

TWO SIDED PROBLEM... ONE SOLUTION

This report highlights the impending crisis facing UK resellers of A4 cut paper. We would like to share the latest industry figures with you and explain how Almo intend to handle the problem and ensure supply is maintained to our supporters.

A4 cut paper is a commodity and like all commodities it is heavily influenced by market conditions, the main components that affect the stability of paper production are energy and raw material prices.

The sector in the UK is facing unprecedented market conditions, with year on year volume in decline, harmful exchange rates, increased pulp prices and higher selling prices for cut paper being achieved across Europe and North America. The UK faces a serious shortage of A4 cut paper that will lead to disruption in supply.

Our supply partner for cut paper is Antalis, Europe's largest importer and distributor of paper. Almo partner with Antalis because of their commitment to service our market efficiently. Antalis have removed significant cost from their business through their merger with James McNaughton.

Antalis have identified their key partners in the UK, of which Almo Office are one. This key partner status will allow us to continue procuring and supplying our supporting customers and maintain supply of the ranges they require.

Despite our best efforts price increases in April are inevitable.

Antalis are in a very strong position because of their relationships with the mills, with their commitment to support only a small number of dealers in the UK Almo Office will offer a 'continuity of supply' that very few other UK office supplies companies will be able to match.

Our solution

To work with our key customers' and make recommendations such as 'double-sided printing as default.' Encourage users' to value paper more, in the UK it's too cheap and also undervalued, that's why our bins are full of it! We all need to take more care in how we use this resource. Simple actions will reduce wastage and save money – think before you print.

Unprecedented market conditions

1. Year on Year volume decline:
UK - 11% – Spain - 29% – European average - 12%
2. Euro/Stirling exchange rate:
Mills require rates to be close to 1.25
All of last year's increases were wiped out, some by the fall of the pound against the Euro
3. Average price per tonne of paper:
UK \$634 whereas in Frankfurt it is \$780
A difference of 24%
4. Pulp prices are increasing, last increase was 27% additional rise due in April – Pulp is a commodity so little or no notice is given with regards to this.

Manufacturing Base

1. Ten years ago there were 10 major suppliers of A4 cut sheet, supplying 70% of total production.
Today only 6 suppliers account for 88% of total production.
2. Capacity VS Demand negative in 2010, demand is outstripping capacity, the UK is currently under supplied.
3. Mills are showing more efficiencies only because they are putting their product through less machines.
Alizay mill in France closed. MREAL in UK closed.
2.4million tonnes per annum less in the supply chain.
New Soporcel mill in Portugal delayed opening from Qtr3 to Qtr 4 – its capacity will be 500K tonnes, none of which is allocated for the UK

Outlook

1. Unacceptable exchange rates for producers.
2. Continuing port strike in Finland.
3. Antalis have central and satellite warehousing, plus 30 days free wharf space where pre-purchased stock will be housed, Finnish port strike should not affect them.
4. Increased costs.
5. Chilean earthquake has put further pressure on pulp prices, they currently supply 10% of the World's pulp.
6. Suzano, a Brazilian mill has reduced it's UK allocation for 2010 by 50%.
7. Already major problems with stocks in the UK.
8. We are already receiving price increases, with more to follow in April and July.

What can we do?

Please turn over

