



CENTRAL LEWMAR
PAPER MERCHANTS SINCE 1899

60 McClellan Street
Newark, NJ 07114
973 622 6377

Kenneth H. Englander
Senior Vice President

MARKETING MEMO
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Something Else To Think About

These are certainly trying times to be in the paper business. Our suppliers are burdened with under-forecasted input cost increases for pulp, energy, chemicals, transportation, starch, clay, calcium carbonate, etc. The market move to environmentally responsible products has created a tight supply situation for FSC certified pulp and post-consumer waste fiber driving the cost of those products higher.

Aside from the high energy costs to run a pulp and paper mill, all of the ingredients needed to make paper have to be shipped to the manufacturing site consuming huge quantities of fuel. And then the finished products have to be shipped in to the market. Unless you have been living under a rock you know that crude oil has topped \$120/barrel and it keeps going up. Diesel fuel is approaching \$5.00/gallon. This factor, of course, has a major impact on our delivery costs as it also does for our customers.

Had enough? Consider this. The weak US dollar has reversed the flow of containers from Asia and Europe. Good news for US producers who export, bad news for foreign producers who want to ship to the US. Because the container costs back to the US are so high, manufacturers of high priced goods, such as electronics, are better able to afford to pay for the shipping. Paper is a relatively low cost, heavy weight product, so the cost per ton to ship is a significantly large component of the overall delivered unit price. There is little doubt that this issue will put upward price pressure on most imported papers.

And by the way, there is a real concern about a work stoppage by both East coast and West coast dock workers. While we can't mediate with the longshoremen we can take steps to assure our customers of a continuity of supply for our import based programs, should this occur. We have begun to increase inventory levels of our popular Diamond Gloss, Silk and Premium Matte. We are also in discussions with Soporcel to ensure that there are no service interruptions on SoporSet and Navigator.