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The Paper Products, Printing & Publishing Subsector in Barbados **2015**

The Paper, Printing & Publishing subsector in Barbados has been a major source of foreign exchange and employment in the Barbadian economy for a very long time. Since the dawn of its existence, the subsector has been characterized by small family-owned businesses with 74% of these businesses employing less than 25 persons. Although employment in the sector has been relatively stable for the last four years, volatile investment activity coupled with the harsh realities of globalization have already resulted in a reduction of exports of paper products while earnings from the sale of printing and published products have managed to improve as some regional clients seek cheaper extra-regional products and services.

The subsector, however, has been faced with great challenges in recent times. At the forefront of these challenges is the rapid pace at which technology has been evolving in this digital, wireless era. Also of great concern is the liberalization of the local market which has resulted in a removal of the surtax on imported goods, resulting in increased global competition for local manufacturers. Important to mention also is the fact that the world is now becoming more environmentally aware and as a result much focus is being placed on reducing the use of paper and its by-products.

The Paper Products segment of the subsector has struggled to adjust to this, as the cost of extra-regional imports to the end user dips lower while simultaneously, the cost of the main raw material is non-negotiable and there exists a continuous challenge of rising energy costs, and high transportation costs. Players within this segment must also be cognizant of

the increasing demand for cheaper, more functional, convenient and most importantly bio-degradable products.

Most of the changes experienced within the subsector however, have been felt in the Printing and Publishing segment. Even before the market had been completely opened to global competition, this segment found it difficult to maintain its competitive edge against external entities, as the technology being utilized in state-of-the-art international plants resulted in improved quality, delivery time and cost effectiveness compared to local counterparts.

If producers are able to conquer these challenges, the future of the industry would be well secured. The way forward does nevertheless demand increased efforts to acquire new equipment and technology, improve customer relations and attain internationally recognized quality standards for products and services. It also demands the development of strategic alliances and increased industry linkages to exploit emerging areas of technology. Continuous retraining and education is also necessary to keep abreast with and if possible, ahead of industry trends.

Global Trends

The industry is now characterized by a heavy focus on environmental sustainability (going green). Changing consumer demands and increasing regulations are driving companies to incorporate sustainable business practices into their operational strategies. Manufacturers are also trying to manage their energy costs and reduce consumption, in an effort to contribute to greening and to building their companies' bottom lines.

Product and service differentiation remains a key survival tactic in the printing industry and companies are increasingly diversifying into other value-added services. The industry continues to be driven by technological change and companies intent on maintaining a competitive edge are required to make frequent investment in new equipment and technology.

The paper products segment continues to embrace functional practicality, convenience and design. It is particularly evident in the packaging segment where demand continues to grow for portable, flexible and biodegradable packages. Demand is also on the increase for packages that

use fewer raw materials. These “right size” packages not only result in less waste but reduce storage and transport costs because they weigh less and utilize smaller spaces. Despite the changing demands and new investments in this particular segment though, it is the sanitary paper products segment comprising diapers, sanitary napkins, tissue and sanitary wipes that continue to be the key drivers of growth and profits.

Industry Overview

Employment

The Paper Products, Printing & Publishing subsector is one of the larger manufacturing segments in Barbados. There are currently 23 companies operating in the sector, the majority of them classified as small businesses. The total employed within the sector during the period was 640 comprising of 340 males and 300 females. Only three companies employ more than 100 persons and together those three enterprises constitute 377 employees – just about 59% of the total employed in the entire sector.

Investment

Investment spending in this sector continues to fall as it fell for the sixth consecutive year. The BDS \$0.2 million in investment recorded in 2015 was the lowest on record since the BDC’s Employment and Investment Survey started in 1999. While much of the money spent was directed toward the acquisition of machinery and equipment, a significant portion also went towards employee training.

Exports

Domestic exports during 2015 totaled \$28.3 million. Exports of printed and published products continued to outstrip those of paper products in keeping with a trend started in 2000. Where paper products represented the leading export group in this sector during the period 1996-1999, exports of printed products reached and surpassed paper products for the first time in 2000. Paper products accounted for \$3.8 million of this and printed and published products generated the remaining \$24.4 million, with printed paper labels contributing the majority of export earnings during 2015. This level of foreign sales represents an almost 11.6% drop in the value of exports when compared to the BDS \$30.2 million in export sales registered during 2014.

