

PRESS RELEASE

Recent BIR World Recycling Convention & Exhibition in Hong Kong (22-24 May 2017)

Paper Division:

Double headache for exporters with freight rates and National Sword

Brussels, 31 May 2017

An “explosion” in container rates “had nearly dealt a death blow to the shipping of recovered paper”, the latest BIR Paper Division meeting was told by its outgoing President, Reinhold Schmidt of Germany-based Recycling Karla Schmidt. Freight costs for shipments between Europe and China had soared more than US\$ 1000 per container - or US\$ 40 a tonne - in the opening months of 2017, delegates learned at the gathering in Hong Kong on May 23.

Although rates were dropping below US\$ 2000 per container and were likely to stabilise at nearer US\$ 1200-1400 in the coming months, noted BIR World President Ranjit Baxi of J&H Sales International, greater dialogue was required with the shipping industry to ensure it understood the impact of precipitously steep rate increases on the recovered paper industry. “We never have an audience with the shipping lines,” he lamented during a panel discussion in Hong Kong moderated by Recycling International magazine’s Chief Editor Martijn Reintjes.

The panellists - who also included Brian Taylor of US-based Recycling Today magazine and Nobuyuki Shiose of Daiwa-Shiryō Co., Ltd of Japan - also spotlighted China’s National Sword initiative to tackle illegal imports. Mr Baxi supported China’s desire to eliminate incoming material that was contaminated and unsuitable for use as a secondary raw material. A “zero tolerance” approach “would affect us all” as sorting systems were unable to achieve 100% purity, he said. But at the same time, exporters from Europe, for example, “must move their quality a notch higher”.

BIR – REPRESENTING THE FUTURE LEADING RAW MATERIAL SUPPLIERS

If National Sword served to deflect volumes away from China, “those tonnes will go somewhere”, contended Mr Taylor, although he also acknowledged that market problems might arise in the short term.

For European OCC and mixed paper shipments to China, a steep price decline around the start of the second quarter of 2017 had been followed by an almost immediate recovery, it was explained in the European market report from new Paper Division board member Martin Soth of Sběrné suroviny UH sro of the Czech Republic. This about-face was attributable to “lower stocks and more stable containerboard orders for mills in China” as well as to “the strength of fibre demand in Europe itself”, he said.

In his guest presentation, Mr Shiose noted a growing preference among Japanese paper mills for dealing with those fibre suppliers able to offer larger tonnages. “It is possible to get higher prices if you can offer more volume,” he said. This trend could lead to consolidation within the supply sector and create a competitive environment in which “small companies will be the losers”.

Also in Hong Kong, Thomas Braun of BVSE in Germany stepped down as General Delegate of the BIR Paper Division after 15 years. In his role as Vice President of the European Recycling Industries’ Confederation and its recovered paper branch ERPA, he pointed to continuing “tensions” with the paper manufacturing industry which sees opportunities in the EU’s Circular Economy package to “restrict exports of recovered paper outside Europe”. Mr Braun argued this “short-term vision” should be opposed as the European market’s “structural oversupply” of recovered paper made exports necessary to “support collection, increase recycling rates and maintain competitive prices”.

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