



Grow & Optimize

Changing for the Better

SWANA – Spring Conference

Recycling Market Update

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Sonoco North America Integrated Business

Integrated Supply Chain Model

Recycling



21 Plants
4 MRFS

Collect 2.8 million tons
70% OCC
20% Mix
10% Other

Paper



13 Paper Mills with
21 paper machines

1.3 million tons of
Paperboard

3 Adhesive plants
and Forest Products

Converting



75 Industrial and
Consumer
converting
operations

Consumes internally
supplied paperboard
and adhesives



China, China, China.....

What are they doing?

- Green Fence (2013), to National Sword (2018), to Blue Sky 2019, to potential ban of imports by 2020.
- Mixed Paper & Mixed Plastics have been banned
- Governmental limitations on what they are allowed to import

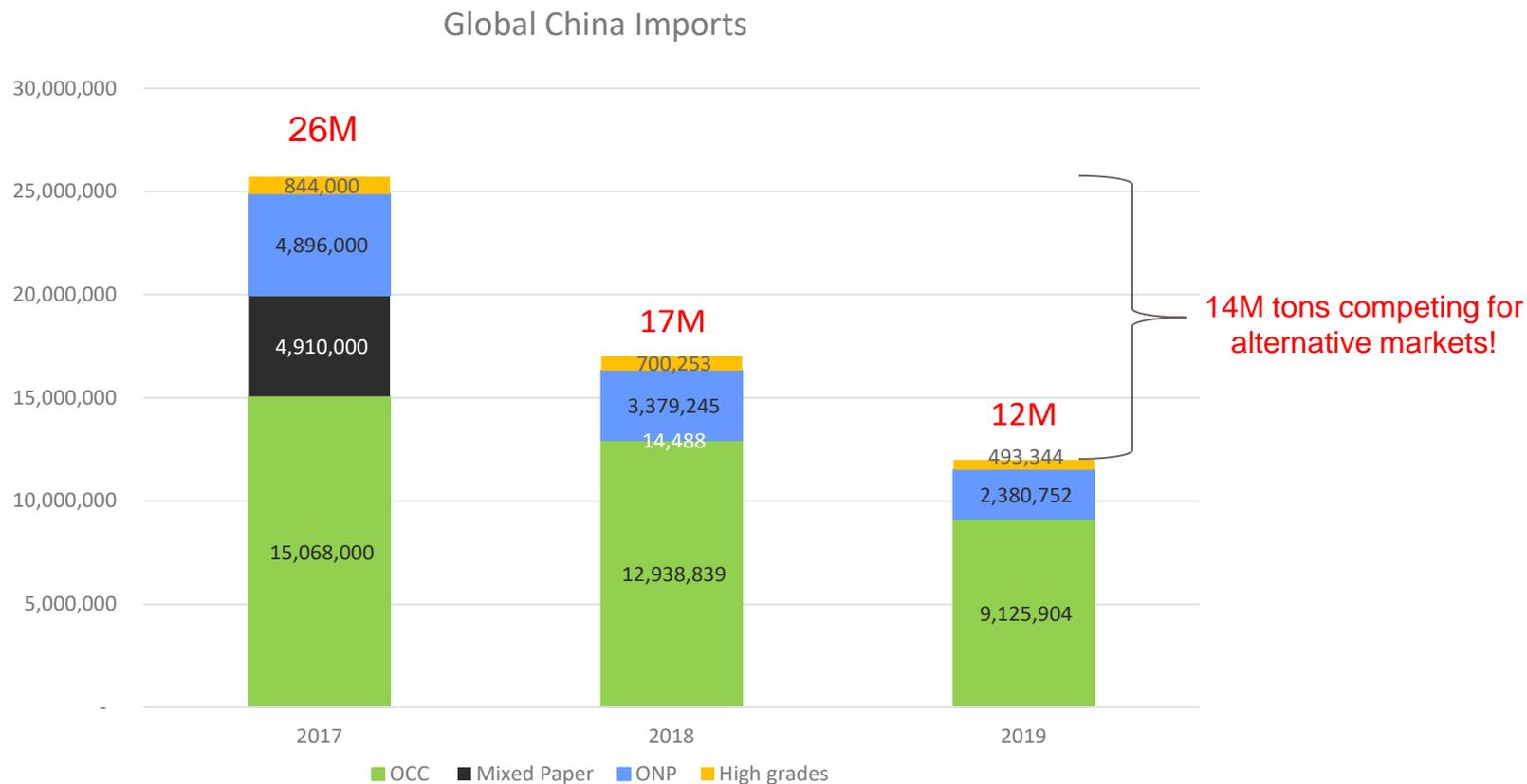
Why?

