Pratt Recycling
Providing Our Customers With Solutions To Their Complex Sustainability Issues
Pratt Industries Overview

- $2.5 Billion fully integrated, privately-held packaging company
- Recycle 2.4 million tons of recycled materials annually
  - ~40 million trees saved annually
- 5th Largest U.S. paper and packaging company – 7,000 employees
- Largest 100% Recycled corrugated packaging company in North America
- 4 – 100% Recycled Paper Mills
  - We consume Mixed Paper and OCC
  - Mills CONSUME ~10 million pounds/day of recycled paper
- 68 factories in North America
- 17 Material Recovery facilities (MRFs)
State of the Art Technology
Pratt Industries Recent Growth

Valparaiso, IN Paper Mill

Beloit, WI Box Plant

Stockton Ca. Box Plant

Minnesota Corrugated Box Acquisition
New Pratt Mill in Ohio

- Operational-- Oct 2019
- Additional consumption of 450,000 tons/year recycled paper.
- More domestic capacity for MXP and OCC
- Good fit for Michigan tons.
Pratt Wapakoneta Mill
Global Market Changes from 2017

- 2017: Over 25% of world’s recyclables were imported to China, including >50% of paper & plastics.
- China imported 28.5 M tons of paper in 2016
- China’s new import policies banning materials & limiting contamination have global impacts on recycling programs in communities across US
- **Operation Blue Sky** = screening effort at China’s ports to inspect loads, enforce material bans & 0.5% contamination limit
- The situation not likely to improve - China appears to be on path to eliminate imports of all post-consumer recyclables by 2021
- The reduction of China’s markets resulted in oversupply of commodities & depressed commodity pricing. Supply is high & commodity pricing low
What Recycling Looks like in 2018

• Non-China countries are consuming 13.8 million per year of recyclables diverted from China.

• Mixed Paper and Mixed Plastics banned. 0.5% contamination limit on any other recyclables enforced at the port.

• MRFs must meet new quality specifications – this requires managing to the designed system throughput

• MRFs are requiring additional labor for quality

• Being critical of inbound single-stream material
Price has only one way to go – UP!
Factors that impact MXP

**Supply Decreasing**
- MRF’s financial distress & closing
- MRF’s eliminating certain paper items from collection.
- Consumers “loosing faith” in recycling and trashing paper.
- Estimating 480,000 tons of paper going to landfill.

**While Demand Increasing**
- US Domestic mills “tinker” with more MXP
- China buys mills in USA to pulp then send overseas.
- New containerboard mills being built in NA.
- Vietnam, India, Malaysia enter MXP consumption.
- Old US mills being bought & converted to containerboard.
Wishcycling

Consumers also want to “HELP”

WISHFUL RECYCLING
Quality Rules

• All buyers demand the highest quality feedstock
• Inbound quality affects outbound quality
• “Unacceptable” materials get through the system. The dirtier the inbound stream the harder is it to produce an acceptable outbound product.
• Contamination increases downtime.

Non-Acceptable Items

Styrofoam Coffee Cups  Food Packaging & Wrappers  Tissue Products
So what’s happened so far in 2018?

- Repeat of 2008 --- $40 decrease in OCC Dec-April!
- 6 mos. in a row of flat pricing
- $35 decrease in MXP since Jan 1st. Now at $0.
- Export market was non-existent in the 1st quarter
- Will see increase in OCC pricing over the rest of the year.

![Midwest Commodity Market Graph](chart.png)