

consumer grades of recycled fiber & corrugated marketing news for the generator

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Market News Update for the Waste Generator of Corrugated and Low Grade Post Consumer Fibers

May pricing is making the domestic Mills somewhat more pleased, but as far as those baling for the export market they are going to be rather upset in what the discount to last months rate is reported at. Realistically the market is at a point that in normal time where it would hold and actually gain a little strength going through June and July, which are generally low generation months. But today's market has several things that are influencing it that will continue to let it slide lower.

1. The United States Economy is finally starting to pull down other economies that are suppliers to us. It equates to not enough cartoning is needed in China, because not enough product is being ordered.
2. Domestic income in the United States is not allowing for purchases that require a lot of packaging. \$\$\$ are being spent on fuel & groceries. The \$1200+ each family is about to receive from George Bush most likely will go to pay debt instead of purchasing new items like Washington had hoped for, thus the recession continues and deepens because the President borrowed the money for the stimulus. The recession will continue past the date you see the moving van in front of the White House taking the Bush's back home to Texas.
3. Over Seas Container prices. Though there has been a shortage of containers the main reason recyclers are not finding containers to put their baled paper in is because they have not adjusted to the higher costs associated with transporting. The writing has been on the wall that starting in the second quarter of 2008 costs to ship to most foreign ports was rising 33 to 66 percent over the next 6 months which started in April. Overseas buyers will shop and exhaust the market closer to home before buying high price American OCC.
4. So to compensate for #3 above Southern California needs to drop another \$40 at dockside, New York will need another \$30 off and the railheads in the Midwest will have to be somewhere close to \$90. That means sorting will cease in most transfer stations and corrugated will once again be flowing to landfills in States that allow that to happen. The spread between West Coast Mills and the Export market will drop to \$10 instead of the high \$45 it ran just 5 months ago.
5. Where material is somewhat lacking in South East United States, Generators in the Midwest & East will need to take \$10-\$15 under the Southeast posted price to move material out the door. The full price will be paid by the Southern Mills, but the discount being given by the producers will go to their transporters.

All of the above will even out the supply behind the scenes. The recyclers doing the baling of the fiber will just see a slow deterioration of their income and waste haulers will once again not worry about recycling loads. Scrapes from cartoning manufacturers and envelope and stationary makers will hold firmer because their clean product will still be in demand. There will be less of it as they too take down time to correct over producing their sales.

So don't be shy if you need to move material you should start the haggling process with your end user to see what it would take to move a few extra loads this month. You need to do this before your competitors decide to do the same thing. The way to look at May's prices is that the Mills could have doubled the amount that they slashed. It is up to you as a marketer to follow through and give them reasons to buy your loads over loads that they are contracted to take by offering lower than quoted prices. As we move through summer the downturn might slow somewhat because

of lower intake at recycling plants but as fall approaches and you are still holding extra loads you will probably see another \$25 to \$35 off the market about the time when shipping containers start to reappear.

The Brown Sheet does not have any crystal ball that we are gazing into to report the misfortune that has finally made it to the recyclers. We have been reporting since the first of March to keep your marketing □ s up to date and not hold anything back that you can move out the warehouse door. You need to continue that philosophy until we see an improvement in overseas manufacturing. In the United States things will not improve until the market sees what the new 2009 Government is going to look like.

To survive this downturn your belt needs to be cinched tight now, do not wait until September when prices could be \$15.00 per ton under the cost of production. Fuel, wire and other costs should level off and recede but they will not drop percentage wise what your income will for the same amount of tons. It is the goal of The Brown Sheet to give you forecasts of what we believe the market prices will be not only this and next month but next quarter if we can. Costs are going to continue to hurt and our industry does not have a fuel surcharge that we can add into the equation except on the side of Accounts Payable.

