



Environmental Sustainability Board Meeting

Recycling Program Update

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Friedman Recycling Companies

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Agenda

- Company Introduction
- Recycling in NM – Demand
- Recycling in NM - Supply
- Current Realities
- Conclusions
- Questions & Answers



Company Introduction

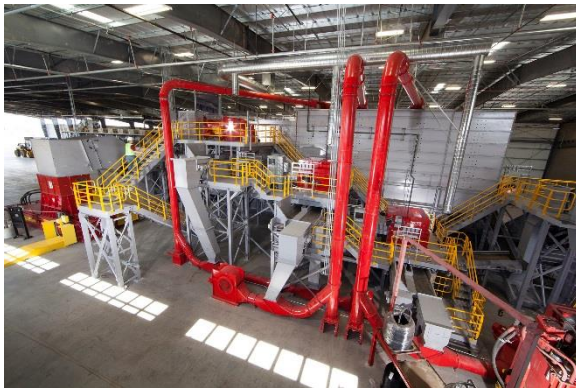
- Family Owned & Operated
- Started as neighborhood buy-back center in SW Phoenix in 1977
- One of the largest independent private recycling firms in Southwest
- Specialize in Single Stream Recycling Processing
- Facilities in Phoenix, Tucson, El Paso, Las Cruces, Albuquerque

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New Mexico's Only Single Stream MRF

- 5021 Edith NE
- 12 Acres, 90,000 Sqft Processing Warehouse
- 30 tph BHS Sorting System, Two High Density Balers
- Automated: Mechanical, Optical, Eddy, Magnetic, & Pneumatic Sorting



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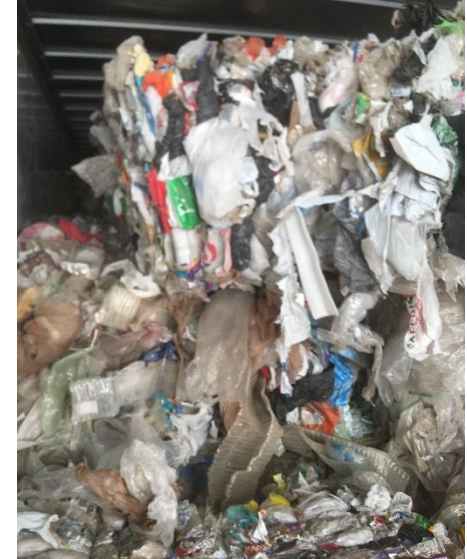
Recycling in NM : Demand

- NM Has Limited Mill / End User Infrastructure
 - McKinley Paper
 - OCC Only
- NM Dependent on Out of State Markets for Fiber and Plastics
 - USA (TX, OK, LA, CA, NC, AL, IA)
 - Mexico
 - Southeast Asia (Vietnam, Malaysia, Indonesia, India, *China)



China Set the Pace

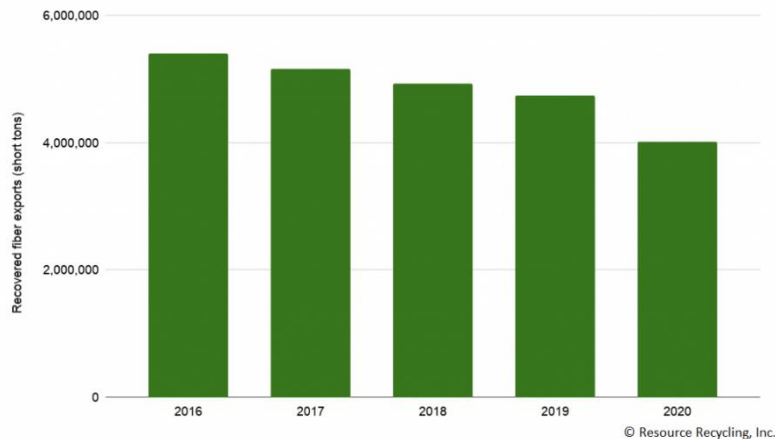
- National Sword 2018
 - Ban of 24 Types of Scrap
 - Most Notably – Mixed Paper & Mixed Plastics
 - Quality to 00.50%
 - Reduction in Permits (Quantity and Size)
 - Issued Inconsistently Throughout the Year



