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TIME

Let's Talk Trash

Laura Blue. *Time*. New York: Oct 9, 2006. Vol. 168, Iss. 15; pg. A.37

Subjects: Recycling, Business growth, Prices, Waste management industry
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Document types: Feature
Section: *TIME Bonus Section November 2006: Inside Business*
Publication title: *Time*. New York: Oct 9, 2006. Vol. 168, Iss. 15; pg. A.37
Source type: Periodical
ISSN: 0040781X
ProQuest document ID: 1138643861
Text Word Count 1060
Document URL: <http://proquest.umi.com/pqdweb?did=1138643861&sid=6&Fmt=3&clientId=11417&RQT=309&VName=PQD>

Abstract (Document Summary)

Trash is indeed cash for an increasing number of firms. Demand for trash is evident in growing markets and rising prices for by-products that used to be dirt cheap, free or off-loaded with a cash kicker--such things as tire chips and crumb rubber, organic waste, even restaurant grease.

Full Text (1060 words)

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WASTE NOT. AN INCREASING NUMBER OF FIRMS ARE FINDING SUCCESS IN MAKING PRODUCTS OUT OF GARBAGE.

Tom Szaky's office could pass for a landfill. Szaky, 24, the co-founder and CEO of plant-food manufacturer TerraCycle, sits in a chair that was at one time another firm's trash, next to a computer on a desk that were both once trash, and, with near palpable enthusiasm, draws supply-and-demand graphs on scraps of paper to show why he's so fond of building his business out of trash. "What is garbage?" he asks, marker in hand. "It's any commodity with a negative value, right? It's something you're willing to pay to get rid of."

And TerraCycle is willing to take it, he might as well add. Negative costs drive the company's bottom line. Only the label on the bottle of TerraCycle's flagship product is new. The product is a ready-to-use organic plant-food spray, made from the excrement of worms fed on compost and packaged in repurposed soda bottles.

In baser terms, the man is selling worm s___ wrapped in used plastic. The company has earned accolades for its minimal environmental impact (and is happy to trash talk competitors on their records). And the plant food is a hit with retailers. TerraCycle rolled out its products en masse in the U.S. earlier this year. They're carried in more than 7,000 stores across the country. The privately owned company took in \$1 million in the first quarter of 2006, and sales are growing 300% to 600% each year.

Trash is indeed cash for an increasing number of firms--from 1-800-GOT-JUNK, the garbage collector that's grown more than 400% in five years, to municipal recycling depots nationwide. It's hard to measure the scope of the waste-recovery industry--as Szaky says, garbage is only called garbage until enough people want it. But demand for trash is evident in growing markets and rising prices for by-products that used to be dirt cheap, free or off-loaded with a cash kicker--such things as tire chips and crumb rubber, organic waste, even restaurant grease. "Resource recovery is a dynamic industry right now," says Lou Zicari, associate director of the Center for Integrated Waste Management, an offshoot of the State University of New York. The Environmental Protection Agency estimates that 72 million tons of waste were recovered in the

U.S. in 1999, up from 63.9 million tons just four years before 1999, thanks to rising trash piles and recycling rates. And the phenomenon is fairly recent. "Most of this development has been in the last 10 years," he says.

Szaky says he was attracted to garbage because he saw a way to keep costs low while still doing good socially and environmentally. But companies say there are other advantages to reusing. Many consumers prefer products marketed as eco-friendly, recycled or natural. Some investors seek out eco-friendly projects specifically, and many states offer grants for such businesses.

Then there's regulation. Modern Corp., which runs one of New York State's largest solid-waste management facilities north of Buffalo and receives a million tons of trash a year, was already required by law to deal with its landfill odors when in 1996 it started harnessing energy from burning methane off the landfill to generate electricity. "You have this investment to begin with," says COO Gary Smith. "We wanted a way to capitalize." Today Modern provides the region with 12 megawatts, enough to power about 20,000 homes, and plans to expand to a 35-megawatt facility. In the meantime, Modern has found a market for the plant's by-products. Since 2002 it has channeled the heat produced through insulated pipes toward greenhouses where tomatoes are grown commercially on 42 acres.

Dumping has also been valuable for Tennessee's Bouldin Corp. In 2003 the firm began taking Warren County garbage and converting it to what Bouldin calls "fluff." That's household trash ground up, with the metals removed, and heated so it's inert. Fluff is used as a peat substitute. Bouldin's new landfill project is expected to swing to profitability after it launches its first durable products next year: landscape timber and building blocks made from trash. "A few years down the line, we'll wonder why we ever put this stuff in the ground," says marketing manager Terry Jones.

Some of the push to reuse is more cultural than economic. Hawaii's Pacific Biodiesel opened for business in 1996 with the explicit goal of helping the environment. That company collects used restaurant cooking oil--the stuff used to fry French fries and doughnuts--and converts it to diesel fuel. It's a well-known technology, championed by the likes of country singer Willie Nelson, but it hadn't been cost competitive until recently. Pacific Biodiesel sells a gallon of its French-fry fuel for \$2.84 per gal. to \$2.91 per gal.--which was about 60¢ cheaper than a gallon of regular diesel in Hawaii last month. The company now produces about 4 million gal. annually.

Using castoffs can have hidden costs. When you take someone else's junk, it's hard to know exactly what you're getting. "The waste streams aren't always consistent--or consistently available," says Betsy Cotton, TerraCycle's CFO. Pacific Biodiesel has run out of cooking-oil suppliers and is exploring the idea of growing crops like soy or sunflower to provide oil for fuel.

TerraCycle staff members also must deal with components that differ slightly from those in the last batch--worm excrement with nitrate levels a touch lower than last month's, nozzles that don't fit properly in the boxes being shipped to stores. "There tends to be a lot of variability, so you have to be vigilant about quality control," says Cotton. The company's vice president of R&D, Bill Gillum, rolls his eyes. "Variability is a good word for it," he says. Fixing the never ending problems takes ingenuity and typically a lot of labor. But that's the trade-off that comes from working with trash. No one said it wouldn't be messy.

[PULLQUOTE]

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--BETSY COTTON, CFO, TERRACYCLE

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Laura Blue

[Illustration]

[JONATHAN SAUNDERS FOR TIME]; Tom Szaky, TerraCycle CEO, delights in the environmental friendliness of his business ; PHOTO

[Bottles are repurposed to package new products, including an organic plant-food spray made of worm excrement]; TWO PHOTOS

[Flasks, right, of diesel fuel made by Pacific Biodiesel from used cooking oil, left, are quality tested]; TWO PHOTOS

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