

The Impact of COVID-19 on the Paper Business

Jan Gottesman, President of Spicers Paper & Kelly Paper, reports on the latest happenings in the world of paper supply and costs.

As anyone reading this knows, the impact of COVID-19 on our economy has been severe and the graphics industry is certainly no exception. While there are pockets of print that are quite active, much of the advertising and marketing that normally supports commercial printing virtually stopped during the shutdowns. This is especially true amongst many sectors that traditionally spend a great deal of their marketing budget on print, such as travel, entertainment and events. With the decline in advertising during the shutdown, print demand was estimated to be down 40 to 60%.

Demand for graphic paper, which of course is dependent on demand for print, fell off a cliff in April and stayed there in May.

Uncoated paper

Overall, demand for uncoated paper dropped 37% in April versus April last year.

In the copy paper subset of the uncoated paper market the drop was even more dramatic. Between schools being closed and most office workers working from home, demand for copy paper plummeted 55% in April 2020 versus April 2019.

As a result of this, the uncoated mills idled their machines for a period of time to allow things to start to recover. While some are now bringing their machines back up, operating rates are still quite low.

Coated paper

It's a very similar story on the coated paper side, which saw a 32% year-over-year decline in demand in April.

Verso, one of the largest coated paper manufacturers in North America, announced in mid-June that they will be idling two of their machines at the end of July. This will take out 40% of their capacity: 810,000 tons of printing paper, packaging paper and the low-grade coated known as "super calendared." While Verso says that in the long term they'll be looking at all of their options—including restarting if markets improve, selling or permanently closing—only time will tell if that capacity ever returns to the market.

A few bright spots

With advertising demand down so significantly, many commercial printers have had to look at other markets and other uses of print in order to get through the slowdown. Certainly signage is one of them, as reopening the economy has brought a strong demand for signage. There has also been a strong demand for food packaging, pharmaceutical printing and, now that restaurants are reopening, many are using disposable paper menus to reduce the potential spread of disease.

What the future may hold

Looking ahead, we believe there will most likely be a 23% decline in demand for paper overall for the entire year, with a permanent demand decline of 15 to 20%. We're all getting used to electronic substitutions for print on paper, and many large companies have indicated they'll be making a permanent shift towards allowing employees to work from home.

Although the paper business is still a huge business, paper follows the economy. The advertising and marketing campaigns that normally support the printing business will start up again. Printers will diversify. New markets will arise.