Jamaica continued to be the biggest market for printed and published products, purchasing BDS \$6.0 million worth of goods, followed by the Dominican Republic, Guyana and Nicaragua. With respect to paper products, Guyana was the

largest market with exports of BDS \$1.1 million, followed by St. Lucia, St. Vincent and Trinidad.

Production

Among the Paper Products companies, the main items manufactured are facial and toilet tissue, paper towels, packaging material and various items of stationery. Within the Print and Publishing group, the leading products are labels, brochures, advertising material, journals and newspapers.

Imports

Imports within this sector have been quite volatile over the last decade. After a brief decline in 2012, imports experienced slight growth in 2013, only to fall again the following year. Imports in the **Paper Products** segment remained, for the most part, unchanged between 2014 and 2015 around the BDS \$80 million mark. Paper tissues and towels made up the largest value of paper imports with BDS 9.0 million, of which 80% was sourced from the USA. The USA was also the primary supplier of paper imports, with approximately BDS \$36.3 million in goods being bought from the country. Other major source markets for paper include Trinidad and Tobago and Brazil.

Foreign purchases of newspapers, paper labels and trade and advertising material were the major items demanded in the **Printing and Publishing** segment. The primary supplier of these products was the United Kingdom, with imports valued at BDS \$8.6 million, followed by the USA, Trinidad, Peru and Canada.

Constraints & Challenges

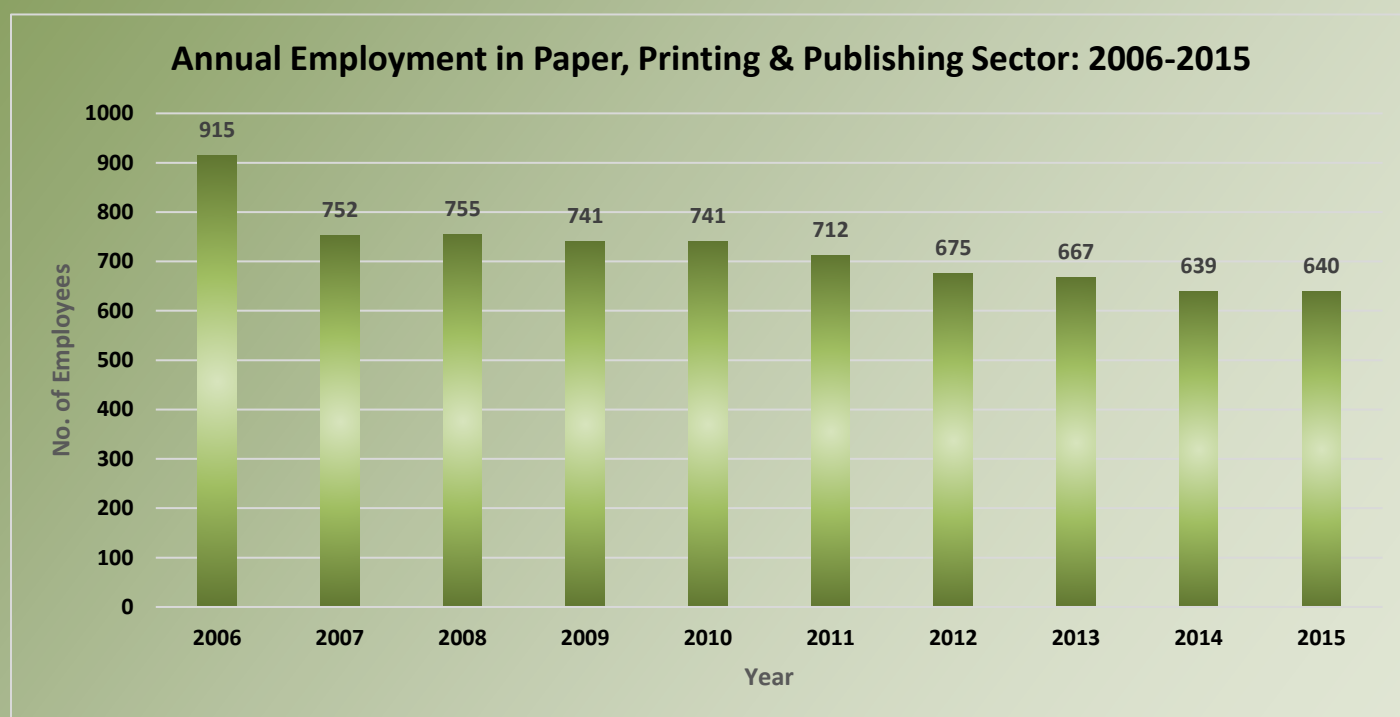
Perhaps the biggest challenges confronting this sector lie in keeping up with technology changes and new market demands. The only way to compete is to continually invest in technology and become more efficient. Local printers need to provide a lot more than just ink on paper and must align with the universal trend of diversifying into other value-added services.

