

Heap of Trouble for Recycling Industry

HIGH COSTS AND BOTTLED-UP PROFITS MAY PUSH WASTE BACK TO THE LANDFILLS

By Amanda Ruggeri

Sustainability may be the new buzzword, but one of its most well-established routes—and an industry that has, against all odds, trained millions of Americans to rethink waste—is under threat.

Like other industries, recycling is reeling from the recession. But its dependence on the commodities market, which bottomed out last fall, and its relative newness have made its sudden turn for the worse unprecedented. For the three quarters of Americans who recycle, that means the feel-good factor of dragging a plastic bin to the curb each week could be endangered—not to mention the process's environmental and long-term economic benefits.

“The longer the recession goes on, the more communities will be forced to, perhaps, cut back,” says Ed Skernolis, executive director of the National Recycling Coalition. “These communities are struggling with their budgets already, and they’re going to take a hard look at all the community services and what the costs are.”

Problems began when the price of commodities plummeted in the fall after the summer’s historic highs. Before the recession, says Michael Benedetto, vice president and owner of Virginia’s TFC Recycling, he could sell aluminum cans for a dollar-plus per pound. Now, he gets less than 50 cents.

Meanwhile, recovered paper and cardboard that could be exported from the New York docks for nearly \$200 per ton in July fetched only \$20 per ton in December.

If prices are tough for recyclers, so is just getting rid of the material. Recycler Ed Osley, CEO of Vikoz Enterprises, says he used to sell a truckload of plastic a day to one client. But in November, he says, “I told my wife, ‘I bet you they’ll stop buying in two weeks.’ They stopped buying in one week.” Vikoz lost up to \$50,000 per month in revenue. Osley now has to get rid of the material elsewhere, an increasingly difficult feat.

Across the country, recyclers are being forced to warehouse the trash they used to easily sell, resulting in towers of cardboard and heaps of plastic languishing in lots. The major cause of the industry’s woes is the global economic crisis. But adding to difficulties is the specific slowdown in demand from China, the largest market for the United States’ exported recyclables. China has been hurt by both the fiscal crisis and the end of the boom brought by the Olympics.

Abroad or at home, though, the logic is simple: Less consumer spending leads to less manufacturing, which cuts down on the need for goods, like cardboard for packaging, obtained from the recycling bin. A plunge in prices follows. Recyclers see profits drop—and may cut services.

Back in September, for example, Boston’s recyclers paid



In China, a hot market for exported U.S. recyclables has cooled.

the city \$112 per ton of paper, says recycling director Susan Casino. By December, the roles had switched. Now, the city pays recyclers \$5.50 per ton. But the real measure is how that \$5.50 compares with the cost of disposing of recyclables by other means. Tipping fees at the dump can be \$80 a ton. That can make a switch unprofitable. But the gap is narrowing as, to replace profits, recyclers make changes like charging haulers to drop off materials.

And some communities where recycling is the costlier option—such as those that are farther from recycling facilities than trash transfer stations—already have buckled under the economic pressures. One is tiny Frackville, Pa. After the market bottomed out, the closest company that would accept the town’s plastic scrap was 45 miles away, a \$94 trip with fuel and labor; cardboard and newspaper had to be hauled 18 miles, at \$38. The trips were made several times a week, says Councilman Patrick O’Boyle. Or the town could drive the scrap to a nearby transfer station, for transportation to a landfill, for less than \$20.

In a town that already had laid off two full-time workers and a part-timer to balance its budget, paying for recycling would have meant raising taxes about \$125 per year per property owner, O’Boyle says. And so the town suspended its program. “We don’t have the manpower or the finances,” O’Boyle says. “And yet we look like the bad guys.”

Insiders are quick to point out that recycling, like other industries, is cyclical. Towns like Frackville, they say, should be able to get their recycling programs back.

Even so, those same insiders are impatient to see an upswing. “We feel confident that there will be a recovery,” says Wes Muir, spokesman for Waste Management Recycle America. “But, you know, when?” ●