



January 2018

Market Update

Thermal Rolls, Gloves, Transportation and energy costs keep increasing

The struggle for paper companies, chemical companies and converters supplying the register roll market continues to fall short of meeting demand. We have watched many of these suppliers increase their pricing over the past few months and market indicators show the increases will continue, in some cases by 20% or more over Q1 & Q2 of 2018 in this category. The low supply of leuco dye used in the converting process for thermal rolls, carbonless guest checks and packaging films has put chemical suppliers in positions where they cannot honor some of their long-term contracts. In addition, violations of environmental laws in Indonesia have negatively impacted virgin pulp producers and their ability to meet market demand. The dramatic decrease of newspaper and magazine readership globally has reduced the supply of recycled pulp adding additional pressure on virgin pulp producers.

Disposable glove suppliers are expected to continue increasing their prices. The increases are related to rises in the cost of natural gas to operate facilities, increases of packaging materials and compliance costs to meet stronger environmental policies. Natural gas has increased by roughly 23% in some areas. Factory shutdowns are continuing as well for glove manufacturers, and as the winter continues, more shutdowns are expected.

Transportation costs related to trucking in the US are also on the rise due to economic growth, e-commerce, new safety laws and extreme weather conditions such as Hurricanes Harvey and Irma. During the holiday season, according to an article in the Wall Street Journal, industry analysts estimated one truck was available per 12 loads needing to be shipped. The shortage of trucks is leading to delayed shipments and the trucking companies are capitalizing on the imbalance. A 30% increase was noted by a brokerage company on some routes for distances traveled of 500 to 750 miles. New safety laws were put into effect in December for trucking companies. All trucks will be required to utilize an electronic logging device (ELD) to monitor drive time. Industry analysts will be paying close attention to this mandate to determine how it affects capacity, rates and productivity. After April 1, carriers will be penalized for not having an ELD in their trucks.

Our team of dedicated AmerCareRoyal employees, living and travelling overseas to work with our manufacturing partners, have been able to ensure our supply chain is minimally impacted so we can provide products to our customers on time. As our conditions continue changing, we will do our best to keep all our customers informed.

Thank you for your business!

A handwritten signature in black ink that reads "Nick Lavandusky".

Director of Marketing
AmerCareRoyal

References: Wall Street Journal article, *"Tight Trucking Market Has Retailers, Manufacturers Paying Steep Prices"*

FleetOwner article, *"Enforcing ELDs: A new way of life for trucking"*