



Paper Planes #2: Continuing to navigate the supply chain crisis

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Being submerged into a new year will continue to present challenges with regard to importing products into Australia and New Zealand. A global supply chain crisis with increasing input costs will guarantee further upward pressure on prices locally is establishing and not looking to pass for some months and the reality is, the worsening global supply chain situation continues to drive concern over the access to product throughout 2022.

When discussing paper grades, it is better to split the discussion into two buying categories to understand the problem with greater clarity – Publisher/Retailer and Commercial Print. For Publishers and Retailers, newsprint and catalogue (LWC) ranges, there is a significant shortage globally, for Commercial Print, there is tightening, however more options..

“Predominantly Australia and New Zealand source newsprint and catalogue papers from a single local mill in Norske Skog Boyer and the remaining from Europe. Locally, Norske Skog is honouring its Australian and New Zealand publisher commitments, however this is a small volume and the European mills are struggling to supply the remaining volumes for many reasons – freight is being delayed with containers being held in overseas ports, once on our shores there are port and quarantining issues which we are consulting the Department of Agriculture about directly. Additionally, European mills, particularly those producing newsprint product, are facing local industrial disputes and experiencing worker shortages due to COVID illness. All of these matters collectively trickle down to impact supply within Australia and New Zealand,” said Kellie Northwood, CEO, The Real Media Collective and Executive Director, Australasian Paper Industry Association.



Figure 1: View from the bridge of vessels

Norske Skog continues to honour current contracts in place with Australasian publishers from Boyer. They have confirmed that they have closed two mills (Albury and Tasman). They believe significant challenges remain for any supply into Australasia due to global supply balance, cost pressure on producers in Europe and shipping costs. Norske Skog has commented that there has been significant global capacity closures and conversion to other paper/packaging grades over the past few years that is impacting supply and these are all valid and relevant statements.

European mills are being impacted by labour shortages and energy prices. Predicting when energy prices will subside is challenging due to political gamesmanship occurring in Europe. As recently as November 16, 2021, the Guardian reported, Germany has suspended its approval process for the controversial Nord Stream 2 gas pipeline which would double its reliance on Russian gas following growing geopolitical pressure to scrap the project. This will have a significant impact on pricing.

Energy markets across Europe surged after the German energy regulator suspended its certification process, in a big setback to Kremlin-backed Gazprom's plans to extend Russian gas dominance via a new pipeline across the Baltic Sea.

UK gas prices for December and January surged 9.3 per cent, and the Netherlands – one of the biggest gas markets in Europe – suffered an increase of 7.9%. The best estimate has this crisis not being resolved until after the European summer at the very earliest.

Over the past 12 months, international shipping costs have increased from \$2,000 to \$10,000 USD for a 40ft container. Freight Specialists continue to indicate that the worst is not over even with a slight downturn last month. These increased levels are expected to remain in place for most of 2022.



Figure 2: Recycling Cardboard

There is also further pressure on pulp pricing as a result of high demand for fibre-based packaging due to the pandemic, strong demand from the building and textile industries as economies rebound from COVID, a shift from plastic to fibre-based packaging due to environmental concerns, increases in ocean freight to transport from pulp mill to paper mill and the consolidation of major pulp producers controlling supply and demand.

“We have reviewed European and North American supply to try and open supply chains into Australia and New Zealand and all are on allocation for their local and regional supply chains. Current lead times for publisher and retailer grades are experiencing 6-7 months and this could widen in the coming weeks, which is why we are working with publishers and retailers to advise of pre-scheduling further in advance than ever before to ensure we can maintain the supply as seamlessly as possible despite these challenging times,” continued Northwood.



Figure 3: Deliveries during Covid-19

“In regards to Commercial Print or marketing print grades, the paper distributors do have a greater depth of inventory and, whilst Japanese and Chinese mills are in tight supply as they are converting to packaging and other lines, the Korean mills have some scope which is providing some loosening of lead times. Our local paper distributors are well equipped to mitigate this for our commercial printers, however we will as an industry need to monitor this and understand, like many other industries, that we are experiencing supply chain shortages from workers unable to produce, dispatch, freight and distribute products – paper, grocery supplies and more included,” concluded Northwood.

The print and publishing industry, like many industries globally, are navigating difficult supply chain disruption due to a variety of trigger points as the economic and logistical impact of COVID lockdowns and reduced productivity begins to be realised. Whilst we estimate 7-10 months of challenges, some economists and futurist modelling predict this could be much longer and in excess of a year. To ensure business fluidity, maintaining detailed and considered inventory management will be critical in the twelve months ahead. Working with suppliers, communicating regularly and maintaining updates from your industry bodies is paramount to ensuring you are well informed and prepared throughout this chapter.

Images:

Figure 1: <https://unsplash.com/photos/2vPGGOU-wLA>

Figure 2: <https://unsplash.com/photos/qph7tJfcDys>

Figure 3: <https://unsplash.com/photos/Az7VEU8Y7no>

Sources:

Australasian Paper Industry Association, 2020-21.

Ball & Doggett, 2021.

Intercontinental Exchange, 2021. RISI, 2021.

The Real Media Collective, 2021.

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