



Biweekly Postal/Paper/Logistics Update

November 18, 2021

USPS mail processing slows as volumes increase. Low inventories, transportation costs and inflation factor into high paper prices. Factors that challenge freight capacity will grow with the long Thanksgiving weekend.

Quad is a significant mailing industry partner, printer and transportation services provider — we're uniquely positioned to provide accurate information on topics related to postal, paper and logistics. Our goal is to provide clarity and share best practices so our clients can more confidently address the latest developments. These are especially challenging times for our industry. Contact your Quad representative if you have any questions or concerns — they'll ask our in-house experts to investigate and provide answers to all.

Here are key developments since our last update:

POSTAL

MTE shortages

Mail Transport Equipment shortages remains a significant issue. Their Midwest hotspot has primarily affected Wisconsin and Illinois. Like other mailers, Quad is forced to address this challenge on a daily basis. And while the USPS says they are actively working on the issue by purchasing MTE pallets, the issues persist. Note that this wasn't a challenge last year despite a historic amount of election mail — it's a frustrating mystery why the Postal Service can't keep ahead of it in 2021.

USPS price increases

The USPS officially announced that it will implement its 4.5% Competitive products price increase on January 9, 2022. While this change will not affect the vast majority of Quad's mailings for clients, it will directly impact companies that ship goods to partners and consumers. The Market Dominant price change — Flats, Letters, Periodicals, etc. — will go into effect mid-year.

Regarding 2021 price increases, the DC Circuit Court unfortunately denied the mailers' appeal of the regulations that the Postal Regulatory Commission handed down as part of its ten-year review. The Court also rejected the Postal Service's appeal of the new regulations.

Congressional legislation

U.S. Senator Tammy Baldwin (D-Wis.) released a statement that she opposes the nomination of Ron Bloom to another term on the United States Postal Service Board of Governors. Bloom is currently the Chairman of the Board of Governors as a one-year holdover on the board since last December. Baldwin is a longtime critic of Louis DeJoy, Postmaster General and Chief Executive Officer of the United States Postal Service, and supports replacing Bloom on the USPS Board of Governors. Her opposition could affect PMG DeJoy's role moving forward, and BOG decisions on service and pricing.

Congress continues to work on the appropriations bills and funding the government long term. Right now, all mailers can assist with advancing legislation to curb postage increases. The more Congress hears about troubling aspects of the USPS's plan, the more likely they are to push hard for changes with the Postmaster General and the Board of Governors. **Please consider taking a few minutes to [fill out a short form on this page](#), which will automatically message your Members of Congress. Or you can text MAIL to 52886.** The process is a simple, extremely effective and efficient way to let Congress know your thoughts and tell your story about how important an affordable USPS is to you.

The time is now to let Congress know that you support requiring the PRC to take another look at the rates and the improved financial position of the Postal Service. Congress can help our industry and the over 7 million jobs we support. The more Congress hears from those in our industry the more likely we will be successful in getting the PRC to review these new higher rates. If you do contact your representatives, please make sure Quad is aware of your support for this legislation.

USPS delivery performance

The USPS has performed slightly better than expected through the first week of November. It's a small improvement over Fall 2020, but still not to the levels that they are reporting or to their Service Standard expectations. We are however seeing some consistently slower processing of Flat mail in certain facilities. These include Bismarck ND, Cheyenne WY, Chicago IL, Ft Myers FL, Kansas City MO, Miami FL and Springfield MO.

We've also seen more delays in the processing of FSS Flat mail. This is typical when volume increases — FSS machines are not able to handle all the mail for specified zips and a backlog builds. We expect Flat mail delays to increase, peaking the week after Thanksgiving when the last big push of holiday catalogs is in the system.

Letter mail continues to move through the USPS at a good pace.

USPS volume

Mail volume for the week ending November 6, compared to 2020

Total Mail Volume: Slightly ▲, no numbers provided

Total Packages: Slightly ▼, detailed October numbers to come

Single Piece: ▼ 2.8%

Presort First Class: ▲ 8.7%

Marketing Mail: ▲ 11.8%

Periodicals: ▼ 6.3%

PAPER

Coated paper and uncoated freesheet markets are still experiencing depleted inventories. But conditions are mainly due to transportation shortages rather than demand or prices. Those prices will likely increase to bring supply and demand back into balance — but tight markets and cost inflation have put upward pressure on prices.

- Coated paper producers have announced another price increase for implementation between December and January
- Newsprint prices will likely increase again in January, and uncoated groundwood supercalendered and high brightness grades prices will likely see further increases
- Price increases through 2022 are less certain, though the return of secular decline in demand for paper will likely ease the tight market conditions we're experiencing today
- Coated paper markets could be the exception, though, as atypically high operating rates of 95% will almost certainly persist throughout next year
- Natural gas prices are spiking in the US and have quadrupled in Europe — we'll see increased export prices and surcharges to help them absorb the massive energy cost inflation

LOGISTICS

Prices in the network remain high, but Truckload capacity continues to be available. The LTL market still struggles the most, with many if not all carriers failing to hit their published transit times — they're delivering 2-4 days longer than published due to high volumes and labor challenges. The rail market also continues to be inconsistent with the biggest challenges affected by equipment and labor availability on the West Coast, also due to high volumes. At last check, there were still 70 container ships anchored off the Coast.

Note that the week of Thanksgiving — always a very difficult freight week — will most likely be even more challenged this year due to the above factors. The LTL market closes on Wednesday and does not reopen until the following Monday, which causes more volume to try and move to Truckload. The holiday sees many drivers turn it into a 4-day weekend, so available capacity is always reduced. Expect this year to be even more difficult than in the past.

Your Quad representative will always work diligently to find you the lowest rates with the most efficient transportation available.

See how we can help.

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