

PRINTING UPDATE

2018 Paper Forecast: What You Need to Know About Potential Price Increases and Shortages

By Jeff Davis



There's a lot going on in the paper and printing business relating to paper cost and availability. Here's what we've already experienced and the forecast for the remainder of the year.

- October 2017: 4.5 percent paper cost increase
- March 2018: 4.5 percent paper cost increase
- May 2018: 6.5 percent paper cost increase

In my 25 years in the printing and mailing business, I have never seen three paper cost increases—that stuck—in such a short amount of time.

Since last fall, the cost of paper has increased over 15 percent. Analysts are forecasting a few more increases this year that are likely to occur if demand continues to

outpace supply.

Paper represents approximately 30 percent to 60 percent of the cost to produce your job. With this in mind, the price to produce a letter, reply, envelope, etc., has gone up between 5 percent to 10 percent.

So what does that equate to for what you're buying?

The simple answer is approximately an \$0.80/M increase on an 8-1/2 x 11, one-sheet/two-page letter and a \$1.60/M increase on an 8-1/2 x 11, two-sheet/four-page letter.

The next question is: Why?

The simplified answer is supply and demand. Paper manufacturers have seen shrinking demand in the paper market over the last five-plus years. To keep up with declining demand over this period of time, mills took paper machines offline and closed down mills altogether. As we very slowly move towards a paperless

society, the demand for printed newspapers, magazines, etc., continues to decrease.

At the same time, online business is booming, and, as a result, paper manufacturers are converting their paper-making machines to packaging, fluff and other related products. This is where the paper manufacturers see future growth and profit. For this reason, there are fewer ma-



IN AN EFFORT TO STABILIZE THE SUPPLY/DEMAND BALANCE, PAPER MANUFACTURERS HAVE ALREADY MOVED TO WHAT ARE CALLED 'ALLOCATIONS.' WHICH MEANS THE MILLS WILL CONTINUE TO SUPPLY THEIR LOYAL, LONG-TERM PARTNERS WITH THE PAPER THEY NEED AND WILL ALLOW THEM TO BUY WHAT THEY HISTORICALLY PURCHASED OVER THE LAST COUPLE YEARS.



chines making coated paper, white offset, colored offset, hi-bulk, etc. The reductions in supply are now causing paper shortages in the market with demand outpacing supply. As a result, prices are going up.

In an effort to stabilize the supply/demand balance, paper manufacturers have already moved to what are called "alloca-

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tions." Which means the mills will continue to supply their loyal, long-term partners with the paper they need and will allow them to buy what they historically purchased over the last couple years.

Most printers can still get the paper they need, but the challenging issue we're seeing is turnaround time to receive paper once it's ordered. White offset mill direct orders are anywhere from six weeks to three months out, depending on the mill. For non-white stocks (e.g. colors, hi-bulk, special sheet or roll sizes), the turnaround time has gone from three to five days to five weeks to three months.

So in summary... You should be able to get the paper you need, but plan ahead! If you know a job is coming and it is produced on a special stock or unique size, contact your supplier of choice and communicate your need. Most of the time, stock can be purchased in advance and be there or on the way when art is released. But expect to pay more than the last time you mailed it.

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