
MEMORANDUM

WMPSC-C 15-2019

Subject: Recycling Centre End Market Update

Date: Monday, April 29, 2019

To: Waste Management Planning Steering Committee

From: Jennifer Wilson, Supervisor, Waste Management Services

The purpose of this memorandum is to provide members of the Waste Management Planning Steering Committee with an update on market trends and commodity pricing for Blue and Grey Box material processed at Niagara Region's Recycling Centre (MRF) from January to March 2019.

Key Facts

- Since the adaptation of the Chinese National Sword Policy in March 2018, end market pricing has continued to decline.
- End markets are showing signs of economic slowdown due to material surpluses and lack of demand for post-consumer material.
- Market pricing for fibre streams has collapsed. Market pricing in April is currently at levels that have not been seen since January 2009 for cardboard (OCC) and hardpack (mix of boxboard (OBB) and OCC) and April 1997 for old newsprint (ONP).
- Market pricing is not expected to increase for some commodities until Q4 2019.
- It is estimated, based on current market conditions, that there will be a 2019 budget shortfall in revenue for the Recycling Centre of \$3.3 million.

Fibre Revenue

Fibre stream revenue has seen significant decreases from January to March 2019. The fibre stream is comprised of the following marketed commodities: ONP, OCC (from commercial sources) and hardpack.

Table 1 illustrates the market trends in fibre revenue for Q1 2018 and Q1 2019.

Table 1 - Comparison of budgeted versus actual revenue for fibre stream at Niagara Region's Recycling Centre (January to March (Q1) 2018 vs 2019).

Commodity Type	Q1 2018 Actuals (Avg. \$/MT)	Q1 2019 Actuals (Avg. \$/MT)	Q1 Variance 2018 vs 2019	Q1 2019 Budget (Avg. \$/MT)	Q1 2019 Variance (Budget vs. Actual)
OCC	\$164	\$122	-26%	\$148	-18%
Hardpack (OBB/OCC)	\$123	\$84	-32%	\$94	-11%
Newsprint (#8) (ONP)	\$100	\$74	-26%	\$77	-4%

Market pricing for the fibre stream has collapsed due to market surpluses and lack of demand for post-consumer product and is expected to further decline into Q3 2019. Market pricing in April is currently at levels that have not been seen since January 2009 (OCC and hardpack) and April 1997 (ONP). Based on current market conditions, if there are no changes to market conditions, it is estimated that there will be a 2019 gross budget shortfall for fibre revenue of approximately \$2.52 million.

Container Revenue

Container stream revenue has seen significant decreases from January to March 2019. The container stream is comprised of the following marketed commodities: steel, aluminum, Polyethylene Terephthalate (PET) plastics (e.g. water bottles, salad dressing bottles), High-Density Polyethylene (HDPE) plastic (e.g. laundry detergent bottles, shampoo and conditioner bottles), polycoat (e.g. milk or juice cartons), plastic film (e.g. grocery bags), and hi-grade mixed plastics (e.g. containers and lids).

Table 2 illustrates the market trends in container revenue for Q1 2018 and Q1 2019.

Table 2 - Comparison of budgeted versus actual revenue for container stream at Niagara Region's Recycling Centre (January to March (Q1) 2018 vs 2019).

Commodity Type	Q1 2018 Actuals (Avg. \$/MT)	Q1 2019 Actuals (Avg. \$/MT)	Q1 Variance 2018 vs 2019	Q1 2019 Budget (Avg. \$/MT)	Q1 2019 Variance (Budget vs. Actual)
Containers	\$462	\$419	-9%	\$491	-15%

The container stream revenue has declined from January to March 2019 due to market surpluses and lack of demand for post-consumer product. Based on current market conditions, if there are no changes to market conditions it is estimated that there will be

a 2019 gross budget shortfall for container revenue of approximately \$779,000. The budget shortfall in container revenue is primarily due to the weakening aluminum markets.

Overall, based on current trends for market pricing, it is estimated that there will be a budget shortfall in revenue for the Recycling Centre of \$3.3 million.

Next Steps

Staff will provide a further updates to members of the WMPSC in Q3 2019 on the financial outcomes of Q2 2019.

Respectfully submitted and signed by



Jennifer Wilson
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