

SECONDARY FIBER

Market Conditions, Past, Present and Future





- Cook Paper Recycling was founded in 1986 and is a privately owned and independent recycled material brokerage firm specializing in the continuous, efficient and dependable movement of sixty different grades of paper stock, fifteen types of plastic and five types of metals.
- Cook Paper Recycling designs, implements and manages recycling programs.
- Cook Paper Recycling conducts business domestically as well as internationally.
- Cook Paper Recycling is members of various trade organizations such as APP, AF&PA, KOR, TAPPI & ISRI



MY CREDENTIALS

- Joined Cook Paper Recycling in 1992; Starting in sales and ultimately becoming President in 2005.
- I have been a member of the Kansas Organization of Recyclers Board of Directors since 2008
 - I am currently serving as past President
- I currently serve as advisory board member for Country Club Bank in Kansas City, MO.
- A founding partner and member of the Board of Directors of SMI Digital, a digital marketing firm based in Kansas City, MO.
- A lifelong son of Kansas, I graduated from the University of Kansas. Married my wife who is also a Jayhawk and together we have two sons. I spend my free time volunteering with my church, reading, playing golf or watching Kansas basketball.



US SCRAP RECYCLING INDUSTRY GENERATES \$116 BILLION ANNUALLY IN ECONOMIC ACTIVITY

- ✓ The Institute of Scrap Recycling Industries (ISRI) released a new Economic Impact Study revealing that the industry accounts for nearly half a million jobs in the U.S. and generates more than **\$116 billion** annually in economic activity. The study was performed by the independent consulting firm of John Dunham and Associates to explore the size and scope of the scrap industry in the U.S., and measure its significant contribution to the economy in terms of employment, tax generation, and overall economic benefit.
- ✓ The paper industry's recycling success leads the way for all other U.S. recycling efforts. According to the U.S. Environmental Protection Agency, only **9.5%** of plastics, **20%** of aluminum and **26%** of glass consumed were recovered for recycling in 2014, compared to **67.2%** for paper.
- ✓ Paper recovery for recycling has reached or exceeded 63% each year since 2009



US PAPER RECOVERY RATE REACHES 67.2%

- According to The American Forest & Paper Association (AF&PA) a record 67.2 percent of paper consumed in the United States was recovered for recycling in 2016.

	Paper Recovered	Paper Landfilled	Paper Recovered	Paper Landfilled
	(million tons)	(million tons)	Y \ Y Change	Y \ Y Change
2016	52.2	20.9	0.2	-1.2
2015	52.0	22.1	0.8	-0.3
2014	51.2	22.4	1.1	-0.8
2013	50.1	23.2	-1.0	0.1
2012	51.1	23.1	-1.7	0.4
2011	52.8	22.7	1.3	-1.6
2010	51.5	24.3	1.5	2.9
2009	50.0	21.4	-1.8	-11.6
2008	51.8	33.0	-2.5	-3.0
2007	54.3	36.0	1.0	1.1



WHERE RECOVERED PAPER GOES

<i>Paper/Packaging Type</i>	<i>Thousand Tons Recovered</i>	<i>Share of Total</i>
Newsprint	209	0.40%
Tissue	4,372	8.40%
Old Corrugated	17,589	33.70%
Boxboard	6,177	11.80%
Other	2,986	5.70%
Net Exports	20,863	40.00%
Total	52,196	100%



EXPORTS, DOES IT MATTER?

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WHY EXPORTS MATTER



- Net exports of recovered paper to China and other nations accounted for **40%** of the paper collected for recycling in the U.S. in 2016.
- Three Largest Export Markets:
 - Asia \ Far East
 - China
 - India
 - Central & South America
 - Canada
 - Mexico
 - Western Europe



- **Strength \ Weakness of the \$**

- Strong dollar, exports decline
- Weak dollar exports increase

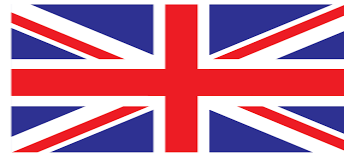
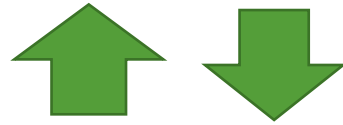
- **Nationalism**

- Brexit
- European Union
- Tariffs?