- Improve their environment
- Building their local infrastructure to become more self sufficient
- Eliminate foreign garbage from entering their country - incineration

What's the big deal??

- They're the worlds largest consumer of recyclables
- 50% of paper exported from the world goes to China
- They import 60% of their overall recovered fiber consumption

Global Recovered Paper Trade with China



50% of what China imports comes from the US

2020 ban on imported RCP is becoming more imminent

China's Local OCC Collection Program



What happens now?

China mills will invest in capacity in other countries

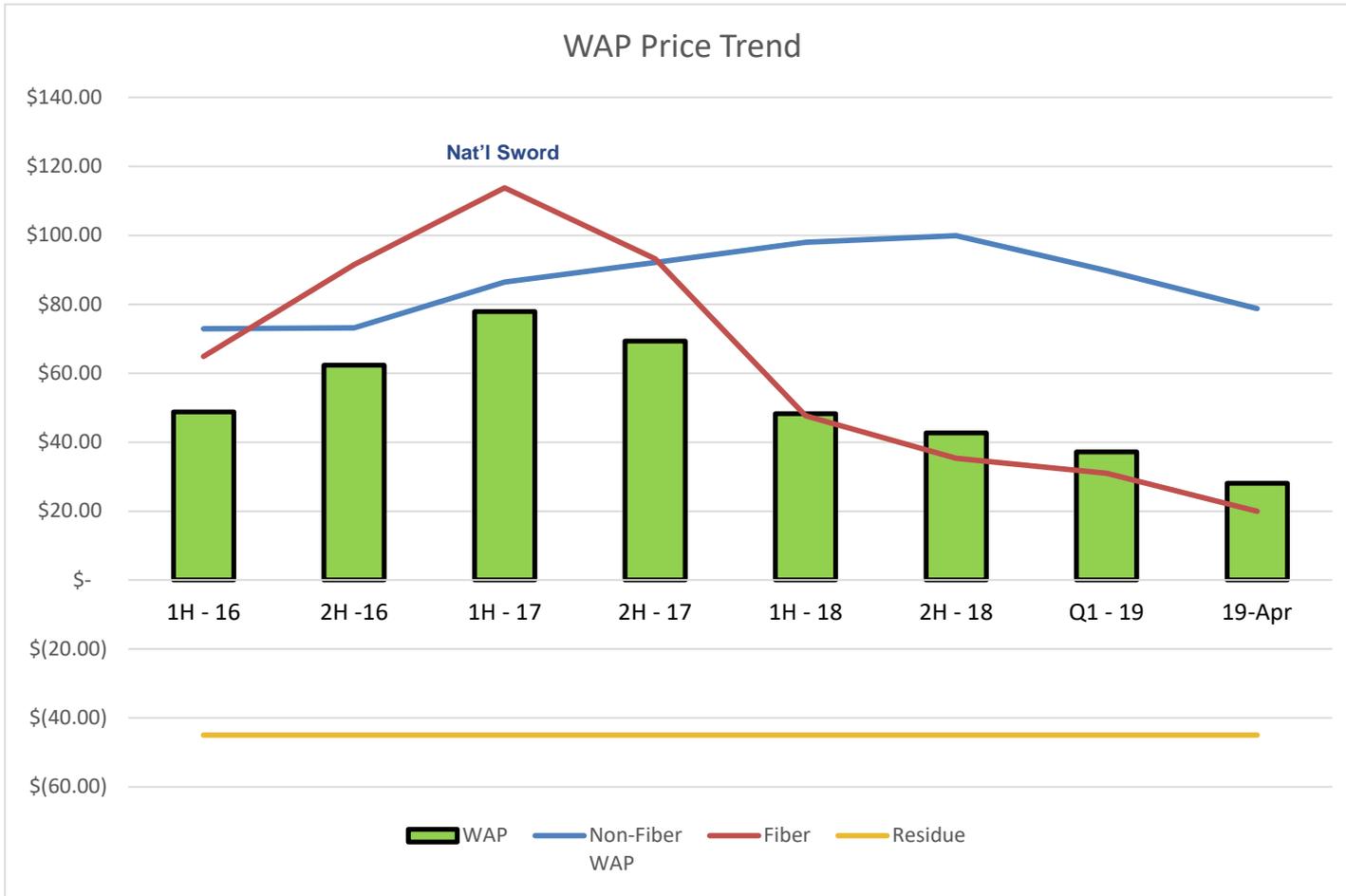
- Nine Dragons purchased 3 mills in the US
- Shanying Paper purchased a mill in Kentucky
- Nine Dragons has also made announcements to build mills in India, Indonesia, Vietnam, etc
- Lee & Mann adding capacity in Vietnam
- Sun Paper building a mill in Laos
- Plus others and more in the works.....

