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Trade dispute over Canadian newsprint poised to have 'catastrophic impact' on U.S. newspaper industry

The Trump administration is expected to slap duties on imported paper from Canada, squeezing U.S. newspapers already coping with 28 straight years of declining circulation

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As if the U.S. newspaper business didn't have enough trouble coping with decades of lost readers and advertising dollars. An escalating trade dispute with Canada is poised to make every edition cost a lot more to publish.

Newsprint prices have jumped since October to a three-year high and may keep increasing if, as expected, the administration of President Donald Trump slaps duties on imported paper from Canada next month. America's northern neighbour accounts for about three quarters of what gets used in the U.S., from the Wall Street Journal to local news providers like the Idaho Press-Tribune.

The higher costs will squeeze U.S. newspapers already coping with 28 straight years of declining circulation and increased competition from the internet. Many publications have closed as print-advertising revenue plunged 80 per cent since 2005. The New York Times Co. alone spent US\$72 million last year on newsprint, or 5 per cent of operating costs. But the biggest impact may be at the hundreds of smaller papers with fewer financial resources.

"It could have a catastrophic impact on community journalism," said Matt Davison, the publisher and president of the Idaho Press-Tribune, which publishes six days a week and has a circulation of 15,000 in Nampa, about 20 miles west of Boise.

A metric ton of newsprint in the U.S. cost about US\$570 as of Dec. 26, according to FOEX Indexes Ltd., a provider of global pulp and paper data. Prices are the highest since December 2014 and are up 4.8 per cent since Oct. 3, after the U.S. began investigating imports of Canadian newsprint.

Prices will probably rise even further in 2018 because it's "pretty much a guarantee" that the U.S. will impose preliminary countervailing duties of 15 per cent to 25 per cent, said Kevin Mason, managing director Vancouver-based ERA Forest Products Research.



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Canada, with its vast forests and timberland, is the world's biggest maker of newsprint and the U.S. is its top customer. But North Pacific Paper Co., a producer in Longview, Washington, filed a trade complaint alleging Canada subsidizes its industry, giving companies like Montreal-based Resolute Forest Products Co. an unfair advantage in preserving a dominant market position.

The U.S. Department of Commerce is scheduled to announce in January whether it will impose preliminary countervailing duties on Canadian imports of uncoated groundwood paper, used in everything from book publishing to newsprint. It's the latest dispute between the two countries, which have a growing list of trade spats that also includes dairy products and softwood lumber.

'A KILLER'

If duties are imposed, Canadian newsprint exporters will have to boost prices, causing immediate hardship for smaller U.S. publications that operate on thin margins, said Paul Boyle, senior vice president of public policy at the Arlington, Virginia-based News Media Alliance. The group represents almost 2,000 news organizations from the Journal Star in Peoria, Illinois, to the New York Times.

"It's a killer," and the pain of higher newsprint costs is compounded by U.S. mills that already are unable to produce enough to meet domestic demand, Boyle said. "In some cases, you're going to see smaller newspapers go out of business."

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Paul Boyle

Look no further than the struggles at the Idaho Press-Tribune. Last year, it stopped publishing on Mondays to save money. In early 2017, the paper took another hit when the local Macy's department store closed, ending a source of advertising revenue. To cut costs, the Press-Tribune renegotiated the rental contract on floor mats in its building and installed more-efficient automatic paper-towel dispensers in the restrooms, which use less paper, according to Davison, the publisher.

"When you lose an account like that in a market like this, it's a significant impact," said Davison, who declined to provide specific figures. Newsprint is a big expense, so any increases probably will force the paper to consider "an immediate reduction in publication days" to "keep the lights on," he said.

ONE COMPANY

A group of more than 1,100 local newspapers was so alarmed about rising newsprint costs that it sent a letter to Commerce Secretary Wilbur Ross this month saying that the market is being upended by just one company, North Pacific Paper, known as Norpac.

The company, formerly a joint venture of Weyerhaeuser Co. and Nippon Paper Industries Co., was acquired in November 2016 by One Rock Capital Partners LLC. Norpac's trade claim appears to be driven



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by the “short-term investment strategies of the company’s hedge fund owners,” the newspapers said in their Dec. 4 letter.

“This is really egregious,” said Seth Kursman, a spokesman for Resolute Forest Products, the world’s largest newsprint maker. “This is one company. The entire U.S. domestic industry is against them.”

In its petition, Norpac notes that the market share of Canadian producers in the U.S. has risen even as demand has slowed since 2012. “Norpac is simply trying to level the playing field to stay competitive to help preserve rural manufacturing jobs in the U.S.,” David Richey, a company spokesman, said by telephone Friday.

It’s not just newspapers that will be affected. Costs will rise for all kinds of commercial printers and publishers, according to ERA Forest Products Research.

Sussex, Wisconsin-based Quad/Graphics, a commercial printer that makes retail inserts for newspapers, may lose business as advertisers shift to digital platforms or cut back on printed materials, said Patrick Henderson, the company’s director of government affairs. Quad/Graphics already is trying to avoid price increases by trying to find US\$100 million in cost savings in its operations, he said.

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