

Demand forecast for communication papers —2000

Robert W. Hagemeyer

Many factors are expected to contribute to increased demand for communication papers during the current decade.

Forecasting the future development and growth of the paper industry in the light of current world events is a complex and speculative undertaking. Some of the many variables to be considered include:

- Changing raw material sources
- Escalating capital requirements
- Impending recycle regulations
- A somber world economic outlook
- Political unrest in the former Soviet Bloc
- Uncertainties related to the impact of a united Europe
- A rising world population and standard of living
- The impact of electronics on paper
- Globalization of the paper industry.

The choice of options affects the degree of optimism or pessimism in an outlook. While every effort was made to be realistic in compiling this forecast, others might come up with a different set of figures.

Many prominent individuals well-versed in the area of printing papers and newsprint shared their thoughts on the outlook for those grades to help prepare this Global 2000 Demand Forecast. Many supplied comprehensive reference material as well as commentary on their particular grade of paper and/or their geographic area of expertise. The following is an abbreviated consensus on the more significant issues.

Communication papers has gained acceptance as the appropriate designation for newsprint and printing and writing paper as the demarcation between those grades has disappeared.

Recycling/recapturing is the most important issue presently facing communication papers. The intrinsic duty to conserve materials and to alleviate the disposal problems are global issues. The practical limits on how much can be recycled are yet to be defined. It appears that in the long run

quality considerations and economics will dictate that a significant percentage be incinerated, both to avoid overloading the system and for rational economic reasons.

Fiber furnish is an area in which the rate of change will accelerate. The alphabet pulps, eucalyptus plantations, color-stabilized groundwood, and increased filler for fiber substitution are the focus of intense development. Pulp mixtures are promoting the quick demise of the wood-containing and wood-free designations because they are inadequate. Chemical additive combination packages are becoming commonplace.

Communication grades cover the spectrum from elemental newsprint to premium No. 1 coated paper. There is a continuum of products filling all the niches. Surface treatment will increase, as will the trend toward putting more pigment in and less on the sheet.

Environmental regulations continue to place more restrictions on the papermaking process as well as the final product. First it was dioxin, then AOX (absorbable organic halogens), chlorine free, and finally a concern about recycle content and recyclability. Labeling to indicate compliance with these various regulations is becoming common place in Europe, especially Germany. Future prospects are for more regulation rather than less.

Quality will continue to improve across the board. Wider use of color in newspapers and in copy machines will require it. Increased competition for the communications dollar will demand it.

A unified Europe will influence the demand for communication papers, though to what extent and when are uncertain. Advertising will increase and (as in North America) newspapers will become more a vehicle for carrying ads rather than a medium for political posturing and debate. A larger consolidated consumer market should also be beneficial. On the negative side, it may take longer and cost more to revitalize and rebuild the commerce and industry of Eastern Europe than originally anticipated. This will probably put a temporary damper on the growth rate. However, in the long run, this could prove beneficial as the infusion of new capital and facilities will materially strengthen the eastern European economy and productivity ratios.

One final caveat before presenting any numbers. Published reference data refers to newsprint and printing and writing papers, not communication papers. Combining the two eliminates the variance that can result from switching

Hagemeyer is a consultant to the paper industry. He lives at 6220 Blackwater Trail, Atlanta, GA 30328-2719.

between the two categories. Also, there was no apparent way to adjust for the fact that most published reference data was compiled prior to 1990. That data did not anticipate the present prolonged recession, the Soviet disintegration and realignment, nor the extent and potential impact of environmental and recycle regulations.

In the light of today's economy, it is hard to visualize a 50% increase in the world demand for communication papers between 1990 and 2000 (Table I), but before rejecting such a forecast there are several important items to consider. First, there is general agreement that a unified Europe will stimulate its economy and increase its paper requirements. Second, on a world basis, the literate population is growing at a rate 25% faster than total population, with a commensurate increase in readership. Third, for every category listed, growth in the 1990s is at a slower percentage rate than for the decade of the 1980s.

Note that North America, western Europe and Japan account for almost 80% of the total, and growth for each is projected at nearly the same percentage (130%) of the Gross Domestic Product (GDP). The lower percent yearly growth in North America evolves from a lower projected growth rate for GDP. With the prolonged recession, it would be difficult to support a higher figure.

The forecast volumes present a formidable challenge, i.e., the need for an additional 40–45 million tons of papermaking capacity. The general feeling is that half of this will come from new machines with the balance coming from upgrading.

There must be rationale to support an extended period of growth at a level significantly higher than the economy. Also, some consideration should be given to factors which might have a negative effect on the forecast. While not meant to be all inclusive, here is a partial listing of developments, both positive and negative, that could have an influence on what happens. At this point, probably the most significant development is accommodating recycle objectives without compromising paper quality or escalating real cost.

Positives

- An increasing percentage of literate people in a world population that continues to grow, with a corresponding demand for reading materials
- A rising level of education and an accompanying need for books and other texts
- A growing affluence and increased leisure time providing the opportunity and means for acquiring and reading more books and periodicals
- The expanding number of special interest publications providing in-depth coverage of a growing list of subjects
- The convenience of direct mail and telephone purchasing creating a need for more and larger catalogs
- An upswing in advertising pages as special editions of national magazines provide advertisers with tailored coverage for specific geographic regions and social groups at proportionately lower costs than for national editions

I. Demand forecast for communication papers to 2000

	<i>Paper consumption Millions of metric tons</i>			
	1990	2000	%/yr	% GDP
<u>World</u>				
Newsprint	32.7	45.3	3.3	103
Printing and writing	69.2	108.2	4.6	140
Communications	101.9	153.5	4.2	130
<u>North America</u>				
Newsprint	12.2	13.9	1.3	60
Printing and writing	23.4	33.0	3.5	162
Communications	35.6	46.9	2.8	130
<u>Western Europe</u>				
Newsprint	7.9	12.1	4.4	147
Printing and writing	21.9	32.0	4.0	133
Communications	29.9	44.1	4.0	133
<u>Japan</u>				
Newsprint	3.8	5.8	4.3	116
Printing and writing	9.0	15.1	5.3	143
Communications	12.8	20.9	5.0	135
<u>Other</u>				
Newsprint	8.8	13.5	4.3	86
Printing and writing	14.9	28.1	6.5	130
Communications	23.6	41.6	5.8	116

- A growing percentage of the work force in service industries which generate more and more paperwork: credit cards, banking, communications, travel, etc.
- Decentralization and the ease of making copies for use as briefcase copies, duplicate files, etc.
- The portability of paper and freedom from needing complex and expensive auxiliary equipment to obtain information
- The increased use of fax transmissions, which speed and facilitate transport of information
- A growing move to use color across-the-board, in newspapers, magazines, and for copies, spurring an increase in paper quality and resulting in truer reproduction and greater advertising impact.

Negatives

- The unknown impact of a possible mandated increase in the use of recycle on paper quality
- Environmental regulations restricting the use of chlorine, optical brighteners, and other chemicals in pulp and paper manufacture

- More comprehensive tax regulations concerning carbon dioxide emission, waste disposal, and product recapture
- Rising distribution costs, especially for postage
- Sharply higher capital investment costs per ton of pulp and paper capacity
- Possible increased competition from alternate materials and other vehicles for communication
- The combined effect of various additional cost factors could result in an increase in the real (inflation adjusted) price of paper and a compensating adjustment in projected demand.

With all the variables and uncertainties, is it a realistic forecast? Time will tell. ☐