Other countries, primarily SE Asia, are producing a product for China in the form of recycled pulp (RM) or containerboard (FG).

- India, Indonesia, Taiwan, & Vietnam accounted for 70% of China's reduced imports.
- These governments will likely impose quality restrictions and/or limit imports
- Global trade model has shifted from the traditional model of US = retail/grocery & China = MRF
- Overall infrastructure to sustain this growth long-term is TBD – Mill Capacity, Port Capacity, Trade Imbalance

US mills are adding capacity to keep up with increasing demand happening in the US driven by e-Commerce – 17 new PMs &/or conversions 2018-2021, >4.5M tons capacity (1M from China mills)

Price Impact to Residential Single-Stream



Grades	Composition
Metal Aluminum Cans	1%
Metal Steel Cans	2%
Plastic PET	4%
Plastic HDPE Natural	1%
Plastic HDPE Colored	1%
Glass Mixed	24%
Non-Fiber	32%
OCC	20%
Mixed Paper	30%
Fiber	51%
Residue	17%
WAP	100%

- Index prices make up the base-line (WAP), charges/rebates are determined after processing costs are deducted.
- >70% of what's received from the curb has a negative value today

What's this mean to the MRF's/Processors:

- Quality will continue to be the focus area for the US and abroad
 - 20% of what's received from the curb is not recyclable.....garbage
- Processing will increase
 - Reduce sort-line speeds, thus reducing capacity
 - Additional labor to address contamination – low unemployment rate makes this difficult
- New technology (optics, ballistics, robotics, etc) that comes at significant costs and still developing. Buy now or wait?
 - The stream is ever evolving.....what's it going to look like in 5 yrs? Less newspaper, more cardboard, more PET bottles, less glass
- ROI for new capacity is being challenged due to reduced material value and increased costs to process

What's this mean to the Municipalities

- Additional funding will be needed to supplement the added costs at the MRFs
- Work closely with MRFs to determine the right cost/revenue sharing model
- Municipalities need to re-visit list of acceptable items – back to basics
- Stronger focus on public education
- Strong emphasis on reducing contamination
 - Charge, refuse to pick up, “oops tags”, etc

Conclusion

ROW is undergoing a major transition as a result of China's restrictions on imports.

Because of this transition, processors are competing to find new markets throughout the globe. These new markets are getting saturated with supply. Consequently pricing has been negatively impacted. Too much supply and not enough available capacity *at this time*.

Quality will continue to be a major area of focus and there are costs associated with making the right quality.

The fiber quality in the US is better than any other country. When this transition is complete, we will see strong demand and pricing for US fiber.

We'll continue down this path of uncertainty. One thing that is certain is that a widget requires a package and consumers will not stop buying widgets just because China is no longer importing recyclables.