



NEWSLETTER

MESSAGE FROM GPI PRESIDENT, RENAUD MEGARD

Dear GPI members and Associate members,

As we are approaching the Holiday Season, starting with Thanksgiving, we are all looking forward to this well-deserved family time allowing us to unwind. It's also a great time to reflect on our accomplishments over this year in this very unpredictable environment. We are unfortunately witnessing one of the most interesting times of our lives with so many challenges and geo-political uncertainties which hopefully will improve in 2023. As you are preparing your 2023 budget, you must take into consideration all these elements, making our predictive job harder!

For GPI, it was a very successful year, and I would like to thank the Board for the great work that they are putting in to energize the organization and bring it to a new level.

Our last semi-annual meeting in Chicago was a true testimony of the modernized path that we are taking. Craig Addington and Bob McCarthy have concocted an impactful line up of presenters to bring us some very valuable contents that have been extremely beneficial for our participants. As I indicated in our previous newsletter, GPI is a family, the core principle of our organization is to exchange industry knowledge and experience in a friendly way. Your feedback was very much reflecting it and we will take it into account for the upcoming Annual Meeting.

Our Board is working hard to ensure a growth path for our organization, and we have set-up Committees to address the following activities:

- **Membership and Retention Committee** to ensure that we not only bring new Members but also deliver to our existing Members based on their expectations. Our Associate Members are going to be a strategic focus as well to ensure that we bring in pertinent information to our members.
- **Website Committee** to develop a much more refined and interactive website to help us inform and collaborate better.
- **Stats/Benchmarking Committee** to focus on greater participation for the Book to Bill report and the Annual Financial Performance Survey. An electronic portal will be implemented to facilitate data submission.

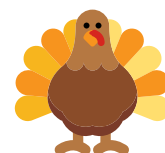
These committees are going to deliver over the coming months the necessary upgrades in each category.

I also want to thank Thomas Associates for their efforts and engagement.

Wishing you all a Happy Thanksgiving and Happy Holiday Season.
Looking forward to 2023!

FUTURE GPI MEETINGS

- 2023 Annual Meeting –
March 29-31, 2023
Hyatt Regency Indian Wells
Indian Wells, California
- 2023 Semi-Annual Meeting -
September 17-19, 2023
Hilton Nashville Downtown
Nashville, Tennessee
- 2024 Annual Meeting – TBD



WRAPPING UP 2022

GPI'S SEMI-ANNUAL MEETING

GPI held its semi annual meeting at the end of September in Downtown Chicago. The Westin Michigan Avenue served as the host hotel for the event, in the heart of downtown Chicago. A big thank you to Bob McCarthy for his leadership in developing the meeting program.

The educational presentations touched on the following areas:

- Randy Pennington - Positioning your business to succeed in the future.
- Andrew Creamer – How manufacturers and distributors are growing by implementing artificial intelligence.
- Scott Hacksworth – How businesses use data to make decisions.
- Chris Kuehle – Economic drivers and supply chain issues.
- Ray Weiss – Trends in digital printing.
- Rita Ricobelli-Corradi – Sustainability programs and ESG in the business world.

Associate members were given fifteen-minute blocks of time to provide new product updates and services available to manufacturers. Roundtable breakout sessions were scheduled throughout the conference. These are always popular, as they allow GPI members to share ideas, obstacles, and discuss solutions for their business.

One new feature for the meeting was a speed dating networking session. GPI associate members had five minutes of one-on-one time with corporate members. The speed dating was a success and will be incorporated into semi annual meetings.

The 2022 semi annual meeting ended with a reception and dinner on the waters of Lake Michigan. A chilly evening couldn't beat the Chicago skyline.



BOARD OF DIRECTORS MEETING UPDATES

Here is an update on the semi-annual meeting:

- A survey was circulated to those members not attending the semi-annual meeting to get feedback on why they did not attend.
- Approved the development of a new association website. Kyle Bermel, Bob McCarthy, and Brett Greene volunteered to serve as the website committee and will coordinate this project with GPI staff.
- GPI newsletters will be circulated quarterly. Board members will assist in providing content.
- A full review of the annual financial performance survey will be conducted in 2023. The survey will be updated and revised as needed.

UPDATES

MONTHLY BOOK TO BILL REPORT

The GPI monthly book to bill report is being updated. The base line year is moving to 2018. Those corporate members that are not currently reporting their data may contact the GPI office to enroll in the report. Please contact : Ljerka Islic Marini lislic@thomasamc.com

GPI FINANCIAL PERFORMANCE SURVEY

Hello GPI Members,

At the 2021 Chicago Meeting, Dale Crownover did a great job presenting how he uses the GPI Financial Survey data to drive decisions in his business – thank you again Dale for sharing.

