# The Pandemic, Paper Shortages, and the Supply Chain

As if the sickness and death associated with the COVID-19 pandemic wasn’t enough, the printing industry is now experiencing a paper shortage. At least in part, the cause of this paper shortage can be traced back to the pandemic and issues related to staffing, shipping, and the demand for source paper materials.

## **The Impact of the Pandemic**

Paper production for printing has been experiencing a slow decline for years, and paper mills have been adjusting their production capability to match that decline. In 2021, however, it has become clear that the mills underestimated the demand for paper. Unfortunately, ramping production back up is not a simple task—it is complicated by a variety of factors including high demand for source materials and shipping issues, which all conspire to add cost to the supply chain. Price increases and limited availability are the logical result of what Lois Ritarossi of Inkjet Insight describes as “a perfect storm.” She doesn’t expect to see much improvement in this shortage until the second quarter of 2022.

Paper mills depend on source materials like wood pulp, the demand for which is compounded by the needs of adjacent industries, like construction. As anyone who has recently attempted to purchase plywood or other wooden building materials can attest, the costs are skyrocketing. In addition, the cost for shipping these materials has increased and delays at major ports have added to the supply chain woes. This means that paper coming from foreign mills is not only delayed, but it is also expensive. The outlook is particularly daunting for those in print & mail as the reduced/limited paper supply and increased transportation costs can make it difficult for them to meet contractual service-level agreements (SLAs) with their clients. Commercial printers suffer as well because of their need for a broad range of substrate types and the fact that paper is such a significant component of their production costs.

## **It’s Not Just Paper!**

Though not pandemic-related, an explosion at a Konica Minolta toner plant in Tatsuno, Japan on August 12th is expected to cause a toner shortage for Konica Minolta graphic arts toner-based products. As reported in PrintWeek, the cause of the explosion is believed to be static electricity generated in the toner drying process. Konica Minolta reports that toner production at the Tatsuno factory will not resume until November 20th. A fire occurred at the same factory on July 6th. This accident does not impact the supply of toner for Konica Minolta’s office products or for monochrome toners for its graphic arts toner-based products, but it does impact Konica Minolta’s graphic arts toner-based products.

The accident also has important implications for Konica Minolta customers, who are conserving their toner stocks and outsourcing work where feasible. This situation underscores one of the risks associated with digital printing products—consumables (like toner or inkjet ink) are usually only available from one source: the system’s manufacturer. In the case of wide-format digital printing systems, third-party consumables are often available, but this is rarely the case with digital printing systems for document applications. Commercial printers who are used to a selection of commercially available offset inks will certainly point to the Konica Minolta explosion as a tangible risk associated with production digital printing systems. Luckily, this scenario is extremely rare, and many system vendors have multiple source points for their consumables so that if one production site goes offline, others can pick up the slack.

## **Conclusions and Recommendations**

The pandemic has exposed some shortcomings related to global supply for all industries, but the ramifications for the graphic arts industry have become particularly clear in terms of paper shortages and price increases. You can do the following during these paper shortages and related supply chain disruptions:

* Forecast your demand for paper: Having a solid understanding of your paper needs puts you in a good position as you look for sources to supply you.
* Order early: Good communication with your paper suppliers combined with early orders will help prepare you for market fluctuations.
* Expect price increases: These paper shortages and the related price increases are to be expected and should be reflected in the pricing for your customers.
* Stay on top of your paper orders: Know that managing your paper orders and tracking those shipments will become more challenging in the coming months.
* Look for options: The availability of certain papers and formats will be limited. You will need to be flexible and ready to seek alternates as needed.
* Protect yourself: When purchasing a new digital print system, be sure to ask the supplier about their consumable production strategy and whether it has built-in redundancy.

Not all supply chain disruptions can be traced back to the pandemic, but certain aspects of these recent paper shortages certainly can be. The fourth quarter of 2021 and the first quarter of 2022 are likely to be problematic for the printing industry, but as we have seen since the beginning of the pandemic, print service providers are certainly capable of pivoting to address the next obstacle in their way.

*Source: Jim Hamilton, Consultant Emeritus at Keypoint Intelligence*