

Market madness: Current state of recycling commodities

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For both explainable and non-explainable reasons, recycling market prices are very volatile. Eight years ago, we experienced record lows, only to be followed five years later with record high values for some recovered materials.

HDPE milk jug bale prices



Aluminum can prices



PET bale prices



Old corrugated container price



Ferrous scrap prices (No. 1 heavy melting steel)

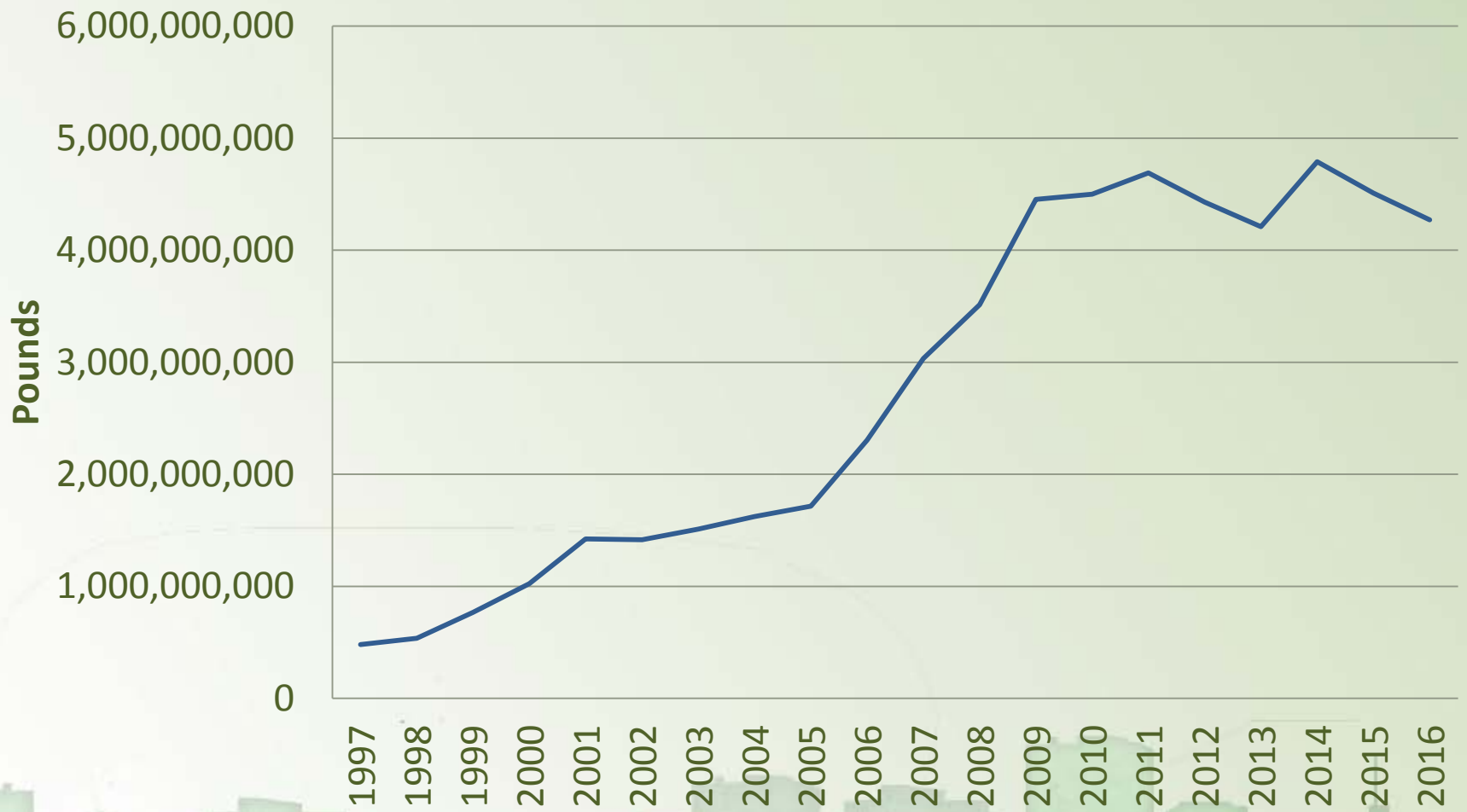


Why the recent volatility?

First, China has reduced its role in the marketplace, and that's bad news for many North American recycling processors.



