

MINNEAPOLIS

## Global shifts put squeeze on Twin Cities recycling

Low oil prices and falling demand from China rattle recycling industry.

By Eric Roper (<http://www.startribune.com/eric-roper/62906482/>) Star Tribune |

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Plunging oil prices and a slowdown of the Chinese economy are causing ripple effects in the Minnesota recycling market, wiping out monthly profits that cities use to drive down costs for the service.

The falling price for recyclable materials, coupled with changes in what people are recycling, is putting a financial strain on processors and creating uncertainty about the future taxpayer costs for recycling programs. It also underscores how the blue bins that pepper alleys and curbs across the Twin Cities are deeply entangled in the whims of the global economy.

“Nationally, the recycling industry is in a crisis,” said Julie Ketchum, a local spokeswoman for Waste Management, the country’s largest waste hauler. “We really haven’t experienced anything like this.”

The switch to single-sort recycling across the metro area has made the process easier than ever for residents, but finding a home for all that paper, plastic, glass and metal relies on a complex web of buyers. A glass bottle could be melted down to create new bottles in Shakopee, for example, while state records show some paper travels to places like the Huatai Industrial Park in China’s Shandong Province, where it is reused.

Cities with revenue-sharing agreements are accustomed to profits from the sale of recycled materials more than offsetting the costs of having it processed. That does not account for collection, the most significant recycling expense.

Cities in Hennepin County earned \$1.13 million from the sale of recyclables in 2014, leaving them with a net cost of more than \$10 million for providing recycling service, according to the county’s supervising environmentalist Paul Kroening. He expects that the profit from selling recycled items could drop close to zero this year, however.

That’s already evident in Minneapolis, where revenue fell below zero for four months this spring, creating a net processing cost for the first time in 15 years. The same was true for three months this year in St. Paul, which once earned back more than \$40,000 a month. Representatives for a sampling of suburban cities, St. Louis Park, Plymouth, Minnetonka and Brooklyn Park, confirmed similar dives in recycling revenue from their processors.



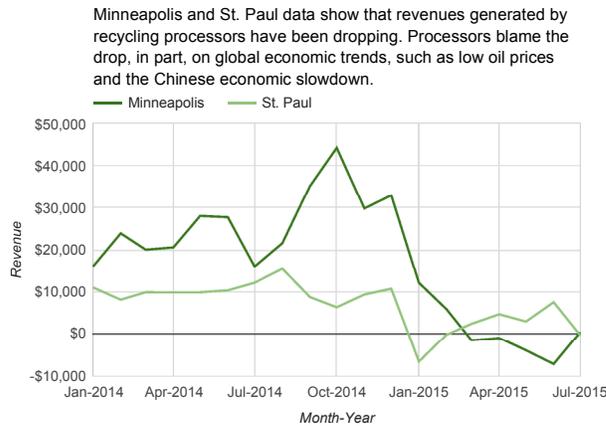
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single sort: Jerrell Stewart, left, and Martin Kellers worked the sort line at Dem-Con recycling facility in Shakopee.



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Single-sort recycling has made the job easier for the consumer but made processing more complicated and expensive.



Representatives of government, the recycling industry and outside consultants said in interviews that they believe the markets will ultimately bounce back, as they've done after other recessions. But the drop-off is prompting extra scrutiny of agreements between cities and processors, since continued revenue shortages would put more pressure on ratepayers and state-allocated recycling funds.

"Everybody should be sharpening their pencils, and that's a good thing," said Dan Krivit, a consultant with Foth Infrastructure and Environment who is studying the issue for Ramsey County.

The depressed prices are largely attributed to two primary factors. Ultralow oil prices have made it cheaper to produce goods from new instead of recycled plastic. There is also less demand from recycling powerhouse China, which is experiencing a slowdown and has become pickier about the quality of the materials it imports. That creates an oversupply in the United States.

"Even signing the deal with Iran affects the recycling markets in Minneapolis," said Bill Keegan, president of Dem-Con Companies, which processes recyclables at a plant in Shakopee. "It truly is a global economy that we're involved in."

Despite the predictions that the market will eventually turn around, Keegan is less optimistic overall revenues will return to previous levels. That's partly because higher recycling goals have pushed facilities to process materials like milk cartons and juice boxes that have less resale value. Some new innovative packaging can't be recycled, but nonetheless ends up in the single-sort bin through what Keegan calls "wish cycling." And the growth of online media has eroded the amount of recycled newsprint, once a moneymaker.

A new state law aims for a 75 percent recycling rate in the metro area by 2030, up from about 47.7 percent in 2013.

"We're including more and more materials that have lower and lower economic value and that are harder and harder to recycle," Keegan said. "So the economics truly are changing. They aren't what they were during the last downturn."

Wayne Gjerde sees that as an opportunity. As recycling market coordinator for the Minnesota Pollution Control Agency, he helps ensure there is a home for materials thrown in the recycling bin. His primary focus these days is trying to establish a facility that can further sort plastics and even wash and pelletize them, so they can be easily reused. Most plastic, except for jugs, now leaves the state after being initially sorted.

“Even if there’s not an end ... market where they’re making it into an actual product [in Minnesota], at least we’ve added some value to it,” Gjerde said. His office undertook a similar effort more than a decade ago to establish local glass sorting.

A legislative auditor’s report earlier this year highlighted the need for the state to commit more money to market development in recycling. The MPCA had seven positions doing that work in the mid ‘90s, but just one since 2007. It noted that while an aluminum can might return to the shelf in 60 days, there is a limited Minnesota market for glass and some plastic.

“That to me is the answer, to really develop local markets,” said David Domack, general manager of Tennis Sanitation. “Create jobs and find homes for these recyclables that they have expectations for.”

Local markets also reduce transportation emissions and speed the process so a material is recycled more times, said representatives of nonprofit recycler Eureka Recycling. “We don’t always sell just to the highest-paying market,” said Tim Brownell, company co-president. “Because a lot of time the highest paying market may be in China. But what are the jobs and what’s the environmental impact of shipping plastics [there]?”

The precise effect of the downturn on cities like Minneapolis remains uncertain. The city earned back more than \$150,000 a month in mid-2011, before that number was eroded by higher processing costs from the switch to single-sort and falling material prices.

The city’s director of solid waste and recycling, David Herberholz, said the years of big revenue allowed the city to keep its base waste and recycling fee for residents flat from 2009 to 2013. He said the recent four months in the red is not a gauge of the future.

“If I had history there where we were paying out for years, then I’d be more leaning toward the idea that this may impact the way that we charge our residents,” Herberholz said.

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