



# Materials Management:

THE NEXT GENERATION

MRN/SWANA-MA 2016 CONFERENCE



# RECYCLING MARKETS UPDATE

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# Marketing Recyclables

- Some counties in Maryland deliver material to a private MRF
- These private MRFs have an overall cost that includes revenue
- Accounting for sales of recyclables is based on a “market basket” formula (price of commodities times weight generated from a recyclables sort)
- Facilities are sensitive to market changes

# Marketing Recyclables

- MES operates three MRFs on behalf of Counties in Maryland
- For these MRFs, movement of material is most important, while price is less of a factor
- Revenue from sales of material is not related to operating costs
- Therefore, Counties can “ride the wave” of price fluctuations

# MES Sales

- Because of the negative experience in Fall 2008 and early 2009, virtually all of the MRF material is sold on a monthly basis
- MES sends out price request 4-5 business days early and usually receives pricing the next to last day of the month. Pricing for aluminum, glass, paper, plastic and steel.
- Vendors submit pricing and MES selects the highest price for each commodity (example – PET, natural and colored)

# MES Sales (Continued)

- Monthly sales go to a variety of vendors, including brokers and end users
- Advantages include variety of vendors (which helps if there is a need to move material) and often higher prices (since a particular vendor may be “hungry” for material)
- Even if pricing is way off, it will only be off for a month
- Danger is that if there is a total collapse of the market, would vendors go to existing customers first?

# Options

- MES is considering longer term agreements, especially for paper
- Ability to effectively manage a long term agreement depends on the reliability of the market index. Paper index is reliable and accepted by industry, while no consensus exists on a plastics index.

# Comments on Pricing

- Selling materials in the market since 1997
- Have seen excellent pricing (such as Spring-Summer 2008) down to lower prices for “hard to move” materials
- Industry representatives have blamed lower market prices for changes in the industry
- No “Chicken Little” on pricing – the sky is not falling



# Pricing (Continued)

- Prices were much worse in late 2008 and early 2009. By 2010, most of those prices had regained much of their losses
- Since MES commented on pricing in December, prices for most commodities have already stabilized or risen
- Minimal (or no) differences in pricing between single and dual stream systems depending on the commodity. Pricing depends more on the quality of sorting.

# Pricing (Continued)

## November - June

- Aluminum cans up more than \$.03 per pound
- Mixed paper up more than \$18 per ton
- Cardboard up slightly
- PET up more than \$.04 per pound
- Natural HDPE up more than \$.12 per pound
- Colored HDPE down slightly
- Steel more than doubled in price

# Strategies

- We have not focused attention on market development options (green gate) such as encouraging businesses to use recycled materials and finding markets for “hard to market” materials
- We need to re-focus on federal, state, local and private purchases of recycled products in order to create the market for recyclable materials

# Conclusion

- The existing system is working to generate competitive pricing for commodities
- We are always looking at ways to improve the system (operations, length of contract, and identifying markets for new and "hard to market" materials)
- Thank your for the opportunity to present at this conference.



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