
MEMORANDUM

WMPSC-C 23-2019

Subject: Recycling Centre End Markets Update

Date: Monday, June 24, 2019

To: Waste Management Planning Steering Committee

From: Jennifer Wilson, Supervisor, Collection and Diversion Operations

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 from January to April 2019.

Key Facts

- Due to domestic market surpluses in North America, coupled with the lack of demand for post-consumer product, larger volumes of hardpack (boxboard and cardboard) are now being sold to export markets at historically low values.
- End markets are becoming stricter on contamination standards for baled material.
- Niagara Region is currently experiencing challenges in marketing highly contaminated curbside collected plastic film (e.g. grocery bags).
- As of April 2019, there is currently a net loss in budgeted revenue from January to April 2019 for Fibre and Container streams of approximately \$770,000, as reported in the operating statements for April 2019.

Market Conditions

Currently, only old newsprint (ONP), hardpack (mix of boxboard and old corrugated cardboard), and polystyrene (EPS) are being sold to export markets. All other commodities are sold to domestic markets within North America. Hardpack was previously only sold domestically, however, due to market surpluses, lack of demand for post-consumer product and domestic mill downtime, material had to be diverted to export markets. As previously indicated in WMPSC-C 15-2019, market pricing for Fibre streams is at historically low values, and in some cases is being sold at a net loss to the Region. Market pricing continues to be at levels that have not been seen since 2009 for cardboard and hardpack and 1997 for ONP.

Marketing of curbside collected plastic film is becoming challenging for Niagara Region as a result of issues related to the quality of material not meeting contamination specifications for the domestic end market. In order to ensure that Niagara Region is able to continue marketing plastic film, immediate adjustments to the sorting procedures

had to be made to improve the quality of material being sold to the Region's end market. The incoming composition of bagged plastic film collected curbside is highly contaminated with items such as frozen food pouches, chip bags, pet food bags. Contamination may have previously existed within the bagged plastic film, however due to the tightening of specifications, there is a need to improve communication to the public. Part of the communication initiatives include a 'Recycling Matters' awareness campaign that will be promoted through various mediums between May and October 2019 (WMPSC-C 24-2019).

Impact on Niagara Region

Fibre Revenue

Fibre revenue continued to see significant decreases through April 2019. End market pricing for ONP, cardboard and hardpack has continued to decline in May and June. Despite current market conditions, Niagara Region has been able to market all Fibre commodities. Low market pricing is a widespread issue that is impacting Material Recovery Facilities (MRFs) across Ontario. On a monthly basis, the Continuous Improvement Fund (CIF) releases an estimate of the average commodity prices from a subset of municipalities located across Ontario. Based on the average market pricing from January to April 2019, the Region has been receiving above average pricing for all marketed Fibre material.

Table 1 Average market pricing for Fibre commodities from January to April 2019 (Niagara Region and CIF).

Commodity Type	Region Avg. Monthly Pricing (Jan – Apr 2019 \$/MT)	CIF Avg. Monthly Pricing (Jan – Apr 2019 \$/MT)	% Difference (Region vs. CIF)
Newsprint (ONP)	\$71	\$55	+29%
Cardboard (OCC)	\$115	\$111	+3.6%
Hardpack (OBB/OCC)	\$79	\$38	+108%

As of April 30, 2019, there is currently a deficit for Fibre revenue of approximately \$623,000 compared to the approved budget for 2019. The loss in Fibre revenue is expected to continue to increase for the remainder of 2019, unless market conditions improve.

Container Revenue

Container revenue declined marginally in April 2019 for some streams (steel, aluminum, polyethylene terephthalate (PET), film and polycoat). Based on the average market

pricing reported on CIF pricing sheet, from January to April 2019, the Region has been receiving above average pricing for Container commodities.

Table 2 Average market pricing for Container commodities from January to April 2019 (Region and CIF).

Commodity Type	Region Avg. Monthly Pricing (Jan – Apr 2019 \$/MT)	CIF Avg. Monthly Pricing (Jan – Apr 2019 \$/MT)	% Difference (Region vs. CIF)
Containers	\$417	\$398	+4.8%

As of April 30, 2019, there is a deficit for Container revenue of approximately \$147,000 compared to the approved budget for 2019.

Next Steps

In an effort to educate residents and ensure high-quality loads of recyclables are delivered to the Region's MRF, staff have instructed Emterra to adhere to the terms of Contract 2009-RFP-44, and leave non-recyclable materials behind. Emterra is also required to leave non-compliance stickers to advise and educate residents about proper recycling habits.

In addition, staff are currently developing a communication plan to reduce the level of contamination in bagged plastic film collected curbside in the Grey Box/Cart in order to assist with improving the quality of incoming material.

In addition, staff, in collaboration with Niagara Recycling, are exploring capital investments ranging from \$200,000 to \$2.3 million, with an estimated return on investment of 11 to 17 months. It is anticipated that these one-time investments will improve the quality of outgoing recyclables, and consequently, will garner a higher price per tonne in revenue. Staff have identified approximately \$1 million already approved for the recycling centre in the Waste Management Capital budget that could be repurposed and reprioritized for these investments, subject to Council approval of reports that would be brought forward for consideration. The 2020 Waste Management Capital budget will include appropriate funds should further investments be required.

Staff will provide a further update on the re-forecasted 2019 budget shortfall to members of the WMPSC in Q3 2019 and on the financial outcomes of Q2 2019.

Respectfully submitted and signed by

Jennifer Wilson
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Waste Management Services