

## LEUCO DYE EFFECT

As I have mentioned in previous letters, the paper world is going through a very difficult period and it continues to be under intense pressure.

There are some good signs as the Leuco Dye producers in China have restarted production following their temporary closure for environmental reasons, but it comes at a cost as the chemical is currently trading at 4 – 5 times its previous price with some desperate mills paying much more.

It will also take some time before the mills are able to re-stock to workable levels and some are so short of Leuco Dye that they are being forced to reduce production and even stop making some grades.

The Leuco Dye is what gives the thermal the black image and it is also used in the carbonless papers for the same reason. One of our carbonless suppliers is fast running out of the black dye but fortunately has stocks of blue so for a short while some of our multiply rolls will have a blue image. All characteristics are the same and it will not affect the performance of the roll. They will revert to black as soon as they are able.

Despite all this gloom, I believe our planning is working well and we have enough paper in the system to meet expected orders. We know many end users and some large facilitators are looking for new suppliers as other converters struggle to supply, so please be careful if you receive unexpected enquiries / orders as these may put our paper supplies at risk.

The downside is that prices will increase sharply again from 1<sup>st</sup> April. We have already seen one announcement of 12 – 15% from Europe's largest mill and the others will no doubt follow suit. One mill is under immediate pressure is applying a 7% surcharge on all invoices from 1<sup>st</sup> February. I attach the letters from Koehler and Kanzan to support some of the points I have mentioned which you might find useful if you need to explain / justify anything to your customers.

Our prices remain firm to 31<sup>st</sup> March 2018, but we too will need to go up in April. We will advise as we get a clearer picture but please be careful with any contract discussions.

Thank you for your continued support and if you need to discuss anything, please feel free to contact us.

Best wishes