

MEMORANDUM

TO: Board of Commissioners
FROM: Josh Tyler
DATE: June 12, 2019
RE: MRF Commodity Market Update

Recycled scrap commodity markets have been volatile over the last eighteen months due to international trade restrictions and policy changes. The restrictions and changes have led to recycled content producers seeking alternate outlets for the material, shifting material to smaller processors and causing a global saturation of recycled scrap markets. Initially fiber markets, specifically mixed paper, saw a significant decrease in commodity pricing. Commodity pricing for Old Corrugated Cardboard (OCC), Used Beverage Containers (UBC) and plastic containers has declined during the first and second quarter of calendar year 2019 (CY19). The decreased market value for recycled commodities has driven the Average Commodity Revenue (ACR) for the sale of CSWD MRF commodities down to an all-time low of \$30.00 per ton as of June 12, 2019.

April 22, 2019, CSWD posted a tip fee increase for July 1, 2019 from \$55.00 per ton to \$65.00 per ton. Currently tip fees within CSWD's regional market are between \$95.00 per ton and \$100.00 per ton. CSWD staff is evaluating a third quarter CY19 tip fee increase in anticipation of future commodity market volatility and to ensure all operational and capital obligations are met.

The good news: Domestic fiber markets are significantly expanding processing capacity to receive recovered commodities. Over the next six to eighteen months market saturation regarding fiber pricing and fiber market stability will ease due to increased processing capacity. The CSWD MRF market commodity profile is approximately eighty percent fiber; forty percent OCC and forty percent mixed paper. Staff is optimistic with respect to the future stability of recycling markets and as the bulk of commodities marketed out of the CSWD MRF are fiber. The current investment in fiber processing capacity indicates that the ACR will rebound. Moving forward a focus on recycling education and processing infrastructure investment will be key in recycled material quality. Recovering and marketing recycled commodities at the highest quality will secure the highest commodity pricing and ensure the success of future recycling management.

NERC-NEWMOA REGIONAL RECYCLING MARKETS COMMITTEE

Domestic Recycled Paper Capacity Increases (June 12, 2019)

The following is a list of announced increases in the capacity of North American paper mills to use recyclable paper as a raw material.

The list starts with six capacity additions on a list provided by Dennis Colley, CEO of the Fibre Box Association, in his presentation at the Fall 2018 NERC Conference. I have supplemented this information with local news stories about the mills and company press releases. I did not include one conversion of a graphics paper mill to packaging paper because I could not find information that the new machine was using recycling fiber as a feedstock. These six new capacity additions appear to be only using old corrugated containers (OCC) as their feedstock. However, it is likely that they could also use residential mixed paper (RMP). More importantly, the price for mixed paper tracks that of OCC. Increased capacity for OCC should increase the price paid for residential mixed paper, therefore increasing the value of mixed paper.

The list includes new paper mills along with existing mills that are closed or are still operating but are being converted to produce different end products (e.g. from newsprint to packaging). It also includes two mills that will be using recycled feedstock other than OCC and RMP. One is a facility designed to produce paper pulp and plastic pellets using beverage cartons and aseptic packages as its primary feedstock. The other is a mill designed to use food contaminated paper from commercial sources.

The mills are listed in rough order of their projected opening. Sources include articles in Resource Recycling, Paperstock Reports, Recycling Today, Waste 360 and Waste Dive along with company press releases, local or national newspaper articles and the data in the Colley presentation.

Each facility is listed by name, location, whether new or converted, projected final capacity in either tons per year (TPY), metric tonnes per year (MTPY) or tons per day (TPD), depending on the source, raw material feedstock and projected opening. Data is often incomplete because the individual companies determine what information they will release. This list will be updated as new capacity is announced or new information received.

If you have any questions about facilities on this list, please contact Chaz Miller, Chair, NERC-NEWMOA Regional Recycling Markets Committee, chazmiller9@gmail.com, 301-346-6507.

