

PAPER SOURCING

WE'RE ALL IN THIS "PAPER SCARCITY BOAT" TOGETHER

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Remember the “good old days” when our main concern in the paper market was price increases? Who would have thought that we’d all be longing to turn back the clock to that situation?

I don’t have to tell you that price is the least of our problems today. The much bigger issue is the lack of product availability, which is unprecedented for our industry.

The challenges facing our industry are set to continue for the foreseeable future

A few months ago I wrote about the fact that all of the key products are on allocation (see October PIA *Signature*). Unfortunately, today I have to report that the allocated market, supply chain “bottle necks” and lack of inventory are all set to continue well into 2022. How bad is it? In an attempt to clear up their ever-increasing number of back orders, some mills have placed moratoriums on new orders – taking the drastic step of limiting how many new orders distributors can place!

Remember, this is a nationwide problem, and it’s likely to get even worse before it gets better. So what are we doing about it?

It’s “all hands on deck” at the distributors

Normally paper distributors spend all of their time selling, looking for opportunities, problem solving and collaborating with printers on key projects. Now we’ve set nearly all of these activities aside as we put all of our energy into trying to source products to keep our customers’ presses running!

You can bet that right now your distributor is:

- In daily communication with their mill partners, working to prioritize and expedite orders.
- Chasing down logistics companies trying to find out exactly when products are arriving from the port, and confirming when the stock will be in the distributor’s warehouse.
- Extending receiving hours to ensure they receive the maximum possible number of deliveries each day.
- Looking for alternative sources of supply outside of their normal mill partnerships.
- Communicating with and educating printers on all of the issues happening with the industry, to give them facts to use when speaking with their customers about the challenges we’re facing. Luckily, print customers realize that this problem is not just paper-centric, since supply chain problems are now mainstream news.

In short, distributors are devoting all of their time to this issue.

Remember, distributors are only successful if printers are successful. We understand that if you as a printer cannot get paper then you cannot print. That damages the printing industry as a whole, including all of the industry’s suppliers. We’re all in this together, and we’re all working together to find solutions.

What can you do to navigate these rough waters?

Stay close to your key distributor partners and provide forecasts. Remain flexible in considering alternative paper products, basis weights, sizes and finishes.

Plus, of course, it never hurts to focus on the positive! In spite of all of the challenges, there are some good things happening.

Demand is increasing as the economy is starting to grow and recover from the pandemic. The paper mills are attempting to increase productivity to increase supply (for example, Domtar is working to bring a mill back online in Q1 of 2022). Even the President has gotten involved with trying to solve the supply chain problems. Better times are bound to come!

PAPER SHORTAGE

As the reader is aware, a combination of the post-Covid recovery of the economy and supply chain issues centering around port congestion have created a paper shortage. As paper is our principal raw material, this is a challenge for our industry and particularly so in an election year.

While generally we advise against tying up scarce working capital in inventory, it is probably wise to expand our paper inventory if we can. We, and our customers, also need to be flexible in our choice of paper as any paper that may be available is better than none.

Since the price for the paper which is available is rapidly increasing, our prices need to reflect that reality. A by-product of this is that customer acceptance of higher prices presents an opportunity to increase margins which should be acted upon.

Fortunately, the current paper shortage will sort itself out as its cause is primarily transportation difficulties. There is also the likelihood of future domestic production increases driven by shifts away from plastic packaging.

By Bob Lindgren and Joe Polanco