Local printers have responded to these challenges by investing in new digital technologies and introducing new digital services to clients. They have also been investing in plant and equipment upgrades and continuous training of employees to ensure that they keep on top of technological advances in the industry. Value for money has taken on added significance in the face of the ongoing global economic fallout and so companies have also been concentrating on streamlining to become more recession-proof.

Major Indicators
Paper Products, Printing & Publishing Subsector

	2011	2012	2013	2014	2015
No. of employees	712	675	667	639	640
No. of Males employed	367	349	352	341	340
No. of Females employed	345	326	315	298	300
No. of Enterprises	26	23	23	23	23
Domestic Exports (BDS\$M)	26.9	28.3	31.4	32.0	28.3

Source: B IDC Employment and Investment Survey; Barbados Statistical Service



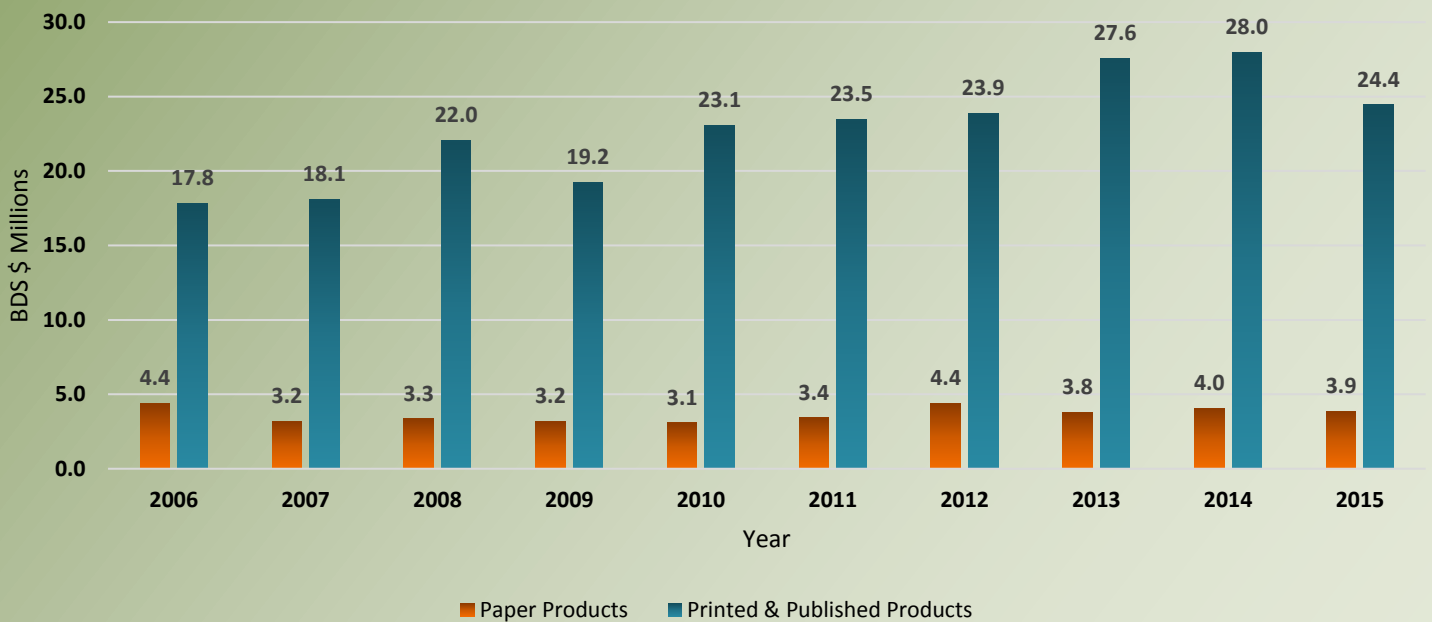
Source: B IDC Employment and Investment Survey

