Publishing Executive

Trends to Track in the Paper Market

By Steven W. Frye June 1, 2006

The publishing industry has changed dramatically in every area, from the way pages are created to virtual proofing to computer-controlled presses to highly sophisticated finishing equipment. Even paper, the low-tech part of our industry, has changed.

How has paper been affected in this highly technical world we work in, and how have those changes affected the way we use paper to produce magazines and catalogs? In my opinion, there have been four distinct areas of notable change.

Paper Characteristics Paper specifications have been slowly changing toward more "hybrid" options. The standards of grading papers, e.g., #2, #3, #4, etc., have blurred—papers are now being described as "2 ½" or "#3 with a brightness of a 2." The paper industry is slowly moving away from the basic grading system to a more purely specification-driven description, which will allow for more unique grades and pricing structures.

Super Calendared stocks (SCs), used heavily in the roto-gravure market for newspaper inserts, have improved their characteristics and are nearly indistinguishable from some #5 coated groundwood stocks. Some SCA++ stocks even rival #4 coated groundwoods. This is good news to publishers who can adopt SCAs, which can be up to 15 percent less expensive.

Recycled stocks have become more prevalent as their characteristics improve, prices drop and options increase. These stocks also play a role in the perception of the publishing company's commitment to the environment. Many publications are sensitive to "green" issues and are almost required to use recycled stocks. The improvement in their characteristics have helped make using recycled papers a good business decision, rather than only a marketing decision.

Wide Web Presses The newest trend in printing is the use of wide web presses. These presses print up to 48-, 64- or even 96-page forms. Standard presses print 32 pages in which there are two webs of paper, each printed eight pages per side and imposed in a two-up by four-across configuration. The wide web presses have six (2x6) or eight (2x8) pages across, which obviously requires a different roll width.

These are the newest and most state-of-the-art presses, with all the technological gadgets making them the most efficient presses in the world. The closed-loop color, laser and video registration, and folding control systems allow many to makeready well below 1,000 impressions, saving a lot of paper.

Because of these presses, publishers who supply their own paper have been experiencing some changes in the way they need to plan their publications. Advanced layout planning is critical so the right rolls can be ordered for the right press. Each form has to be coordinated with each roll width to be assured there's enough paper to complete the run. It would be easy to order excess paper at both roll widths, but that can result in additional inventory, tied up funds and storage fees.

Electronic Management Tools Making the slightly more complicated process of paper management more manageable are online tools offered by printers. These tools allow customers to track paper inventories, usage and shipments.

Quad/Graphics created a bulletin board for customers to post their excess or unused paper for other Quad/Graphics customers to purchase. It has become a very popular tool, and other publication printers have followed suit.

At one time, publishers had few resources to stay on top of the paper market. But today, the Internet provides many places to get current information and instantly check conditions—a good example is PaperLoop.com. Plus, most vendors, printers and paper suppliers update their customers via e-bulletins.

Chinese Paper Another new trend will be Chinese paper. Currently, usage of Chinese paper in the magazine and catalog markets is essentially non-existent, but several U.S. printers are negotiating with Chinese mills to be exclusive users/distributors. These printers are not going on the record at the moment regarding their relationship with Chinese mills. However, a few publishers have expressed both interest and concern over that possibility.

The U.S. mills and merchants are down-playing its significance, but if it is true, these printers may have a potent weapon by offering their customers a low-cost option.

As far as its quality and run-ability, I have heard mixed results from printers. One had problems, one didn't, and most haven't tested it. The paper should run well, as the Chinese have been making paper for thousands of years. Most Chinese paper is 60# and higher because the vast majority of it is for the sheetfed market as opposed to web.

In the 2005 American sheetfed market, Asian papers consisted of approximately 1.2 million tons of coated freesheet, of which only 24 percent came from China. Total uncoated freesheet was approximately 60,000 tons, again only 22 percent to 25 percent being from China.
John Howell, Horizon Paper, believes that the Asian product is one of several factors that has kept the coated freesheet market depressed (lower prices), but doesn't think it will be a huge factor. "Their costs of production (slowly increasing) and delivery (greatly increasing) will prevent them from going too low," he says.

It is no secret that China plays by different rules, as its mills receive non-tariff protection, which is expected to continue for a while. China openly encourages its largest companies to go global, and there has been considerable progress in needed modernization of many facilities. Also, Chinese mills are not restricted to the same environmental regulations to which their North American counterparts adhere.

But there still is concern about whether China's strategy can sustain a strong and modern paper industry. Can China meet the energy and water demands needed to produce large volumes of paper given its current restrictions in the supply of both?

Another inherent problem with making pulp and paper in China, unlike in North America, is a shortage of renewable and harvestable tree plantations. Much of China's pulp is obtained in neighboring countries, where the forests are already suffering adverse effects, and from recycled fibers. China has a huge appetite for recycled fibers as it currently consumes about 60 percent of all internationally traded waste paper. The fear is that it may lead to lower supply and higher prices for reclaimed pulp.

After several decades of economical growth, China has developed a huge appetite for paper. Given its phenomenal growth, it is obvious it first has to feed its own paper needs, which the latest estimates suggest will be more than 60 percent of the future world paper growth. Immediately flooding the North American market with low-cost paper seems unrealistic. More likely will be spot opportunities for select customers, and if the rumors are true, available only at a couple of printers.

Evolution Paper remains a critical element of a publication. Even though brands, grades, roll widths and sources have changed, paper management has actually become easier. Paper buyers have tools and resources that never existed before, and like all elements of publishing, paper management is also evolving.

Paper is both a subjective and objective purchase. People perceive different characteristics as the basis of judging "quality." Competitors, advertisers and egos are all part of the selection process, and paper is one of your biggest impression-makers.

At the same time, it is one of your largest expenditures, and its management is more critical today than ever with high fuel and energy costs. Selecting a paper source that is geographically close also reduces shipping cost and should be another factor in selection. Whatever paper you use, take advantage of the tools offered by printers to help manage the ordering process. These tools are constantly evolving as printers strive to be more resourceful and valuable to their customers.

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