Plastics exports



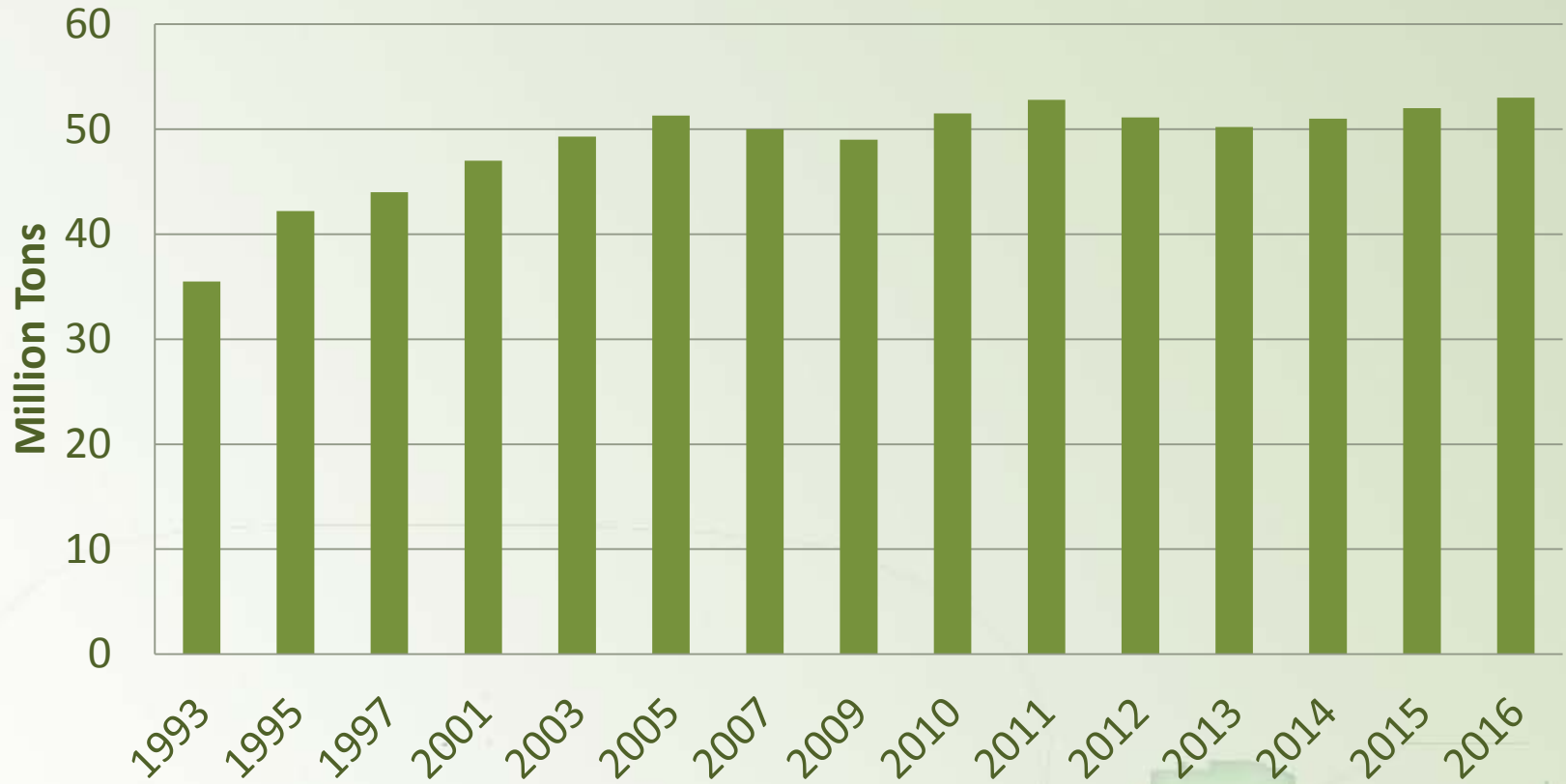
Ferrous scrap exports



Why the recent volatility?

Second, some domestic recycling industries are not faring well.

Paper collections continue



Recovered paper exports



2016 recovered paper market

	Million Tons	Versus 2015	2016 Marketplace
Domestic	30.8	-1.2%	59%
Exports	21.8	+1.3%	41%
Total	52.6	+1.0%	

Newsprint: a serious problem

North American shipments in million metric tons:

2000: 15.8

2005: 12.7

2010: 7.8

2011: 7.3

2012: 6.7

2013: 6.4

2014: 6.5

2015: 5.7

2016: 5.4

This is a loss of 55 percent over five years.

Paper recycling markets: Bankruptcies

AbitibiBowater	Newsprint
Caraustar	Paperboard
Newark Group	Paperboard
Smurfit-Stone	Paperboard
SP Newsprint	Newsprint