Annual Investment in Paper, Printing & Publishing Sector: 2006 - 2015



Source: B IDC Employment and Investment Survey

Annual Exports of Paper Products, Printing & Publishing Sector: 2006 - 2015



Source: Barbados Statistical Service

Major Exports: 2011 – 2015
(BDS \$)

	2011	2012	2013	2014	2015
Diapers	-	-	-	-	-
Sanitary Napkins	-	-	2,187	-	-
Paper Rolls	541,351	542,731	507,527	484,553	433,725
Business Forms	894,377	927,558	845,587	750,799	623,246
Labels	19,937,774	20,573,560	24,384,506	24,170,081	22,007,507
Newspapers & Journals	190,410	173,130	237,634	242,348	175,552
Trade & Advertising Material	417,210	374,064	442,997	575,075	304,596
Cheque Forms	1,095,271	1,305,244	1,238,564	1,133,716	1,141,730
Other Printed Matter	411,321	269,977	299,738	436,240	187,049

Source: Barbados Statistical Service

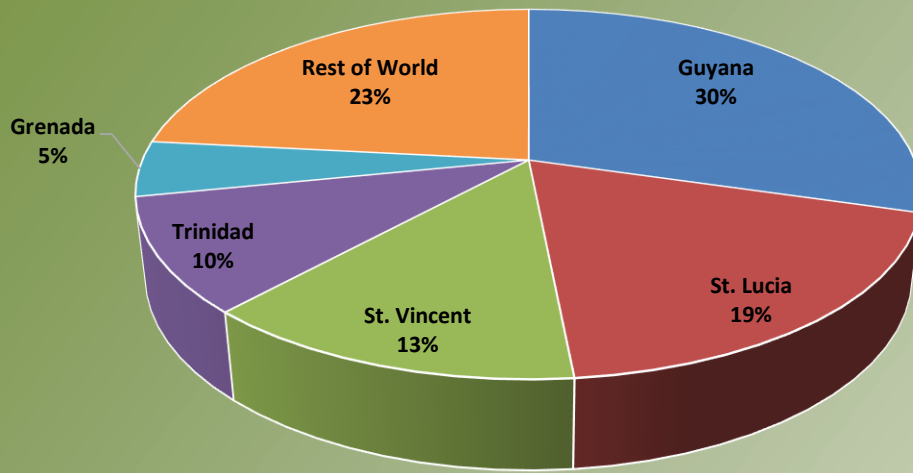
Competing Imports
as at December 31st, 2015

(BDS \$)

Paper Products	Import Value	Printing & Publishing	Import Value
Sanitary Napkins	4,518,869	Trade & Advertising Material	1,509,000
Diapers	4,822,099	Labels	1,909,330
Toilet Paper	7,743,515	Brochures	205,495
Tissue	1,541,421	Newspapers & Journals	486,092
Paper Board	23,026,041	Other Printed Matter	1,655,341