- **National Sword**

- Causing massive ripples throughout the international recycling markets

- **Health of the US Economy**



INFLUENCES ON EXPORT



OPERATION SWORD

- Echoes of Green Fence (2013) – this time it has teeth!
- Tightening supervision at ports and preventing small ports from processing imported paper, metals and plastics they're not equipped to handle.
- Increasing corruption awareness and boosting enforcement against corrupt customs officials.
- Tightening rules for compliance with waste import regulations, including higher penalties for smugglers.
- Reduced overall import licenses
- China's Ministry of Environmental Protection issued reduced quotas for scrap importers in February.



- **Canada**
- **India**
- **Malaysia**
- **Mexico**
- **Spain**
- **Taiwan**
- **Thailand**
- **Turkey**
- **Vietnam**



EXPORTS NEW\INCREASED DESTINATIONS



US CURRENCY VERSUS...

- **\$ vs. € (Euro), £ (British Pound) & ¥ (Japanese Yen)**
- **Dollar versus Euro Y\Y (current ~\$1.23 to €1.00)**
 - Up \$0.0873 or 8.442%
- **Dollar versus British Pound Y\Y (current ~ \$1.38 to £1.00)**
 - Up \$0.1128 or up 8.732%
- **Dollar versus Yen Y\Y (current ~\$0.0094 to ¥1.00)**
 - Up \$11.22 or 8.987%
- **Dollar versus World Index – 16 Largest World Currencies (current ~\$88.31)**
 - Up \$3.33 or 3.9%



TIGHT FREIGHT MARKET



- For Hire Truck Tonnage Index + 3.8% - 2018 vs 2017
 - Largest gain since 2013; Over 10.8 Billion Tons moved through June 2018
- Trucking represents over 70% of all tonnage carried by all modes of transportation
- Electronic Log Book
 - Went into effect 4th quarter 2017
 - Very expensive to equip tractors & trailers
- **Extreme** over the road driver shortage
- Diesel Fuel is up \$0.43 per gallon – 2017 vs. 2016
- Diesel Fuel is up \$0.385 per gallon – June 2018 vs. December 2017



NATIOALISM

- Tariffs
- Cycle of deglobalization and the rise of populism and nationalism, with significant implications for the world economy as a whole, and Europe in particular.
 - United States, Great Britain, Italy (Spring 2018), France, the Netherlands & Germany (fall 2017), Spain
- Short to medium term, the principal risks from this new trend of dis-integration is to currency volatility and specifically the euro
- For Europe a perfect storm is setting up and threatening to take the euro below parity versus the US dollar for the first time since early 2000. This will mean European exports will gain even more competitiveness in overseas markets than before, which in the end will most likely translate into growing exports.



