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Battling National Sword

Features - Municipal Recycling

National Sword and China's bans on mixed paper and postconsumer plastics require adjustments at the MRF and to service contracts.

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National Sword, China's customs inspection program that was launched in February of this year, and its subsequent import bans on mixed paper and various grades of postconsumer plastics have hit the U.S. recycling industry hard, particularly as of late September and into the fall. Material recovery facility (MRF) owners and operators shared their strategies for dealing with this major market disruption in an Oct. 20 webinar titled National Sword: What is it and How will it Impact My Program? hosted by The Recycling Partnership (https://recyclingpartnership.org/), Falls Church, Virginia.

Speaking during the webinar were Bob Cappadona, vice president of Casella Recycling (https://www.casella.com/services/recycling), Rutland, Vermont; Hilary Gans, facility operations and contract manager for RethinkWaste (http://www.rethinkwaste.org/), the South Bayside Waste Management Authority, San Carlos, California; Bill Keegan, president of Dem-Con Cos. (http://dem-con.com/), Shakopee, Minnesota; and Joaquin Mariel, general manager of Balcones Resources (http://www.balconesresources.com/), Austin, Texas.

Increased inspections, erratic movement

"The effects of National Sword and what we are seeing in the Northeast is definitely a crackdown at the MRF from an inspection standpoint on our finished bales, especially on the mixed paper, newspaper, OCC (old corrugated containers) side," Cappadona said. "We see a lot more inspections [and] breaking of bales."

Movement of material, particularly fiber, has been slower. “Obviously with the licenses not renewed for 2018, there are less orders out there,” Cappadona added, referring to import licenses for recovered fiber within China.

RethinkWaste owns the Shoreway Environmental Center in San Carlos, which includes a MRF operated by South Bay Recycling (SBR), which has a 10-year contract with RethinkWaste that began Jan. 1, 2011. Residential and commercial solid waste and recyclables collected by the franchise hauler, Recology San Mateo County, are taken to Shoreway for processing and shipment.

Gans said material movement is “erratic,” though he added that the authority and its MRF operator are not responding by storing material. “We don’t have warehouse space and we’re not stocking bales in warehouses, but we are having on-site storage of bales because of the erratic shipping that is happening.”

While MRF operators in Northern California were not warehousing material, “I have heard reports of warehouses being filled in Long Beach,” Gans said, referring to the Southern California city that is home to the what he described as “probably the biggest fiber exporting port in the U.S.”

He also noted that bookings have been lighter. “Clearly we are seeing smaller bookings, and we are working much harder to get those bookings. They aren’t with China as much but with Malaysia, Indonesia, Korea, etc.”

Transportation shortages also are affecting material movement in the Midwest, Keegan said. “We are really having a challenge getting either shipping containers or else just trucking assets to move the materials.”

Pricing dips downward

Excessive supply has affected pricing, sending it plummeting for some fiber and plastics grades.

“On the fiber side in the Midwest, we saw a 50 percent decrease coming into October on mixed paper,” Keegan said. “We are down to $30 per ton on mixed paper here. On the OCC, we saw a 30 percent decrease, and we are down to $40 per ton.”



Cappadona also noted the creation of a supply bubble that has reduced pricing. “If you think of a single-stream ton as a whole, there has been a 50 percent decline for the past four to six weeks of the total value of the stream,” he said in mid-October.

On the West Coast, Gans said OCC pricing declined from a market high of $217 per ton in July to $91 per ton as of October, while mixed paper fell from $121 per ton to $43 per ton during that period. High-density polyethylene (HDPE) and polyethylene terephthalate (PET) fell 30 percent as of October from highs seen in March and May.

Reconsidering the sorting process

“We are trying to not have a reactionary approach to this,” Mariel of Balcones said. “We’ve expected a lot of these changes for the last several months.”

While he said China’s attention was originally focused on electronics and plastics, the addition of recovered fiber is more concerning “considering its share of the total basket of goods.”

Mariel said, “While the geopolitics of China’s decisions here might be more complicated than I have the knowledge to speak to, ultimately we did have a contamination issue with exported and domestically shipped waste paper in this country.”

He continued, “Balcones is doing what we have always done. We are trying to make a high-quality product. We are doing that by being appropriately staffed.”

This has been challenging given the Austin area’s 3 percent unemployment rate, Mariel said.

Regarding sorting, Balcones has “really focused in on mitigating against this ‘Amazon effect’” by removing as much small OCC from its mixed paper line as possible, he said. This has the double benefit of reducing the overall volume of mixed paper and diverting the OCC to produce a higher-value commodity.

“We have been looking into advancements in technology as well,” Mariel said, adding that these were long-term plans Balcones put in place before this situation developed.

Within its six single-stream MRFs in the Northeast, Cappadona said Casella has “increased the labor force in areas where we think it’s effective—on the sort lines or near the baler, on the tip floor.”

The company has emphasized running its sorting systems at their designed throughput. “We have daily reports on the throughput, and we ensure that every system is running at its designed throughput,” he said.

“Clearly, quality is king right now,” Gans said. “We are hiring more sorters, we are dressing bales and dressing more bales and then we’re dressing some more bales after that. One in 10 loads are inspected.”

Keegan said Dem-Con is slowing its processing lines, “which results in less production and throughput, ultimately resulting in an increased cost per ton with additional base labor and also overtime labor.”

Adding labor has been a challenge for Dem-Con. “Where our facility is located, we have a 3 percent unemployment rate, and we are just simply not able to fill the jobs and add the labor,” Keegan said.

Dem-Con is looking to automation to compensate for the lack of personnel, having recently added an additional optical sorter, he said.

The company also has added robotics: an AMP Cortex robot from AMP Robotics (https://www.amprobotics.com/), Denver. The unit sorts food and beverage cartons and was installed with a grant from the Carton Council (https://www.recyclecartons.com/).

Dem-Con has increased quality control on its outbound loads, Keegan said, with its staff “policing the bales and making sure that what we are sending out is as high a quality as we can.”

Contractual reconsiderations

MRF owners and operators are not just relying on changes to their processing lines to address National Sword. They also are renegotiating their contracts with municipalities, advocating for more risk sharing.

"Ultimately, as we look at operational changes, we also have to have contractual changes that we're making with municipalities to make those agreements more transparent and share the risk," Keegan said.

Gans, who represents a municipality and MRF owner that contracts with a MRF operator, said 75 percent of the commodity revenue is distributed to the community, while the remaining 25 percent goes to the MRF operator under RethinkWaste's contract. "I think that it puts the onus of quality and the risk on the community but also emphasizes to the MRF operator that they need to obtain the best dollar for the commodities."

Open communication

MRFs and the communities they serve should communicate frequently, particularly regarding the quality of inbound material, Cappadona said. "It is very difficult to make a good quality product without a quality input. We are looking at every load that hits the tip floor, giving that feedback to our customer."

"In terms of communicating to the community, we are not ringing alarm bells," Gans said. "I think that public image and that communication with the community are really important, and I think it's important to keep our heads high in this difficult time.

"A drop in commodity pricing hurts, and it hurts our budget, but I'm not going to say the sky is falling, and I think material movement is what we emphasize," Gans added.

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