



## Paper Supply & Demand

*We don't have a crystal ball to predict the future, but if the recent past is any indication, the supply of paper in the U.S. looks like it will continue to tighten into 2018 and, perhaps, beyond.*

### The Current Landscape

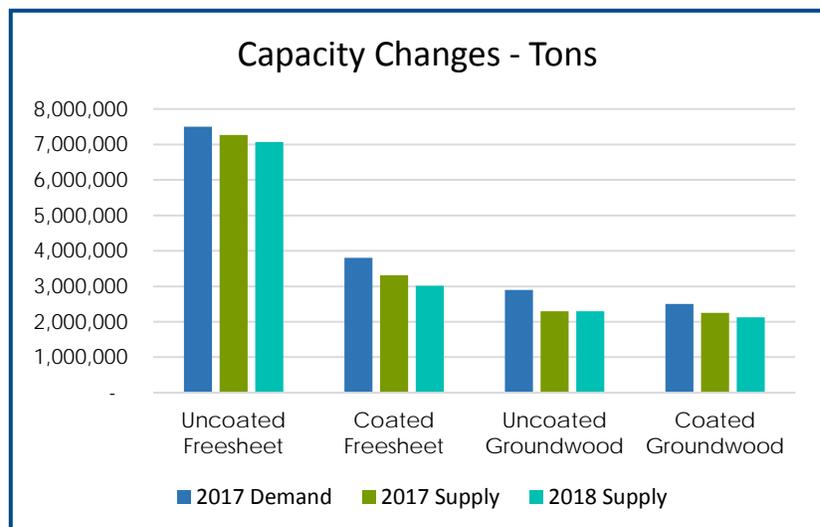
Paper mills in the U.S. have shuttered at an alarming rate, catching many industry experts and customers off-guard. According to RISI Publications, 8 paper mills have shut down in whole or in part during the last half of 2017, alone. Those closures reduce the market supply by as much as 20.7%, depending on the paper type, according to the Pulp & Paper Products Council. Uncoated ground woods saw a 600,000 ton reduction in supply with just those 8 closures. Not represented in those numbers is the change in supply that is occurring as mills that were temporarily manufacturing uncoated paper to fill their machines have now pulled out of the uncoated market.

### What is the Prediction for 2018?

Pierre Bach, Research Manager with Hawkins Wright, suggests the sector is still in transition and predicts the paper and pulp industry will look very different in 5 years. "The sector as a whole continues to show promise as contractions in some areas and grades are being more than offset by growth in others," he concludes.

So far, however, 2018 doesn't appear to be looking much brighter. Boise, Sappi and UPM have all announced closures or sales of mills for the first quarter of 2018, reducing the supply by another 725,000 tons.

According to Pulp Paper News, August pulp log inventories reached their lowest level since the



second quarter of 2014. Compounding the problem is the nearly two million acres of forest and rangeland that has burned in the northwest U.S. This roadblock from Mother Nature restricts harvesting operating hours and disrupts transportation. In Montana, several sawmills had to close operations intermittently in the third quarter of 2017 due to the proximity of wildfires.

Any good economist will tell you that as supply decreases, costs tend to increase. Coated, commodity-grade whites and groundwoods are all potentially price-volatile papers given the market contraction. While a few mills announced price increases in the third and fourth quarters of 2017, we have yet to see which, if any, additional increases we can expect going forward.

### **How to Minimize the Impact**

To minimize the impact of the contraction in the supply of paper, a good first step is to plan as far ahead as possible. With fewer sources and, therefore, increased demand, some remaining mills are shipping weeks out from order dates. Longer lead times allow for any shortages or shipping delays for your paper. Also, research and consider alternate papers that are "house" stocks or more readily available.

### **Conclusion**

You are not alone. This is an industry-wide issue so all businesses depending on paper supply will likely feel the pinch in 2018, if not already. Early and continued communication with your print supplier will go a long way in identifying and minimizing any negative impact on your supply chain.