US ECONOMY

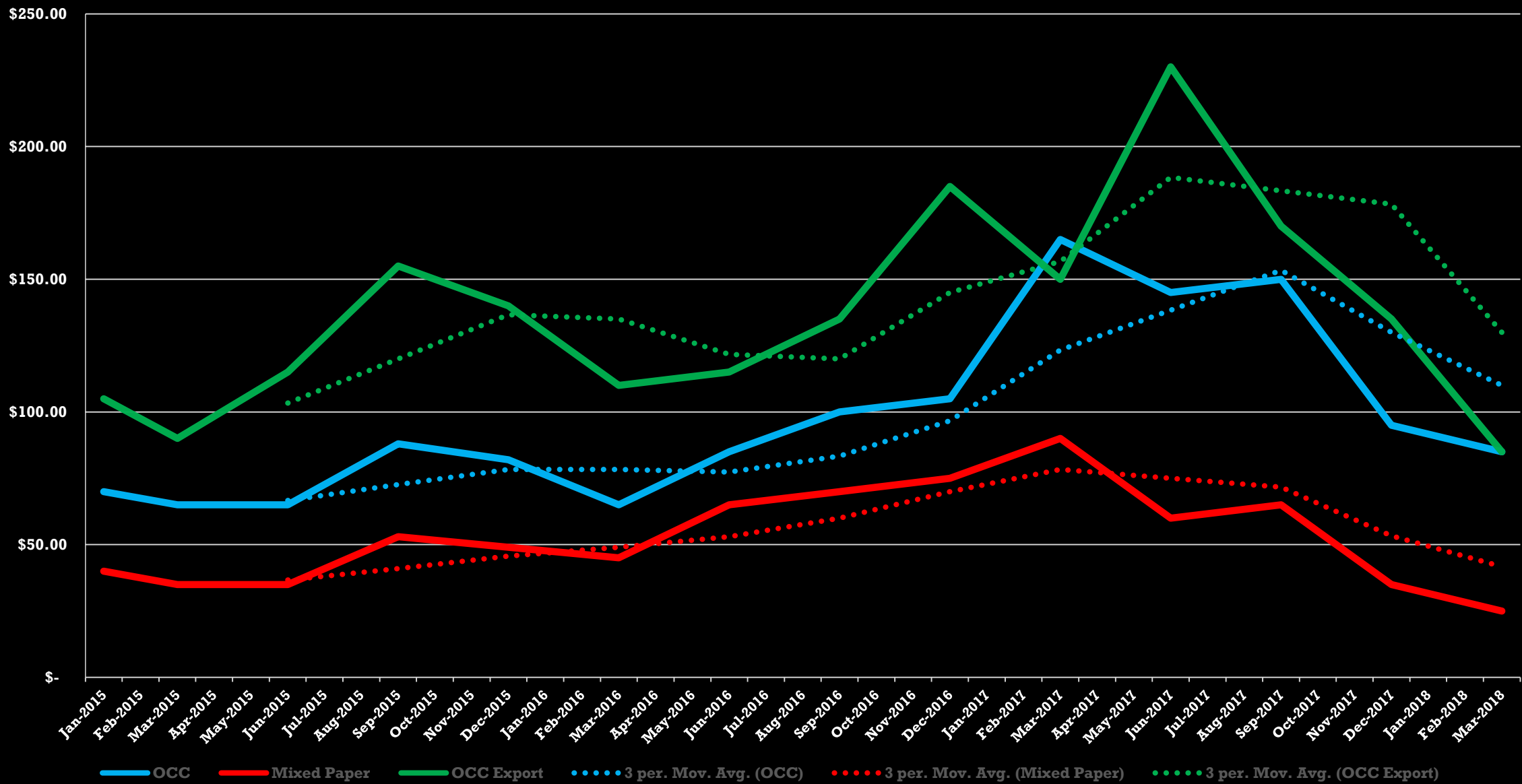
- Amazon Effect
- Housing
 - Housing prices are up 40% since 2012
- Tight Labor Market – Unemployment reached **18 year low** in June 2018
- Inflation?
- Rising Energy Costs
 - National Average for diesel fuel has been over \$3 p\g for the first time since January 2015
- Paper Industry
 - Printing \ Writing paper shipments down 9% Y \ Y
 - Uncoated Free Sheet Shipments down 7% Y \ Y
 - Q1 2018 Earnings for the largest 19 companies down 1.4% Y \ Y
 - Price increases for finished products, avg increase = \$50 p\t
 - Second price increase in the past 4 months



HISTORICAL PRICING

	OCC	Mixed Paper	OCC Export
Jan-2015	\$ 70.00	\$ 40.00	\$ 105.00
Mar-2015	\$ 65.00	\$ 35.00	\$ 90.00
Jun-2015	\$ 65.00	\$ 35.00	\$ 115.00
Sep-2015	\$ 88.00	\$ 53.00	\$ 155.00
Dec-2015	\$ 82.00	\$ 49.00	\$ 140.00
Mar-2016	\$ 65.00	\$ 45.00	\$ 110.00
Jun-2016	\$ 85.00	\$ 65.00	\$ 115.00
Sep-2016	\$ 100.00	\$ 70.00	\$ 135.00
Dec-2016	\$ 105.00	\$ 75.00	\$ 185.00
Mar-2017	\$ 165.00	\$ 90.00	\$ 150.00
Jun-2017	\$ 145.00	\$ 60.00	\$ 230.00
Sep-2017	\$ 150.00	\$ 65.00	\$ 170.00
Dec-2017	\$ 95.00	\$ 35.00	\$ 135.00
Mar-2018	\$ 85.00	\$ 25.00	\$ 85.00







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