Fibre Box Association:

Midwest Paper Group
Combined Locks, Wisconsin
Conversion of coated paper to packaging
350,000 TPY containerboard
OCC
OCC pulping machine began July 2018

Packaging Corporation of America
Wallula, Washington
Conversion of fine paper to linerboard
400,000 TPY
OCC
Last quarter 2018

Packaging Corporation of America
DeRidder, Louisiana
Conversion of newsprint to linerboard and corrugated medium
150,000 TPY
OCC
2018

Hood Container
St. Francisville, Louisiana
"New recycling plant"
120,000 TPY
OCC
2018

International Paper
Riverdale, Alabama
Conversion to linerboard and containerboard
450,000 TPY
OCC
Second quarter 2019

Grupo Gondi
Monterey, Mexico
New containerboard
441,000 TPY
OCC
2019

Fibre Box Association + additional sources

Copamex
Anahuac, Mexico
Convert existing graphic paper to recycled containerboard
220,000 TPY
OCC, RMP
"early" 2019

Bio Pappel/McKinley Paper Co
Port Angeles, Washington
Closed graphic paper mill
250,000 TPY containerboard
OCC
September, 2019

Pratt Industries
Wapakoneta, Ohio
New
360,000 MPTY cardboard
OCC, RMP, double-lined kraft
October 1, 2019

Nine Dragons
Biron, Wisconsin
Convert existing machine to produce corrugated medium and linerboard, build new
recycled pulp capacity
2090 TPD pulp: 1320 TPD ship to China, 770 TPD onsite conversion to containerboard
OCC, RMP
Last quarter 2019/First quarter 2020

Nine Dragons
Rumford, Maine
New recycled pulp facility at existing mill
1320 TPD pulp (ship to China)
OCC, RMP
Last quarter 2019/First quarter 2020

Green Bay Packaging
Green Bay, Wisconsin
New mill replacing smaller existing mill
685,000 TPY Containerboard
OCC, RMP
Spring 2021

Cascades

Hanover, Virginia

Temporarily operate closed recycled newsprint mill (27 months) then convert to linerboard and corrugated medium

400,000 MTPY Paperboard

OCC, RMP

2021

Nine Dragons

Fairmont, West Virginia

Existing mill produces recycled content bleached kraft pulp mill for packaging and tissue products

Existing mill makes 220,000 MTPY

Existing mill uses SOP, newsprint, other grades

No date given for potential changes

Global Win/Shanying: Phoenix Paper

Wickliffe, Ballard County, Kentucky

Closed coated paper mill to be converted to kraft pulp and packaging

300,000 tpy

OCC, RMP???

Mill began production of bleached hardwood pulp on May 23, 2019

Port Townsend Paper

Port Townsend, Washington

Existing mill that makes 325,000 tons per year of kraft linerboard, corrugated medium, kraft converting paper and kraft pulp for export

Expanding OCC capacity from 400 to 800 TPD and increasing consumption of recycled fiber from 40 percent of raw material input to 60 percent

Fourth quarter 2019

CorrVentures

Albany, NY (Rensselaer County)

New mill built on site of existing facility

300,000 TPY 100% recycled lightweight containerboard

Fourth quarter, 2021

Mills not using OCC or RMP but using other grades of recycled paper

Ecomelida

Orangeburg County, South Carolina

New

Process food and beverage cartons including aseptic packages and papermill pulp byproducts into 72,000 MTPY plastic pellets and 36,000 MTPY paper pulp for export to

China

2019

Georgia Pacific Juno Technology

Toledo, Oregon

New

300 TPD containerboard

Commercial waste from restaurants, airports, sports arenas, schools, etc.

1st quarter 2020

Questions? Comments? Contact Chaz Miller, Chair, NERC-NEWMOA Regional
Recycling Markets Committee, chazmiller9@gmail.com 301-346-6507