

whatsnews

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Momentum Swing

Has the buyer's market for paper become a seller's market? Well, many signs point to just that. First of all, the dark days of 2009 seem to be behind us (cross your fingers). The production numbers for U.S. paper and board companies improved significantly in 2010, with output increasing 5.3 percent to 82.47 million tons, up from 78.3 million in 2009. U.S. mills operated at 91 percent of capacity last year, up from 83 percent in 2009. The economy should continue to improve slowly and steadily in 2011 (cross those fingers). That means page counts and press runs should go up (cross 'em), especially with the coming postal hike for magazines and catalogs quite manageable, thank you very much.

On the supply side, mill inventories have been reduced and will continue to shrink—there won't be tons of product sitting around waiting for an offer. Also, NewPage will soon close its Whiting mill in Wisconsin, eliminating some 250,000 tons of various coated mechanical and specialty grades.

Other swing factors: Energy costs continue to increase; NSKB pulp prices have gone up for the first time since June; wood shortages are likely due to the severity of the winter in North American forests.

Put all of the above together and price hike announcements are sure to follow—in fact Irving, NewPage and Myllykoski all announced increases this week, with effective dates in April. The paper companies have the Big Mo firmly on their side.

Our take: For end-users, a solid, stable paper industry isn't necessarily a bad thing, even if there are price hikes in the coming year. Competition among mills will remain robust, and publishers and catalogers should work with their mill suppliers now to forge strong, fair contracts—ensuring the expected supply at the expected price. No surprises. Your Wade Paper representative will make sure a little of that shifting momentum still belongs to you.

Shades of Green

Green is good; green is necessary. Clients demand it; the world needs it. But if you're an end-user of paper products how do you know just how green those products are? How can you measure and compare the environmental effects of your mill's paper manufacturing? In other words, how can you tell who's very green and who's not so green? Well, a couple of companies have created dynamic online tools to clear up the confusion.

Last month, Metafore, owned by sustainability nonprofit GreenBlue, released the latest version of its Environmental Paper Assessment Tool (EPAT), which allows buyers and sellers of paper products to evaluate environmental performance data along the paper supply chain. EPAT looks at energy use, water use, recyclability and compost-ability, certified forest management, human health and safety, and 15 other environmental performance indicators. The big-name users and supporters of EPAT include publishers

Time Inc. and Hearst Corporation and paper manufacturers AbitibiBowater, Catalyst Paper, NewPage Corp., Sappi Fine Paper, UPM-Kymenne and Verso Paper Corp. Find out more about the EPAT at <https://www.epat.org/EPATHome.aspx?request=119>.

Meanwhile across the pond at the Paper-World Frankfurt confab, the World Wildlife Fund (WWF) launched its own global benchmarking tool for pulp and paper products. WWF's online database, Check Your Paper, rates paper products' environmental qualities, including management of forests supplying fiber, use of recycled fiber, fossil CO2 emissions, waste going to landfills and water pollution from mills. Check out Check Your Paper at <http://checkyourpaper.panda.org/>.

Our take: Nobody rolls their eyes anymore when the discussion turns to sustainability and environmental protection. Green is a fact of life in the world of paper—as well it should be. And now that there are neutral, accurate tools to measure the good, bad and ugly effects of paper-making and distribution, we can offer naysayers empirical data about what we do and the products we use. No, it's not easy being green. But it is absolutely necessary.

Circulatory Difficulties

These are the times that try mags' souls. The closing circulation numbers for the second half of 2010 are in and the data is decidedly negative. Overall paid and verified magazine circ dropped 1.2 percent compared to the second half of 2009. Newsstand sales took a steeper dive, dropping 7.3 percent. So the hand-wringing continues.

But there are also a few diamonds in the rough results. *Food & Family*, for example, was the biggest overall circulation gainer, increasing by 203 percent to 1.1 million. *Wired*, the top newsstand gainer for magazines with circulation of 100,000 or more, was up 28.2 percent. *Game Informer Magazine*, the only one of the top 25 titles to see significant circulation growth, was up 33 percent.

So, yes, the latest mag numbers aren't good, but remember, those numbers are still huge. Total newsstand sales for July-December 2010 were 32.7 million copies. Total paid circulation for the same period was 263 million. That's a lot of ink-on-paper.

News Flash

This just in: The United States Postal Service is losing money. The USPS saw a net loss of \$329 million in its fiscal 2011 first quarter, which ended Dec. 31. For the entire fiscal 2011, the USPS projects \$2 billion in cost savings, primarily due to a 16 percent reduction in employee headcount. April rate increases, with the overall average limited to the 1.7 percent Consumer Price Index cap, will also help. Total Q1 mail volume was up a modest 1.5 percent over the same period last year. Yet the USPS financial hole is so deep that even these faint glimmers of hope won't forestall the inevitable. A cash shortfall and the statutory borrowing limit will be reached by the end of the fiscal year, Sept. 30. And without any legislative intervention, the USPS will then have to default on some of its financial obligations to the federal government.

Politicians, your move.

Not the Good China

The North American and European paper industries continue to insist China play fair. Earlier this month, the European Commission urged the European Union (EU) to impose anti-subsidy tariffs of up to 16 percent on Chinese paper used in Europe's \$5

billion coated fine paper market for books, brochures and magazines. These first-ever EU anti-subsidy tariffs imposed on China would be coming quick on the heels of anti-dumping duties imposed provisionally by the EU in November. The European Commission is the EU's trade authority in Brussels. The EU governments will take up the commission's recommendations in mid-May. In the meantime, the Chinese could decide to voluntarily cease its subsidies and dumping. And hell could freeze over.

Merci, Randolph Hearst

Privately owned U.S. publisher Hearst Corp. is making a significant new investment in ink-on-paper products. The magazine and newspaper giant has made an offer for French publisher Lagardere's international press and magazine business, including 102 titles in 15 countries and 50 related Web sites. Lagardere says that under the terms of the offer it would keep its biggest magazine, *Elle*, but would license international publishing rights to the women's monthly to Hearst. In the U.S., the purchase offer includes *Women's Day*, *Car and Driver*, *Road & Track* and *Cycle World*. Hearst's current stable of titles includes *Cosmopolitan* and *Good Housekeeping*. The new properties had revenue of about \$1.1 billion in 2010, and earnings before interest and taxes of \$68 million. The cash deal, a fully binding offer, is subject to international regulatory approval, with closing expected in the third quarter.

A Preference for Print

Deloitte Consulting asked the questions, and the answers made us smile. According to Deloitte's most recent State of the Media Democracy survey, a consistent 70 percent of Americans state that they enjoy reading printed magazines even though they know that they could find most of the same information online, and 55 percent have continued to subscribe to printed magazines. Not only that, a majority of the respondents appreciated the advertising in printed magazines because it helps them learn about new things for themselves and their families. Said Deloitte's James McDonnell: "Enthusiasm for printed magazines is consistent across all age groups, a unique result in consumer attitudes across all the media categories we surveyed."

To put it simply: Print is here to stay.

Words on Paper

"You have to give readers a choice, between a richer experience with paper and board and cloth, and a more sterile experience through an electronic reader."

Dave Eggers, author and publisher

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