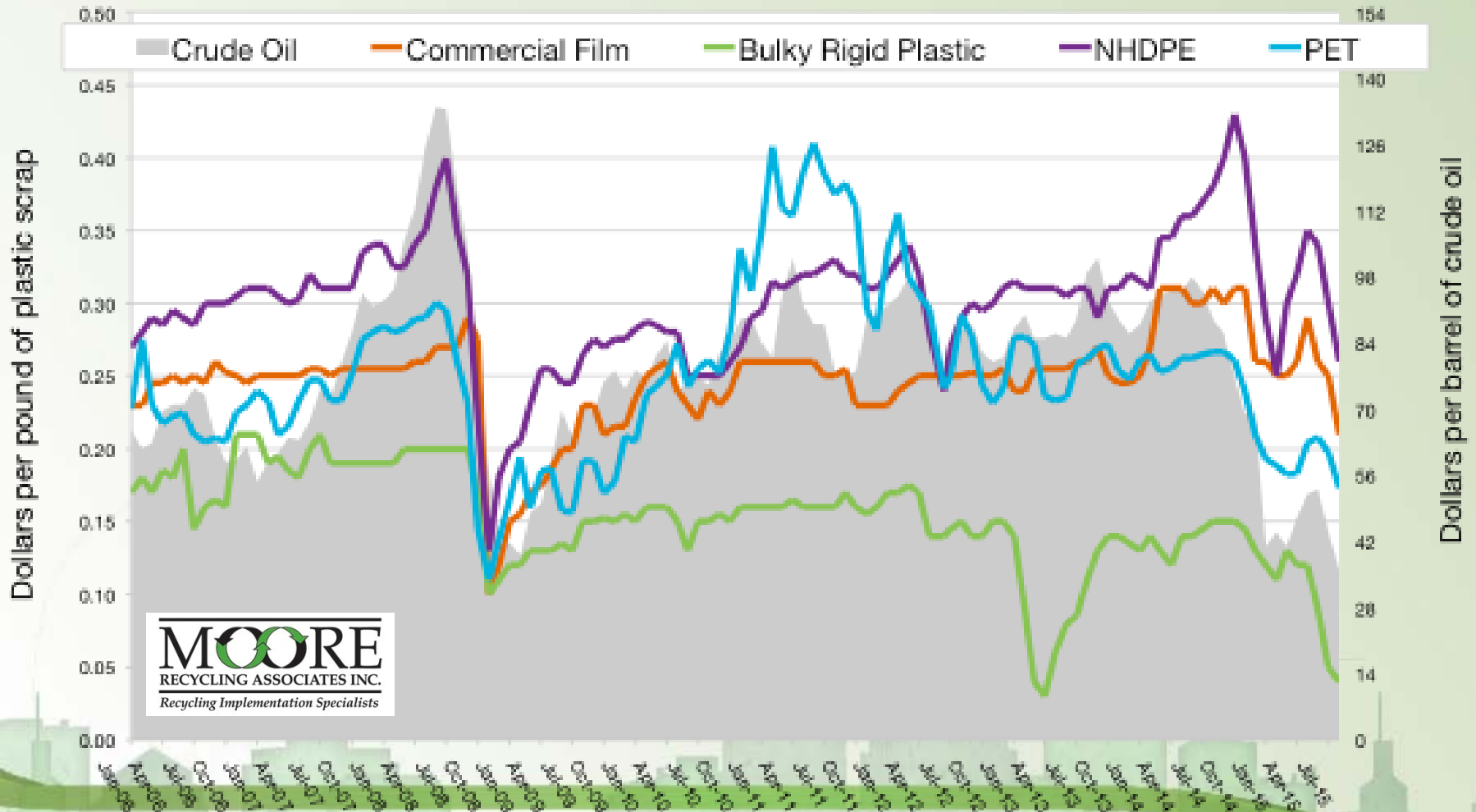
Paper mill closures

Blue Heron	Oregon City, OR
Caraustar	Chattanooga, TN
Caraustar	Richmond, VA
Caraustar	Charlotte, NC
Franklin Boxboard	Franklin, OH
International Paper	Albany, OR
Smurfit-Stone	Missoula, MT
Sonoco	Rockton, IL
Sonoco	Lancaster, OH

Another trouble spot

While plastics recycling continues to grow, reclaimers will continue to be affected by having to compete against low-cost virgin resin made from cheap oil or natural gas.

The value of oil versus recovered plastics (2006-2015)



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What can we expect?

Global economic growth will be the primary determinant, especially in Asia.

A strong dollar will continue to be an impediment to recycling market prices.

What can we expect?

The new economy will change recycling markets. The “Amazon effect” on recovered paper markets is receiving extensive attention, and all the news isn’t good.

What can we expect?

Cheap hydrocarbon pricing, especially from shale oil and gas production, will reduce the overall energy savings benefits of using secondary materials.

What can we expect?

China may no longer be the world's factory:

- rising wages
- increasing labor actions
- growing environmental concerns
- high literacy
- role of social media

What can we expect?

We're again seeing import restrictions by China, because they no longer want to be the world's dumping ground. Recycling practices of the past no longer suffice. However, it is a bit too early to be able to gauge the impact of the current National Sword import restriction initiative.



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What can we expect?

The lack of attention in the U.S. toward an industrial policy will hurt recycling. As volumes of recyclables climb while Chinese demand slows, states will be urged to, once again, launch recycling market development programs.

How can I monitor markets?

The absolute best metric is capacity utilization. This metric displays the actual relationship between supply and demand.

How can I monitor markets?

For individual materials, here's what my editorial team is monitoring:

- aluminum: metal use in cars and trucks
- steel: infrastructure spending
- plastics: flexible packaging developments
- paper: consumer spending

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Drop me a line

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