Developing Markets for Minnesota’s Recycled Materials

by Thomas R. Peek

The amount of solid waste in Minnesota is on the rise, expected to increase more than 20 percent during the next decade. At the same time, the environmental problems and costs associated with solid waste burial and incineration have led to public opposition and government regulation of these disposal methods which were once thought to be the solutions to the garbage crisis. As a result, recycling is becoming an increasingly important waste disposal option for Minnesota.

But with the proliferation of community recycling programs in the 1980s, the amount of recycled paper, plastic, glass, and other materials has grown dramatically, so much so that there have been periodic oversupplies of some materials. In the spring of 1989, for example, there was a glut of recycled newsprint in the Twin Cities. These short-term oversupplies, and the 1989 legislature’s decision to establish far-reaching recycling goals for the state’s counties (35 percent in the Twin Cities and 25 percent in greater Minnesota by 1993) have made the marketing of recycled materials a major public policy concern in Minnesota.

In response to this concern, in December of 1989, a select group of public and private sector people met in Minneapolis to develop a strategy for marketing Minnesota’s recycled materials. The workshop, sponsored by CURA in cooperation with The Minnesota Project, was funded by a grant from the Northwest Area Foundation. About one-third of the thirty-five participants came from industry, another third from government, and the remainder from the academic community and the nonprofits. Included in this group were some of the key decision-makers in industry and state government—people with responsibility and leverage in those spheres. While the sessions focused on Minnesota, out-of-state participants brought perspectives from Arkansas, California, Florida, Iowa, Ohio, Washington, Wisconsin, and Alberta, Canada. The workshop resulted in a significant assessment of the current market barriers that prevent full use of Minnesota’s recycled materials, and an innovative Blueprint for Action.

Recycled Materials in Today’s Markets

The market potential for recycled materials in Minnesota looks bright, especially in the long term. For most materials—including paper, plastics, glass, aluminum, ferrous metals, and textiles—markets already exist. The demand is strong or moderate and these industries have or anticipate having the capacity to use more materials than Minnesota currently supplies. New products are being made out of these old materials.

On the other hand, some recycled materials—including certain plastics, used oil, yard wastes, spent batteries, and discarded tires—are plagued with low demand and are not easily made into new end-use products.

Most of Minnesota’s recycled materials have real potential in the marketplace. The problem is overcoming the barriers that keep them from reaching those markets. That was the task tackled by the workshop participants in December.

Barriers to the Marketplace and How They Can be Overcome

While there was not unanimous agreement on every detail, workshop participants reached major agreement on a number of key observations and proposals. They identified three barriers as the most important forces inhibiting the use of recycled materials:

- The quality of recycled materials is inadequate. There are currently no uniform standards for materials or for packaging. Materials separation is often inadequate so that contaminants remain in the recycled materials.
- The supply of recycled materials is diffuse. The distance between supplier and market and the large number of brokers mean that the supply of materials is often scattered. Rural areas are especially vulnerable to this problem.
- Recycled materials often cost more than virgin materials. The current costs of collection, processing, and transportation are still high, but the demand for recycled materials is not yet high enough to realize economies of scale. And the price of some virgin materials is kept artificially low by subsidies that amount to unfair competition. This is particularly true of subsidies on wood and petroleum-based products—subsidies that affect the price of paper and plastics.

What can be done to overcome these barriers? Participants at the workshop agreed on five major actions:

- Cooperative arrangements should be established to coordinate collection, transportation, processing, and broker-
ing of recycled materials. This will reduce costs and enhance the supply and quality of recycled materials. Such arrangements might include multi-county market cooperatives, materials recycling facilities, and multi-state cooperatives.

- Existing subsidies that lower the price of virgin materials should be changed. Government action at the federal and state level will be needed.
- Materials and packaging standards for products made from paper, plastics, glass, and metals should be improved in order to enhance product design and recyclability. While the public and private sectors should be involved in making these changes, standards and regulations must be enforceable by government.
- Bans, taxes, deposits, or fees should be imposed on packaging and containers in order to enhance their recyclability. This will create incentives for recycling and waste reduction, and improve the quality of the materials recovered.
- Uneconomical aspects of collection, processing, and transportation should be subsidized in order to make recycled materials competitive with virgin materials. This can be accomplished through public research and development, tax breaks, grants, and other forms of subsidy.

Who's Responsible for Taking These Actions?

The workshop participants recognized that the public and private sectors each have legitimate and important roles to play in marketing recycled materials, and that public/private cooperation is essential. They concluded that government intervention in the market is necessary even if the use of recycled materials is ultimately not profitable. This is the only way that recycling will be expanded and that environmental and landfill abatement goals will be achieved.

The group suggested that the increasing costs of waste disposal—costs not reflected in the current prices of packaging and of products made from virgin materials—require public strategies. They said that the costs that would be avoided if these virgin materials and packaging materials were recycled rather than added to the waste stream justify public expenditures for recycling and materials marketing. While recycling may be expensive, especially in the short run, recycled materials are an important resource and their price must be set with an eye toward total systems costs, including the costs of virgin resource development and waste disposal.

The group acknowledged that while Minnesota and other states can do much to overcome the market barriers for recycled materials, some federal action is required to set standards for materials and packaging, establish labeling requirements, and modify existing public subsidies of virgin materials.

What's Happened to the Group's Recommendations?

Following its publication, the Blueprint for Action was sent to workshop participants for use in their own industries, agencies, and organizations. In addition, under the auspices of the Northwest Area Foundation, several hundred copies were mailed to public and private officials throughout the Upper Midwest and elsewhere, in the hope that it would be helpful to them. In Minnesota, the Blueprint for Action has contributed to the development of marketing strategies at the Minnesota Office of Waste Management, the agency charged by the 1989 legislature with primary responsibility for developing a state strategy for marketing Minnesota's recycled materials.

Tom Peek, a graduate of the Humphrey Institute and for some years a member of the CURA staff, is currently a writer/consultant in Santa Cruz, California. In addition to his freelance work, Peek is writing his second novel. The Blueprint for Action is one of three publications to come out of the project on marketing recycled or "secondary" materials in Minnesota. In addition, there was a background report, Market Status Report, and an Executive Summary, published separately but also included as part of the Blueprint for Action. These reports, all under the general title Building a Strategy for Marketing Minnesota's Secondary Materials, may be ordered free-of-charge by writing CURA or phoning 612/625-1551.

Photos on pages 1, 6, and 7 by Robert Friedman.

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