instruments has been "very slow" in Europe, with between 500,000 tonnes and 1 million tonnes hedged over the last four years compared to upwards of 10 million tonnes in the USA.

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