



Fiber Market Update

Pratt Recycling

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Today's Topics



- **Pratt Overview**
- **China**
- **Market Pricing**
- **Future for Recycled Fiber**

Pratt Industries Overview



~\$3.0 Billion and Growing.....

Fully integrated, privately-held packaging company

**Recycle nearly 3.0 million tons of materials annually
~40 million trees saved annually**



5th Largest U.S. paper and packaging company – 7,500 employees

Largest 100% Recycled corrugated packaging company in North America

Largest user of mixed paper in North America

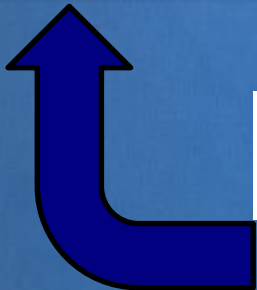
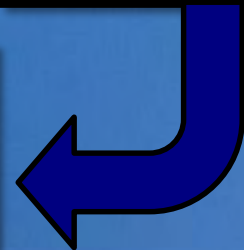
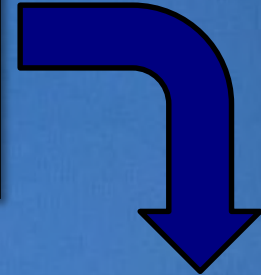
**4 soon to be 5 -100% Recycled Paper Mills.... Today
Mills consume ~10 million pounds/day of recycled paper**

68 factories in North America

18 Material Recovery facilities (MRFs)



Close-the-Loop Integrated Pratt...a true “Circular Economy” company



Wapakoneta New Pratt Recycle Plant



Midwest Growth Pratt's New 100% Recycled Papermill Wapakoneta



State of the Art Technology



Pratt Recycling in Wisconsin 2018

- 8,000,000 lbs of Mixed Paper
- 5,000,000 lbs of Cardboard
- 13,000,000 lbs of Recyclable Fiber





Market Update...Tumultuous Times

CHINA





The “Back-Story”

- **China “warned us 3-5 years ago – “Green Fence”**
 - **No more “trash” accepted.**
 - Self-sufficiency for recycled materials
 - **No one took it seriously...contamination got worse**
- **China 2017 – “National Sword”**
 - Banned Mixed Paper effective 2018
 - Banned many plastics
 - Set 0.5% contamination level
- **China 2018 – “Blue Sky, Green Water”**
 - Ban is happening
 - Self-inspection eliminated
 - 100% inspection required

