

## The state of the market for recycled fibres globally and its impact on Finland

The worldwide market for recovered paper is being reshuffled – millions of tonnes of recycled fibres remain in storage in Europe, and there will be no additional capacity for their industrial processing for several years. Recovered paper refers to multiple types of recycled paper from newsprint to cardboard. In the global market for recovered paper, brown cardboard is the largest item in terms of volume. China's share of the world's recovered paper flows has been 50 per cent. Since 2017, imports to China have gradually become more complicated because the country stopped purchasing miscellaneous recovered paper from Europe and the United States. In 2018, a stipulation entered into force in China stating that recovered material may not contain more than half a per cent of impurities.

China announced in 2018 that imports of recovered paper would be completely banned by the start of 2020, but this decision has not been implemented. The deadline has been postponed by two years. The sector believes that China will close its borders to foreign recovered paper, but the country's paper and board industry cannot yet manage without imported material. China has tightened its environmental goals in recent years and does not want to continue its dependency on imported raw materials but aims to develop its own recovery systems. Furthermore, China has started to process recovered paper into recycled fibre pulp outside the country's borders and importing it into the country in a more processed form.

European countries exported 8.5 million tonnes of recovered paper to China in 2017, but the number went down to 2.8 million in 2018 – constituting a decrease of approximately 65 per cent. The United States has held on a little better than Europe so far, because American fibre packaging contains less recycled fibres than its European counterpart. Recovered paper no longer purchased by China remains in either the United States or Europe, and the oversupply situation will continue for a long time. In 2017, European trade in recovered paper was balanced under the combined impact of recovery, usage and import. In 2018, nearly 3.8 million tonnes of material oversupply remained in the European market. In 2019, the figure was almost 4 million tonnes.

The prices of recycled paper collapsed during 2019; in terms of recovered paperboard, the PIX average price index has fallen from almost 130 in 2017 to approximately 60 in November 2019. In March 2020, the PIX index continued to fall to approximately EUR 30 per tonne.

The aftermath of the situation in China has also reached Finland, which is part of the European market. As the ownership of factories becomes more international, purchasing and steering of raw materials becomes more international, too. It is expected that more industrial plants utilising recovered paper and cardboard will be completed in the coming years. In 2020–2022, Europe is expected to receive nearly 4 million tonnes additional capacity for manufacturing packaging materials. However, recycled fibres are generated every day, and something must be done about them before the new investments are finalised.

## The situation in early 2020

There is still an oversupply of fibres on the European market. The prices have gone down and the PIX OCC index (type 1.04, 70% corrugated cardboard, includes cargo) has fallen below EUR 30 per tonne. **Because of this and additional processing, transportation and storage costs, reimbursements on both corrugated board and paperboard have virtually fallen to zero and continue to decline further, reaching negative figures. At this point, we can predict upward pressure on recycling fees for 2021.**

The near-term outlook is bleak: the prices will remain low, the imbalance between recovery and usage will continue, China will continue to impose restrictions on reception and aims to achieve self-sufficiency and process recycled fibres at their source.

The domestic market started recovering slowly in early January, but recycling operators have larger stocks and a growing need for storage space due to strikes. Corrugated cardboard withstands storage better than household cardboard, which sometimes must be placed in energy waste. The coronavirus is also making exportation more difficult and causing shortages of containers.

**In this situation, it is important this information reaches the relevant persons throughout your organisation, and we ask you to forward the information, if necessary. Thank you!**

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