



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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NOTICE

June 14, 2011

To: Recyclers and Processors

Subject: Mid-year Processing Payment Adjustment

The Department of Resources Recycling and Recovery (CalRecycle) is not recommending a mid-year adjustment to the Processing Payment made to recyclers. Instead, based on its own research and input from interested parties, CalRecycle recommends the Beverage Container Recycling Program continue to monitor market forces and prepare for potentially significant changes at the next statutory processing fee and payment adjustment on Jan. 1, 2012.

CalRecycle has statutory authority to adjust processing payments when scrap values fluctuate by five percent or more, and when adjustment is in the best interests of the program. CalRecycle launched its most recent review of processing payment levels after noting a trend of higher scrap value for glass, PET plastic, and HDPE plastic. Processing payments are based on the difference between the cost of recycling a material type and its scrap value. Recycler costs are only surveyed every two years (with inflation adjustments in the interim year), but scrap values are reported monthly. A rolling 12-month average of scrap values can be tracked, but fluctuations in the cost of recycling over the same time period can only be observed by anecdotal reports and economic indicators.

The 12-month rolling average scrap values for glass, PET, and HDPE are increasing, but economic indicators and anecdotal evidence suggest recycler costs also are increasing. Adjusting for one without being able to adjust for the other could make recycler operations untenable. CalRecycle believes a change in processing payment would not be in the best interest of the program at this time. CalRecycle believes the Jan. 1, 2012, processing fee and processing payment calculations will provide a more thorough analysis of processing fee and payment levels.

Recyclers should be aware that current trends in scrap values and the costs to recycle could lead to lower processing payment levels. While some recycling costs have been rising since late 2010, these are aggregate costs and may not reflect the per-ton costs to recyclers, which are the basis of the processing fee/payment. Scrap values for glass, PET, and HDPE have been higher during the past 12 months, and scrap value for PET has been high enough in some months to eliminate or significantly reduce PET processing payments.

If surveyed recycling costs in 2010 remain static relative to adjusted 2009 costs, and if scrap values for the 12-month rolling average of October 2010-September 2011 remain at levels equal to or higher than the 12-month rolling average of April 2010-March 2011, processing payment rates may be lowered significantly.

If you have any questions regarding this notice, please contact Hieu Le at Hieu.Le@CalRecycle.ca.gov, or Mike Miller at Mike.Miller@CalRecycle.ca.gov.

Sincerely,

Jason Marshall, Deputy Director