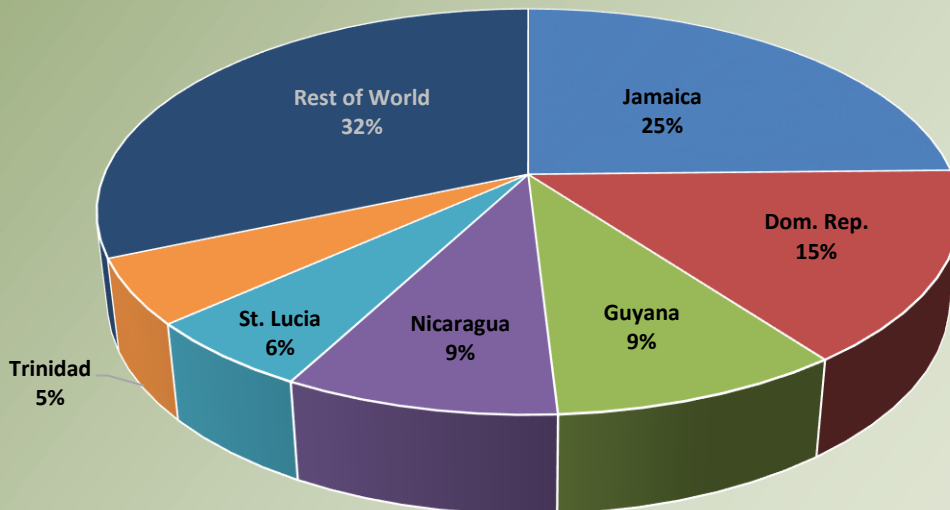
Source: Barbados Statistical Service

Main Export Markets for Paper Products in 2015



Source: Barbados Statistical Service

Main Export Markets for Printing & Publishing in 2015



Source: Barbados Statistical Service

Paper products and packaging producers were also affected by global economic conditions with a decrease in the demand forcing major paper product companies to shut down mills.

The paper and paper products industry is dependent on the average consumer buying typical goods such as food and electronics but a slowing economy spells trouble for the industry. As consumers cut back on spending, it leads to a decrease in the demand for these typical goods. The industry, especially the consumer and industrial packaging businesses, is dependent on a high demand for non-durable goods (goods that are replenished and replaced often) and durable goods to make money.

A new study conducted by Fisher International, a market leader in pulp and paper mill data, concludes thousands of jobs would further be lost at pulp and paper mills due to the Environmental Protection Agency's (EPA) proposed Maximum Achievable Control Technology rule for industrial boilers (Boiler MACT). The EPA's proposed Boiler MACT rule sets emission limits for boilers and process heaters located at universities, in small municipalities, food product processors, furniture makers, Federal facilities and a wide range of manufacturers. The rule is so stringent that it could create serious disincentives for the use of renewable energy and be unsustainable for the forest products industry.

Like their industry partners everywhere, the Barbados group has seen their margins being eroded by rising costs of energy, transportation and raw materials. Differences in the financial performance of companies across the globe have all come down to various production cost structures and how well producers could absorb the cost increases. Barbados' high cost production structure has not always allowed local producers to be competitive in neither local nor foreign markets, given consumer demand for cheaper paper products- thus the sharp decline in exports of products like sanitary napkins and diapers.

Emerging Opportunities

Opportunities for printers within this sector will come with the acquisition of new equipment and technology. While this will demand some investment in plant upgrade, the critical challenge lies not in the acquisition but in achieving considerably more with the new capacity. This will mean aligning with the universal trend of diversifying into digital communications and other value added services. Significant benefits are expected to manifest in improved production efficiencies and increased earnings opportunities resulting from new product and services offerings.

For paper products manufacturers, the packaging segment remains an area of opportunity to be exploited. Product packaging is the leading paper product import into Barbados.

Since the closure of Enso-Pak, no other company has sought to fill the void, despite the increasing importance now attached to product packaging. In addition to its obvious functions, packaging is now expected to play a major part in differentiating the product, re-positioning it against the competition and winning over consumers. This suggests that printers and paper producers should pay greater attention to this development and try to capitalize on any gains to be made.

Companies capable of producing recyclable or biodegradable packaging and paper products are those best positioned to capitalize on industry trends and consumer demands from the thinnest tissue, to the most absorbent diaper, to the toughest corrugated box, there are many different kinds of paper that could be recycled.

Outlook & Recommendations

High operating costs and increasing pressure on prices will continue to affect producers in this segment for some time. The Special Technical Assistance Programme administered by the BDC should be made available to producers to assist them in this regard.

Since product and service differentiation have now emerged a key surviving factor, local companies will have to make a considerable effort to be more customer focused and to bring their offerings up to recognized international standards. The BDC should seek to secure grant funding to assist local companies with this upgrade.

Strategic alliances and joint ventures remain relevant. There is clearly a need for the Paper Products Print and Publishing sector to align with other manufacturers and those companies that provide advertising services to work together towards mutually beneficial results. This would ensure exploitation of the void that now exists in the packaging segment for example.

Continuous training, re-training and education are essential if modern technological capabilities are to be tapped and exploited. It is obvious that only those companies technically equipped and trained to handle the new demands of the industry and the consumer will survive in the future. Every effort should therefore be made by companies to take advantage of any training opportunities.