

In This Issue

- Celebrating Earth Day with Sustainability!
- International Paper Sells Land in Conservation Deal

Did You Know?

Interested in the latest paper news from the industry and around the world? Paperrap.com has a "Paper News" section to keep you informed.

To see all of the latest news, check out paperrap.com.

Contact Our Paper Specialists

PaperRap@ussco.com

1-888-PAPER60

Interested in a Topic?

E-mail our staff at PaperRap@ussco.com and we'll try to answer your question in our next edition of the Rap Sheet. Please place "Rap Sheet Topic" in the subject line.



Celebrating Earth Day with Sustainability!

Third of a three part series on Recycling

In January of 1970, Senator Gaylord Nelson, in an effort to demonstrate popular political support for an environmental agenda, took a leading role in creating a celebration we recognize today as **Earth Day**.



In this edition of the Rap Sheet, we'll conclude our three part series on recycling in honor of this annual holiday which is celebrated on the 22nd of April by summarizing the benefits of recycled paper.

Not a sacrifice for quality

Over ten years ago, when consumers chose recycled paper it meant compromising the quality of the paper as well as stretching budgets. Thanks to advances in technology however, today's recycled papers meet high standards for whiteness, opacity and ink holdout at a cost comparable to paper with 0% postconsumer content. Today print buyers can find a wide variety of recycled papers, cover stocks and card stocks to meet a broad range of graphic challenges.

Good for environment, good for business

Increasingly, businesses today are placing a greater value on recycled goods as well as a recent trend referred to as **sustainability**. What these companies are discovering – from the largest multinational corporations to the little shop around the corner – is that sustainability and profitability work hand-in-hand. In essence, a commitment to the environment is correctly perceived as a commitment to caring.

With paper being central to sustainability, one of the easiest ways any company can demonstrate a commitment to sustainability is through the wise choice and use of paper.

Rapping it all up

With more and more environmentally aware consumers today, companies that demonstrate a legitimate concern for our environment establish a competitive advantage. This commitment not only enhances their public image but also improves their earning power. You can assist your clients fulfill their commitment to sustainability by directing them toward paper made from recycled goods. Additionally, recycled papers are improving in quality while declining in cost. With minimal effort, you can find environmentally friendly paper that will help your consumers achieve excellent results in virtually any job.

Recent Market Developments

There is a lot happening in paper these days from cost changes to restricted supply. This article discusses these market dynamics and how they impact independent dealers.

Price Inflation

Paper mills announced price increases for February/March and again for April. The March increase was around 8% while the April increase took prices up another 10%-12%. The mills are currently talking about more increases, perhaps another \$4.00/cwt as early as June.

The impact of the recent price increases is felt throughout the supply chain. Since these are true industry wide changes, it appears all the price inflation is being passed along to consumers. Independent dealers should have the same ability to pass along the increases.

Restricted Supply and Allocations

Paper mills are limiting supply to bring overall paper availability into better alignment with consumer demand. They reduced manufacturing capacity and shifted production emphasis away from higher cost converted cut sheet and toward the base jumbo rolls themselves. Mills are also restricting supply based on geography to concentrate shipments in freight friendly zones.

Distributors and dealers will hear more use of the term "allocation." This simply means that since the mills do not have unlimited manufacturing capacity they must set limits on the amount of paper they produce for each of their customers/channels. While the exact formula varies by mill, essentially mills set customer allocations by calculating the historical 3-6 month average demand of each customer.

The irony is that allocations are always in place, but in loose markets they are more typically called the "forecast." Mills always monitor historical customer demand averages and use them to aid forecasting. While the mills expect forecasts to be accurate in all market conditions, they have more tolerance for errors during a loose market and will readily shift tons around to meet a customer's demand. During tight market conditions like we are currently experiencing, mills will not allow a customer forecast to exceed their allocation.

The impact of the restricted supply is a tighter market where paper is not as readily available and lead times for replenishment have dramatically increased. Allocations are in place and enforced. The basis of competition among distributors seems to be shifting away from "he who has the lowest price wins" to "he who has paper at all wins."

Outlook

Price inflation is expected to hold from distributors through to consumers. The tight market conditions are expected to endure as we enter into the traditionally scheduled spring paper machine downtime season. It is also the season for mills to produce tonnage for awarded bids and with extended lead times already in place delivery of bids may stretch into the normally quite summer months.

The mills are maintaining a close relationship between supply and demand and are leveling the pricing playing field. Recent demand spikes by distributors were mostly intended to increase inventories prior to the price increases and do not reflect a similar spike in consumer demand. We expect more inflation and tight market conditions for the next several months at least.