China and Export



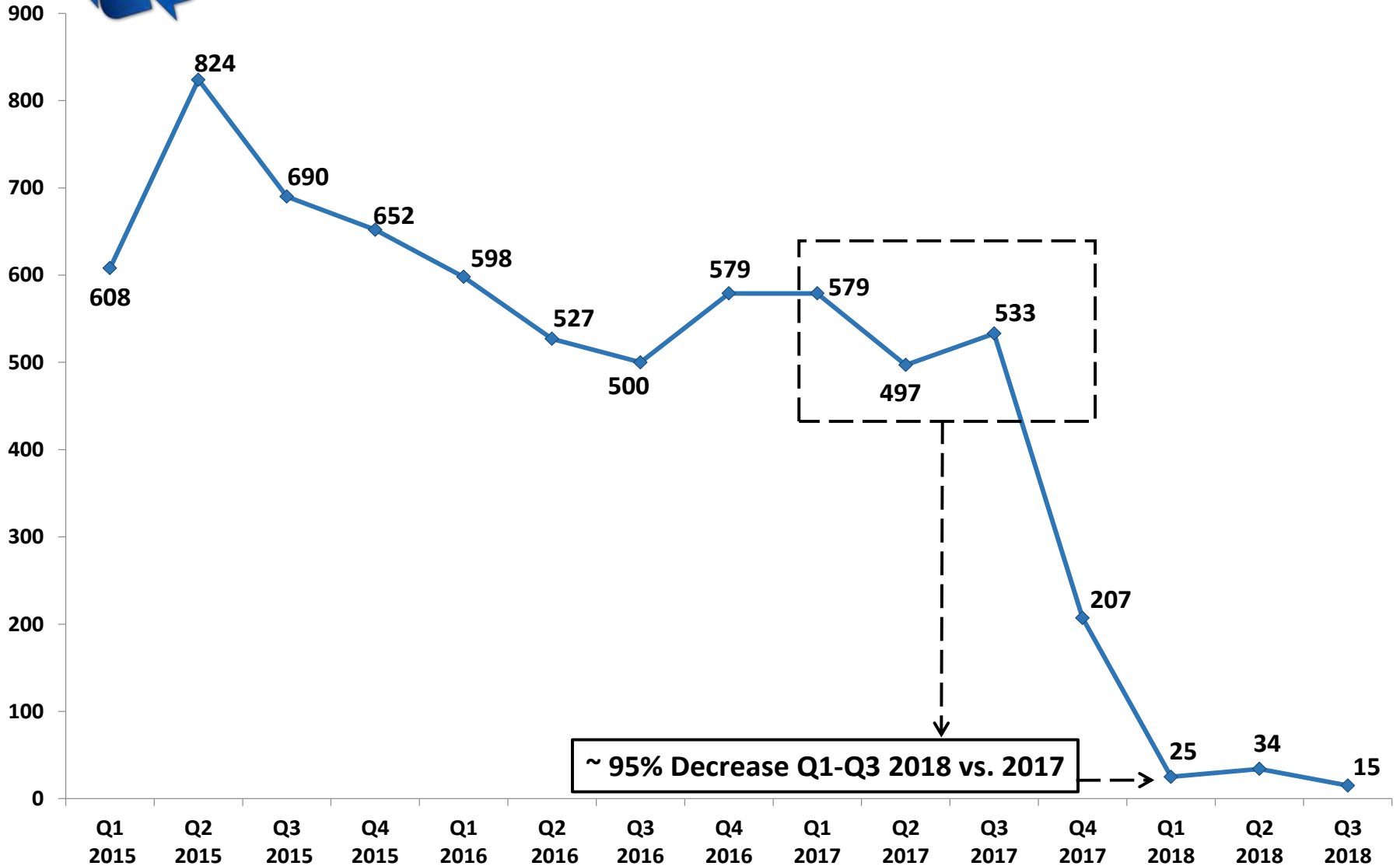
- **China Ban...Never an issue of “IF” it would happen, but “when”**
- **No more Mixed Paper from the US**
- **We did it to ourselves**



So, where do we go from here?



Quarterly - US Mixed Paper Exports to China (Tons-000s Q1 2015 - Q3 2018)

