



BY AMANDA FANTINATTI*

A CHALLENGING YEAR FOR GLOBAL RECOVERED-PAPER MARKETS

2017 was a challenging year for global recovered-paper markets, with demand and supply developments affecting several important regions (such as the US and Europe) and, most importantly, China adding to the turmoil.

In the 2Q17, China suspended the approval of recovered-paper import permits. In July, China notified the World Trade Organization (WTO) that it will ban imports of several types of solid waste, including mixed paper and board, by the end of 2017.

So far, several mills have failed environmental inspections and had their import permits revoked. As China reduced its imports of recovered paper, prices in the US and Europe, the two largest recovered paper exporters, fell significantly in August and September.

In contrast, prices for domestically-collected recovered paper in China, particularly Old Corrugated Container (OCC), increased significantly due to the lack of supply. The rising fiber cost in China also led to a hike in paper and board prices and some companies preferred to increase finished paper and board imports, instead of producing locally, in order to meet demand.

Last month, at the RISI Latin American Containerboard Conference hosted in Miami, Florida, this theme was considered a key factor determining future developments in the containerboard industry. In fact, developments in the recovered-paper market in China will be extremely important not only for China and the respective market itself, but also for pulp and paper & board prices down the road.

Additional Capacity for Export

All the World's Mills Ran at 100%
2017

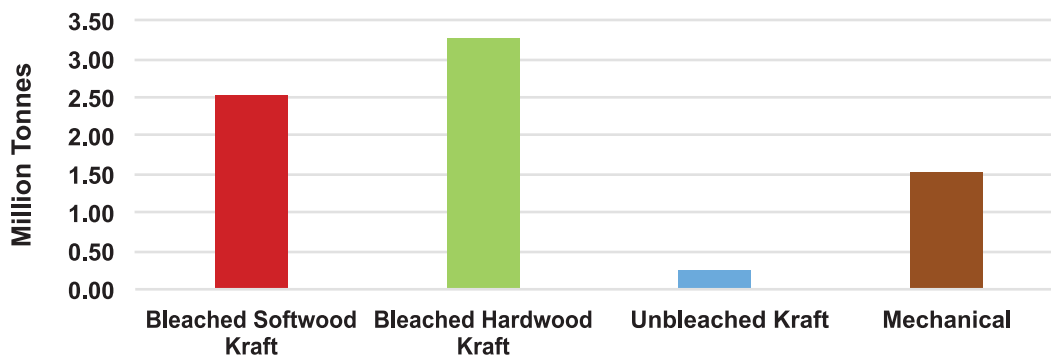


Figure 1.

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Figure 2.

According to RISI's VP of Global Packaging, Ken Waghorne, China has already experienced a significant increase in domestic paper & board collection – but the increase in recovery rate will not be enough to offset the recovered-paper imports lost. What about replacing recovered paper with market pulp? In an exercise, if all of the world's pulp mills ran at 100% of their capacity, there still wouldn't be enough fiber available to satisfy the recovered-paper shortfall. As can be seen in Figure 1, there's a greater amount of bleached pulp available that is best suited for graphic papers and boxboard. In fact, there's a very small amount of unbleached kraft available – which is used in containerboard production.

Consequently, there was a high consensus that unless China reverses its decision to limit recovered-paper imports, the country

would need to import containerboard to meet its box demand, and it would take at least two years for there to be enough supply globally to make up for the increase in demand.

What are the impacts of these developments in Latin America? As shown in Figure 2, the percentage of recovered-paper imports in Latin America is low, around 15% of total demand.

However, there are major differences among countries in the region. For example, in Brazil, almost all recovered-paper consumed is collected domestically. In Mexico, on the other hand, a large amount of the recovered paper needed is imported, especially from the USA. Therefore, Latin America is also set to feel the current turmoil in the recovered-paper markets – however, this is a story for the next column. ■

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