

PAPER MARKET UPDATE



This past year the paper market has experienced the most significant changes in more than 20 years. Some say it has not undergone this amount of disruption since the 1970s. A combination of market drivers have contributed to paper price increases totaling as much as 20% or more over the last 18 months. The projection for the remainder of 2018 and 2019 is for continued market tightening and upward price pressure.

MARKET DRIVERS

Mill Closures: With the recent closure of several mills, 97% of the coated free sheet market is now controlled by only three major players. Since 2017, mill closures have reduced the available supply by over 750,000 tons. Today's paper market does not have enough capacity to support current demand, affecting availability and lead times.

Wood Pulp Prices: According to the US Bureau of Labor Statistics, the Producer Price Index for pulp paper has risen over 25% since March 2018. This increase is not expected to slow down in the coming 12-18 months. Wood pulp prices are up by 45% since Q1 2016.

Transportation: In December 2017, the Department of Transportation required the use of electronic logging devices to record consecutive driver hours. While intended to help driver safety, the reduction in hours had the unintended consequence of reducing overall delivery capacity and increasing costs.

Increased Demand: Demand on paper for direct marketing and packaging markets has increased. While this is good news, the flip side is that in a tightening supply market it's enabling paper producers to increase prices.

LOOKING FORWARD

Increased prices on paper pulp as well as reduced Mill capacity is expected through 2019. As a result, we anticipate more paper price increases and a continuation of longer lead times. The average lead time is currently between 8-12 weeks from the mill, and for custom sheets, this can be up to 18 weeks.

KEY TAKEAWAYS

- While we cannot predict future price increases, we do believe that with proper job planning and creative production planning, we can manage your projects in budget-friendly ways.
- Bolger's strong buying power and industry relationships allow us to minimize risk. We are holding ongoing communication to stay ahead of future issues, and we are working with our supply partners to create programs designed to keep price and availability fluctuations to a minimum.
- Paper supply will be available for all of our clients; however, we may need your patience to work with longer lead times on some projects. We may also need to discuss alternative paper choices to help you stay on time and on budget.
- In times of market volatility, it's important to choose partners who will keep you ahead of the curve and who help you find the right solutions to help maximize your marketing dollars.