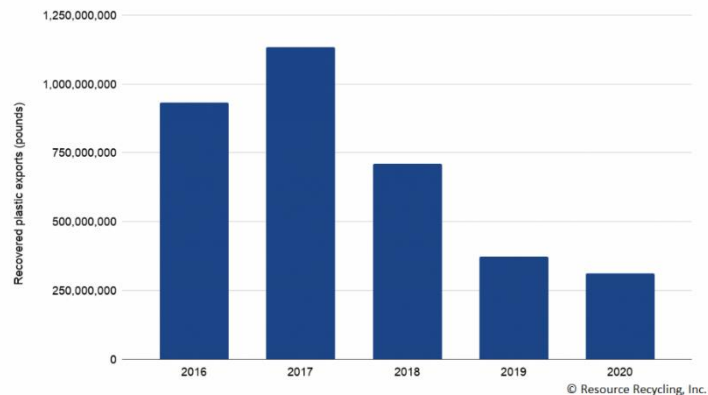
Impacts from National Sword

- China Import Volumes Dramatically Decline
- Other Importing Countries Implement Similar Restrictions
 - Malaysia, Thailand, Korea
 - Quality Requirements & Permit (Volume) Restrictions

U.S. recovered fiber exports to all countries, first quarter, 2016-2020



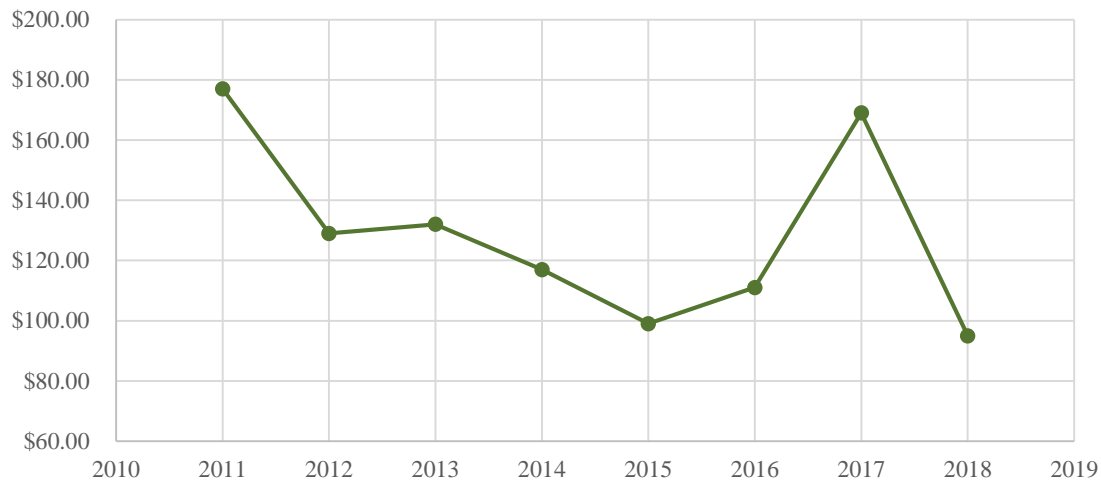
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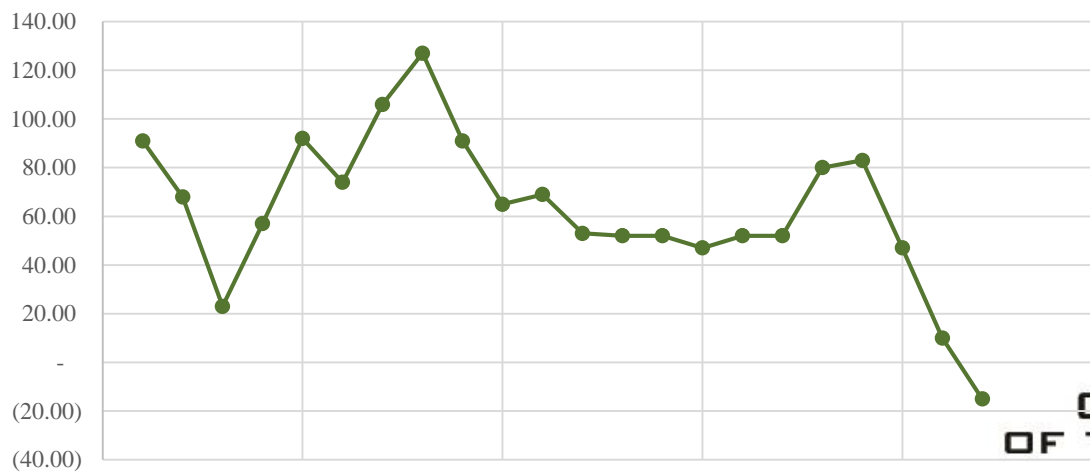
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US Average OCC Price