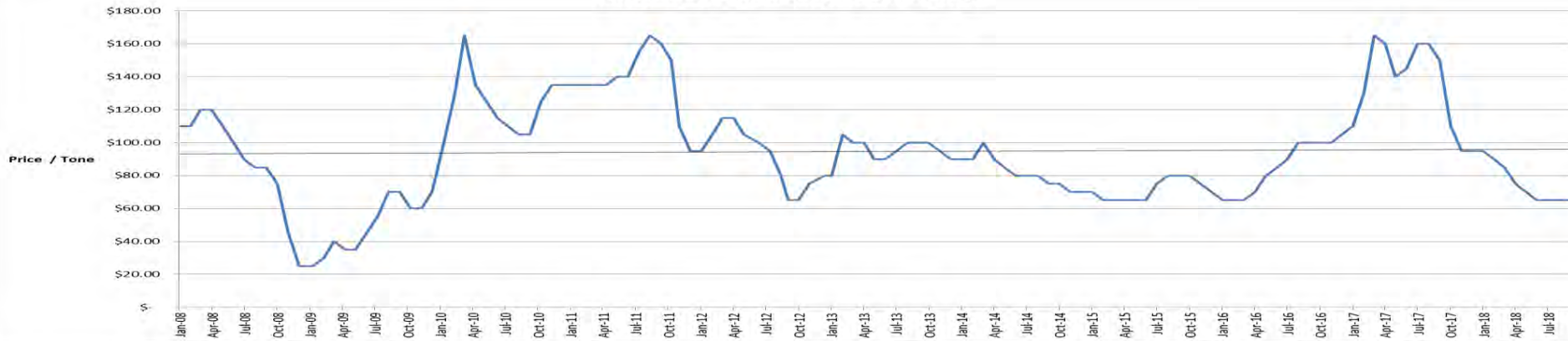


~ 95% Decrease Q1-Q3 2018 vs. 2017

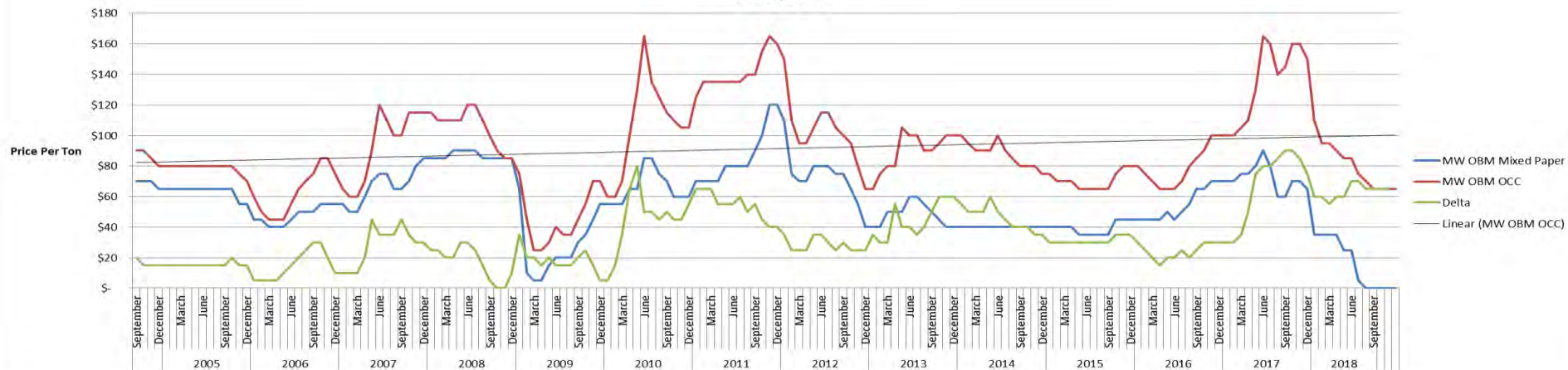
Midwest Pricing Volatility



Midwest OCC Historical Pricing



**Midwest Commodity Market
Historical
OCC / Mix**





What is Driving Pricing?

- Generation of Recycled Fiber in the US is HIGH
- E-Commerce
- Excess of Fiber
- Mill Downtime due to lack of roll stock movement
- Thousands of Tons in Warehouses
- Mills cutting off suppliers
- Yellow Sheet on OCC (Cardboard) could possibly fall \$10/ton



2020-2021

- 5 new paper mills in the Midwest
- 9 Dragons purchasing closed, old mill, refurb
- Making recycled pulp
- Selling it to China where there is a need



Mixed Paper Yellow Sheet very low

- February 2019 Midwest Market value is \$0.00
- Unprofitable MRFs (material recovery facilities)
 - Closing doors
 - Trying to upgrade any mix that comes in to other grades
- Negative articles – daily
 - Consumers losing faith in recycling
- Other mills see \$\$\$ in replacing OCC/DLK for Mixed Paper
- Other countries buying up Mixed Paper tons

WISHFUL RECYCLING



Consumers also want to “HELP”



Biggest Issue...Contamination!!

Contamination!!

Most cities understating level of contamination

- ✓ Its not 15% 20%
- ✓ More like 30% 40%

Rejects From Our Papermill



China now says... "Enough is Enough"

So, What do we do now...

- **Focus on Quality**
- **Tackle contamination head on**
- **Master Recycler Classes for your Community**
- **Bottom Line... Go Back To Basics**
- **History shows that Markets may Bounce Back**

Thank You