Brook Edwards, Editor
 The Brown Sheet

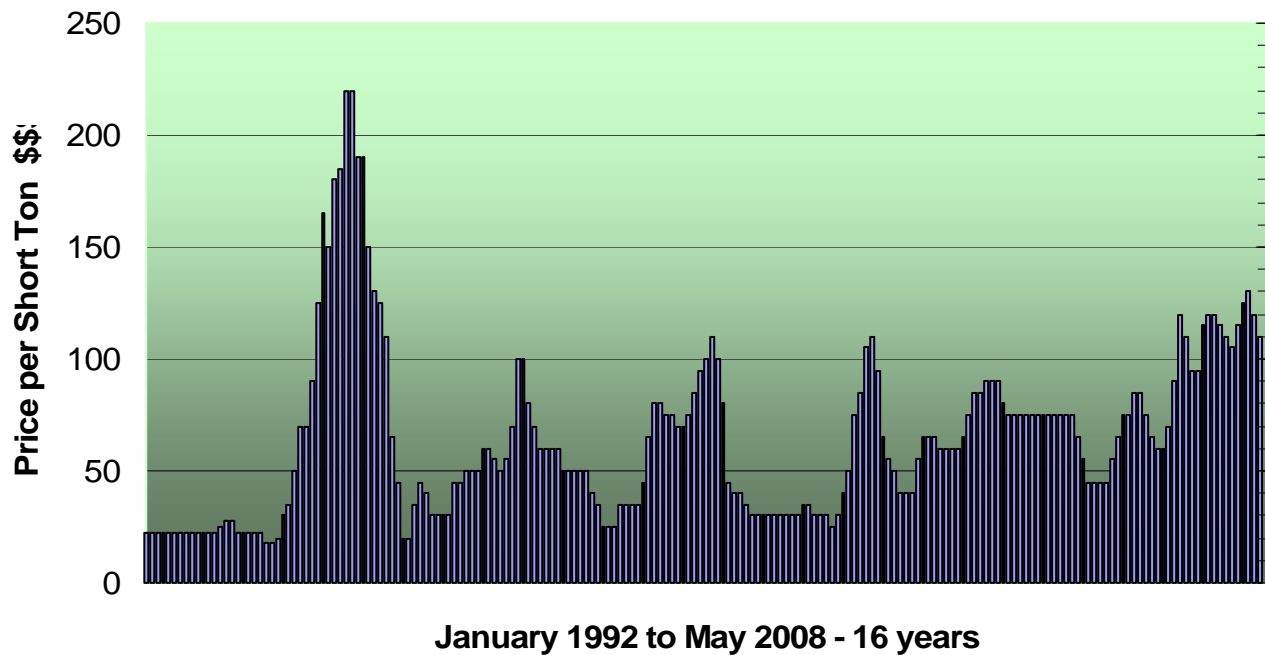
How to read the pricing below

Mills have structured their buying through agencies (brokers) or regional offices. These buyers earn income from buying material from generators. The regional buyers coordinate timing with the mill to receive material, work out special circumstances that might arise and guarantee the material that the generator is producing and shipping will meet mill specifications when received. In the chart below you will see a price range. Whether you are on the low or high side depends on the amount of material you supply along with consistent heavy weights of 21+ tons per load your pricing should fall within the range.

Most factories, food processors and distribution centers that bale cardboard have no idea that there is a range because brokers do not let it out and many mills will not discuss pricing with small operations in order to protect their buying network. The only time this information becomes somewhat known is when a new buyer enters the picture asking for your tons. To explain this in great detail would take several pages. As you watch markets in the next few months The Brown Sheet will continue to give you guidance on how to improve your pricing. Below the **BOLD** represents a high end average of the End Users and Buyers in that area posted price. The price to the right of that would be a common premium paid to recyclers with some type of contractual arrangement.

May - 2008	OCC	OCC Export	DLK	Curb	ONP 8	SOP
Midwest (Chicago)	\$100-\$110 (-20)	\$115- \$120 (-30) Rail Head	\$120-\$130 (-15)	\$90-\$100 (-10)	\$100-\$110 (-10)	\$210-\$220 (0)
East/Northeast	\$110-\$120 (-15)	\$140 (-35)	\$130-\$135 (-15)	\$90-\$100 (0)	\$110-\$120 (-5)	\$220-\$230 (0)
Southeast/Gulf	\$105-\$115 (-15)	\$135 (-25) Houston	\$135-\$140 (-5)	\$95-\$100 (-5)	\$115-\$125 (-10)	\$210-\$220 (-10)
Southwest/Mexico	\$110-\$120 (-10)		\$130-\$145 (-10)	\$100-\$105 (-10)	\$120-\$130 (-10)	\$200-\$210 (-10)
Lower West Coast	\$135-\$145 (-25)	\$165- \$175 (-30)	\$155-\$160 (-20)	\$130-\$140 (-10)	\$150-\$160 (-10)	\$230-\$240 (-10)
Upper West Coast	\$110-\$120 (-25)	\$135- \$140 (-30)	\$145-\$150 (-20)	\$120-\$130 (-5)	\$120-\$130 (-15)	\$215-\$225 (-20)

OCC 11 - Old Corrugated Containers Midwest Region-Chicago Pricing



One of the best downstroke balers on the market today. For more information and pricing please contact Brook Edwards 317-833-4709 aka RecycleGuy. Comes in an HD model too for tighter compaction.

servicing the generator

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The updates provided are a forecast of potentially what is ahead and should be thought out by the reader and no marketing decisions should be based solely on what is printed in the twice monthly Subscription Editions. Every recycler in the Nation has their own marketing strategy and should not rely on this publication or others to predict what future pricing will be. The Brown Sheet only offers opinions of what we would do if we had material to market. I wish you all Good Luck in your marketing's and hope you receive top dollar. The publisher has 28 years in the recycling field and relies on the contacts he has made over the years to help write **The Brown Sheet**.

Brook Edwards, aka RecycleGuy™

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