US Average Mixed Paper Price

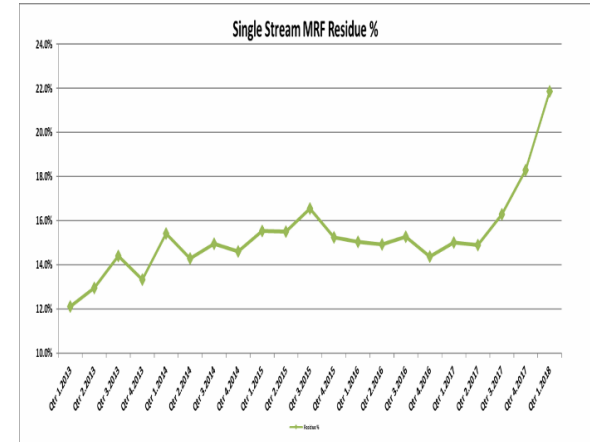


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Recycling in NM: Supply

- Local Processors Need Access to Export Markets
 - Must Produce Quality End Product or Denied Access
 - Inbound Materials Contain 24% Contamination (National Average)
- Forced to Adjust Operations to Meet New Standards
 - Slow Down Sorting Lines
 - Add Additional Labor Throughout Sorting Process
 - Install Additional Technology (Optical Sorting, Robotics)
 - Focus on Inbound Materials (Inspections, Downgrades, Charge Backs)





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Current Realities

- Processing Costs Have Risen Significantly
 - Operating Cost Higher
 - Material Revenue Available Lower
 - Increase in Freight Rates / Availability

Materials Are Moving

- Quality Requirements Remain Stringent
 - Asia 95.0% Purity
 - USA 93.0% Purity
- Pricing Remains Depressed
- Back Logs Slowly Reducing



“Quality is outshining availability issues. If they can’t produce a high-quality repro, they are not going to mess with it. Quality is more important than price.” – a reprocessor based in the Midwest says of lower quality plastic scrap *Resource Recycling*



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The Outlook

- New Markets Emerging
 - Chinese Paper Manufacturing Moved Out of China
 - ND Paper – Wisconsin, Maine, West Virginia
 - Sun Paper - Arkansas
 - Vietnam Expansion (Nine Dragons & Lee & Mann)
 - Large Quantity of Quality Recovered Materials at Low Price Spurring Market
 - Mill Conversions & Expansions Growing
 - New Cleaning Technology to Consume Mixed Paper - Oregon
 - Mill Conversion to Consume Mixed Paper – Mexico, TX, CA
 - Greenfield Mill to Consume Mixed Paper – Mexico
 - \$100 Million Investment Plastic Processing Nevada, Texas, Mexico



Conclusions

- Recycling Will Remain Viable & Strong
 - Manufacturers will Always Demand Quality Recovered Materials
 - Markets Go Up & Down, but Eventually Find Equilibrium
- Recycling is Not Free
 - Recycling is a Critical Public Service
 - Its Costs Money to Produce Quality Recovered Raw Materials
 - Recycling Programs are Worthy of Public Expenditures (just like parks, libraries, HHW programs, etc.)
- Aspirational Recycling is Not Sustainable
 - Recycling is a Manufacturing Process
 - Collected Materials Should be Limited to those with Viable End Markets



Questions & Answers

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