

NATIONAL SWORD AND THE PANDEMIC:

WHAT'S NEXT FOR MARKETS?

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WHAT I'LL BE TALKING ABOUT

The fog of the pandemic

What hasn't changed

How recycling markets are reacting

Current Prices

What could happen as the year goes forward

THE FOG OF THE PANDEMIC



WHAT HAS NOT CHANGED

- Recyclables are still commodities
- Recyclables are still bought not sold
- Buyers have the same needs
- Quality matters

A MODERN MINE?



THE IMPORTANCE OF PAPER



CHANGES IN US PAPER & PAPERBOARD PRODUCTION: 2009 - 2019

2009:

Printed Paper:

2009: 44%

2019: 34%

Containerboard:

2009: 39.3%

2019: 48.6%

Tissue & Towel grew with population

CHANGES IN NEW NORTH AMERICAN MARKET CAPACITY: RECYCLED CONTENT PAPER



NEW NORTH AMERICAN MARKET CAPACITY: RECYCLED CONTENT PAPER

26 North American recycling capacity expansions announced since 2017

- OCC the prime raw material
- 13 use RMP
- 4 will ship recycled fiber pulp to China

DATA FROM NERC STUDY

<https://nerc.org/documents/Summary-of-Announced-Increased-Capacity-to-Use-Recycled-Paper-Updated-September-2020.pdf>

STATUS NEW NORTH AMERICAN MARKET CAPACITY: RECYCLED CONTENT PAPER

OCC:

- 8 OCC expansions completed

RMP

- 1 new facility (Pratt) opened
- Green Bay & Cascades open late 2020/early 2021

4-5 million tons of announced new capacity?

- Not all will be built

NORTH AMERICAN MARKETS CAPACITY: RECYCLED CONTENT PLASTIC

25 new processing facilities announced

- 9 open
- Most make resin
- Some make end products such as plastic lumber
- No guarantee all will be built

<https://nerc.org/news-and-updates/press-releases/?article=177425>

VALUE/PRICE



PRICES: PAPER

September 15, 2020 – Resource Recycling

Current Price – (12 months ago) – *January 2020*

Paper: National Average: per ton

- OCC: \$60 (\$27) – \$25
- MIXED PAPER: \$18 (-\$2) – -\$2

Steady increase through March then boom!

Downside

SOURCE: RECYCLINGMARKETS.NET

PRICES: METALS

September 15, 2020 – Resource Recycling

Aluminum cans: cents per pound

- 45.75 (54.81) – 51.19

Steel Cans: Per ton

- \$78 (\$112) – \$103

Global overcapacity

US aluminum industry more emphasis on automotive markets less on packaging

SOURCE: RECYCLINGMARKETS.NET

PRICES: PLASTIC

September 15, 2020: Resource Recycling

All cents per pound

Current price (12 months ago) – *January 2020*

- PET beverage bottles: 6.50 (10.72) – 10.65
- Natural HDPE: 55.13 (25.88) – 59.47
- Colored HDPE: 8.63 (10.00) – 12.53
- Polypropylene: 5.25 (12.38) – 5.81
- Film: Grade A: 8.00 (9.00) – 8.44

SOURCE: RECYCLINGMARKETS.NET

ENERGY PRICES

US fossil fuel consumption down 10.4% May 2020 YOY

Brent crude:

- 2019: \$64/barrel
- 2020: \$42/barrel (Sept. 29)
- 2021: \$48/barrel predicted average

WHAT'S NEXT?



US ECONOMY

US consumer spending:

- 2d quarter 2020: consumer spending down 34% YOY
- 2d quarter 2020: business spending down 46% YOY
- 2d quarter 2020: state and local spending down 5.5% YOY
- 2d quarter 2020: GDP down 32% YOY
- Slight increase August

Unemployment four times higher than pre-pandemic

- “Down” to 7.95 end of Sept
- Replaced half of the jobs lost since mid-March
- Household income down

Record setting retail store closures and bankruptcies

US ECONOMY

Sept 2020: Signs of confidence

Purchasing managers index increased to 53

- Business confidence highest it has been since April 2019

Consumer confidence surged to 101.8

- Biggest monthly increase in 17 years

“Surge” in new small businesses

BUT retailers stocking up warehouses

UNCERTAINTY

Vaccine?

Jobs?

Economy?

Warren Buffet, Berkshire Hathaway's May 2 annual meeting

- "I don't believe anybody knows what the market is going to do tomorrow, next week, next month, next year."

PREDICTIONS



RECYCLING MARKETS 2020

Paper prices likely to stay steady

- Will the economy be weaker or stronger?
- Will newly reopened businesses increase OCC supply and lower prices?
- Will SOP return?

RECYCLING MARKETS 2020

Plastic markets face challenging conditions

- Virgin resin capacity & recycled content resin/pellet capacity expanding
- Oil is cheap
- Will brands honor their commitments to purchase recycled content?

ADDITIONAL THOUGHTS

Will Americans learn to recycle right?

LIGHT AT THE END OF THE TUNNEL?



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