

Special News Bulletin

TO: WCO MEMBERS

July 9, 2013

ICCA/ WCO Global Summit in Paris, May 2013

The ICCA/ WCO 2013 Global Summit in Paris on May 14 – 16, 2013 was seen as a great success. The presentations in the different meetings enjoyed a good participation from attendees from all over the world and reflected on the development of containerboard and corrugated board in the worldwide regions:

USA: Looking at the US market dynamics, operating rates at containerboard mills and EBTDA margins in the industry remain healthy by historic rates.

Europe: The European containerboard industry is likely to remain in good shape in the short-term, despite expected marginal economic growth in the euro-zone countries.

Russia: In the short term, containerboard demand in Russia is expected to slow largely due to the country's economic stagnation.

Asia: China is expected to continue leading other major Asian markets in terms of containerboard demand growth rates in 2013, expanding at 6.5% year on year to 44.72 million tonnes. The demand in India is to set to grow 4.5% to 4.5 million tonnes, while Japan is expected to show marginal growth of 0.5%.

Please note: All presentations can be downloaded from our website: <http://www.wco-containerboard.org/members-only/>

Germany: Proposal for Mineral Oil Ordinance

The German Federal Ministry of Food, Agriculture and Consumer Protection has released the 2nd proposal of the Mineral Oil Ordinance. If passed, it would 'only' regulate Mineral Oil Aromatic Hydrocarbons (MOAH) and would only apply to recycled fibre-based packaging coming directly in contact with food, excluding virgin fiber-based packaging. In its' comments, the Ministry assumes that 'in general, according to the state of technology, a functional barrier would be required to avoid such migration'. It requires labeling of the material unless it is not possible that any migration takes place. No detection limit is set in the ordinance, neither is there a definition of Mineral Oil Aromatic Hydrocarbons.

According to WCO's opinion, the draft ordinance infringes (German) national laws, European laws and is in contradiction to WTO rules. CEPI's comments and the comments from our sister association Capi ContainerBoard (CCB) can be found on WCO's homepage. WCO will address a complaint to the EU Commission after notification of the ordinance to the EU.

Green Fence Initiative

As WCO has already reported, China's Green Fence initiative has a timeline running from February to November 2013 that focuses on random inspection of all forms of "imported waste", meaning also on recovered paper materials (see WCO Special News Bulletin from May 10, 2013). Market players across Europe reported that the region's RCP (Recovered Paper) exports to Asia, and in particular to China, continued to be very low in June and in the first week of July. In consequence, the prices for lower recovered paper (RCP) grades in Europe, that started to decrease in May, continued to drop in June, especially for OCC. One reason for that is seen in China's continued Green Fence campaign. According to market insiders, some 380 RCP containers have been returned for repatriation since the introduction of the Green Fence Initiative in February 2013. Several recovered paper traders expect more price drops on the European paper markets in the coming months, although Chinese buyers are not keen to stock up on RCP within the summer period. The effect of Operation Green Fence has also spread to other parts of the world; however, Europe has been more affected than other major recovered paper exporters (such as the US and Japan) by the Chinese crackdown. On the other side, the Green Fence Initiative has actually increased prices for the OCC grade in China, although prices in the U.S. have been flat or slightly decreased.

"When prices rise, if there's some reluctance to ship, as there is, the mills will put pressure on the government to ease back (on quality controls)" as mentioned by William Moore, President of the international consulting firm Moore & Associates.

According to Hannah Zhao (Senior Economist, Recovered Paper at RISI), "The quality thresholds of Green Fence; however, cannot be singled out as the main reason for the price decline. About half of the price drop is attributable to Green Fence and the other comes from weak fundamental demand."

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