

Paper Price Increases



Paper prices are expected to increase across all grades throughout 2018.

Price increases will range from 5-8% and the expectation is that there will be 2-3 paper price increases throughout 2018, the first increases having already been issued in January, further tabled for April and July. Pricing stability is expected in 2019.

The expectation is that there will be three price increases throughout 2018. The first increase was implemented in January (both sheets and reels) with the next increase for Sheets (commercial print) being a 5-8% rise from 1st April which will impact the Australian and New Zealand markets around June and Reels (publishing) expected to increase by 5-8% around July, impacting the Australian and New Zealand markets around September this year.

Newsprint and magazine papers are under pressure as the supply is tightening.

Paper prices have decreased year on year since 2009 by 28%, despite pulp prices increasing in overseas markets, this year's price increases will still see good buying in the region. Due to the highly competitive markets in Australia and New Zealand the relatively small market has purchased well and the end-users have been protected from fibre cost increases. Over the past 3-4 years the paper and board manufacturers have carried input costs, however this is no longer tenable.

Despite the increases set to be implemented throughout 2018, the end-user remains in front and despite a small local market and increased freight rates, Australia and New Zealand are buying well.

Retailers and print media buyers will need to work closer than ever with a partnership approach with paper manufacturers, merchants, agents, intermediaries and printers. All impacted groups will need to understand each other's businesses, supply-chain pressures and global positioning to protect the valuable media sector.

THERE ARE SEVERAL DRIVING INFLUENCERS:

1. Strong Chinese environmental stance

The banning of mixed paper imports leading to some mills using virgin pulp instead of recycled pulp.

The closure of polluting pulp mills (small and old) – estimate at 500,000 to 3,000,000 tonnes per annum of lost capacity.

China, as the largest pulp market, has seen chemical pulp prices rise by 47% (softwood) and 38% (hardwood).

We support the Chinese closures of non-conforming mills as the local catalogue industry holds a strong track-record and ongoing commitment to the environmental sustainability of this important channel. We are confident the ongoing actions of ACA members in refusing to purchase from these mills has in some way been able to influence positive change whilst protecting the reputation of the catalogue channel and the brands that use it.

2. Unexpected market pulp production downtime in other countries has resulted in production losses of 1.3 to 1.4 million tonnes.

3. Conversion of some mills from production paper pulps to dissolving pulps (used to manufacture cloth like Rayon) and cellulose pulps (used for tissue production (personal hygiene products) and food additives (shredded cheese)).

4. Input costs, costs to produce paper, have increased such as coating chemicals, energy costs and sea-freight rates (highest increases across the supply chain).



Frequently Asked Questions



ARE THE PERCENTAGE INCREASES FOR ONE RANGE ONLY? FOR EXAMPLE, NEWSPRINT, SC AND LWC? IF WE CHANGED PAPER RANGE WOULD WE STILL EXPERIENCE A PRICE INCREASE?

All paper prices are increasing across all ranges, some higher than others and we do not expect prices to increase much more than 5-8%. Over the past 3-5 years global demand for paper has decreased and therefore paper production facilities have slowly been shut down. 2016/17 saw a significant downsizing of paper production globally. Some argue the paper mills have gone too far as now we have higher demand than there is supply. As economics go, when demand outweighs supply, prices go up and vice versa. Paper prices have declined year on year for some time and now the market is correcting.

Given that pulp is gaining higher pricing when sold to textiles or the food industries, it is unlikely pulp prices will reduce for printing and communication paper production.

DOES IT SEEM TO BE AN ONGOING TREND FOR THE NEXT FEW YEARS?

The expectation is that the 2018 price increase will stabilize following 2-3 price increases.

WILL PAPER PRICE INCREASE REDUCE INVESTMENT IN PRINT MARKETING? IS THE INDUSTRY WORRIED THAT IT WILL LEAD RETAILERS AND PRINT MEDIA BUYERS TO REDUCE THEIR CATALOGUES OR PRINT MARKETING TO COVER THE COST OF PAPER?

The print marketing sector has experienced YOY decline for the past 5 years of about -6% each year comparatively because the Australian and New Zealand print markets has had an over-supply to the demand. With a consolidating industry it is expected that these YOY price decreases for print marketing will stabilize.

With regards to print volume reductions, the past eighteen months has seen a return to catalogue and print marketing. Marketers have realized the ROI of catalogue and print marketing, most notably, the channel is delivering higher returns than digital channels. This demand is lifting and therefore the supply/demand scales balance once more to the betterment of the entire supply chain including Retailers and other Print Buying stakeholders.

IF I AM A RETAILER OR PRINT MEDIA BUYER, WHAT OPTIONS DO I HAVE TO MANAGE MY BUDGET?

Retailers and Print Media Buyers will always adjust their marketing investment to the ROI delivered. The Australian and New Zealand markets do enjoy high quality paper grades in what is deemed 'single-user advertising'. Overseas markets use lower quality grades, grammages, sizes and more to manage budgetary pressures.

The industry has seen an increase in pagination over the past four years which has created a weight issue when distributed via the letterbox, however we are continuing to develop solutions in this regard in partnership with Retailers and balancing pagination with paper grammages. Essentially companies are selling greater product diversity than ever before and need more pages to advertise their entire product range. Paper innovation and science is committed to understanding the market requirements and developing solutions, a lower weight paper, for example, can help balance cost without compromising a brand's market presence in the catalogue channel.

Working with your paper and print partners to develop a solution will help to ensure your marketing investment remains stable and delivers strong brand and sales uplift.