Dan Crownover and I are also passionate about the survey and are looking for ways to increase participation within the group and make the survey as valuable as possible for all members.

Over the course of the coming months, we will be working to evaluate the format, the categories/data and the length of the survey, among other improvements. We are also looking to see if there are options to complete the survey in a web-based platform for easier submission.

As a reminder, all financial information is 100% confidential and is processed by a reputable 3rd party, Industry Insights.

Stay tuned for more updates!

-Tristan Tripodi, Butler Technologies

GPI WEBINAR UPDATE

A webinar by Gene Marks, from the Marks Group, has been scheduled for Thursday, December 8, 2022 at 2:00 pm EST. A calendar invitation will be circulated to all GPI members. The presentation is entitled CRM Software: A Comparison of the Top Applications and Advice for Best Use.

UPDATES CONT...

GPI ASSOCIATE MEMBER UPDATE

Regal Graphics introduces Lexan HP01W film. It is a virtually glare free graphic film. The high-performance coated film also offers very good chemical and abrasion resistance including excellent UV resistance. Applications include warning labels, gasoline pumps, outdoor menu boards, marine graphics to name a few. This material is in stock at our Kansas City location ready to go. Additional information may be found on our updated website.

<https://www.regalgraphics.com/lexan-high-performance-film-regalgraphics>

Please contact us and we would be happy to assist.



GPI LINKEDIN PAGE

GPI has a dedicated LinkedIn page for members to connect, share ideas, and network. We invite all GPI members to connect with GPI at <https://www.linkedin.com/in/national-association-of-graphic-and-product-identification-manufacturers-inc-145a56162>

By connecting with GPI, you should expect to make new connections, get GPI meeting information, get updates on industry issues, and network with industry leaders. Lets grow the GPI community and make it a hub of industry insight.

THE PIRELLE MILL CLOSURE AND ITS IMPACT ON THE LABEL INDUSTRY

Heather Chartrand from Lustre-Cal submitted an article on the closing of the Pirelle paper mill closure in Maine, and its impact on the label industry. To read the article please see the last two pages of the GPI Newsletter.

A recent news announcement brings yet another devastating blow to the paper industry. The Pirelle Mill in Jay, ME, USA, will officially close its doors. This news comes during a volatile time in the labeling industry where raw material shortages continue to run rampant.

But paper mill closures aren't new. We've watched many mills shut down over the last decade. So why is this mill closure different from others? The mill was a huge supplier of paper release liners in North America, and we're currently in the middle of a release liner shortage.

Here are the details surrounding the announcement and why it's such a monumental loss:

On September 20, 2022, Pirelle Specialty Solutions LLC announced the upcoming mill closure.

The Androscoggin mill will continue to run through Q4 2022 and officially shutter its doors in Q1 2023. While this gives the company time to plan ahead with customers, it doesn't make receiving the news any easier.

News of the shutdown comes only two years after a catastrophic explosion rocked the facility. Back in April 2020, a pulp digester exploded, destroying part of the mill and temporarily halting production.

This event dealt a huge blow to their entire operation because it removed the part that made them fully integrated. And that's a key feature that made the Androscoggin mill special. Full integration meant this location was able to produce its own pulp, allowing for controlled costs instead of having to buy from outside suppliers. The pulp making process also meant the mill was generating its own energy; yet another way to cut costs and save money.

While the mill was able to bounce back within a week after the explosion, Pirelle decided not to rebuild the pulp digester. Instead they chose to source pulp from out of state suppliers, and focus their attention on running the mill's two remaining paper machines to produce higher-margin specialty products.

But purchasing pulp instead of making their own meant the mill was forced to buy pulp at the current market price. Without generating its own energy through their integration process, additional money went to energy costs.

Prices for pulp and energy sharply rose throughout the pandemic. While pulp prices had been steadily increasing since the beginning of 2017, the industry saw multiple rounds of record highs, especially within the last year.

Northern Bleached Softwood Kraft (NBSK) rose 18.2% and Southern Bleached Softwood Kraft (SBHK) was up 17.3% from September 2021 to September 2022, according to recent data by RISI. Specialty grades saw an even higher increase at 19% for Unbleached Softwood Kraft within the same time frame.

So looking back, the decision to not rebuild the pulp digester left the mill running on borrowed time. Unable to continue under their previous business model, the mill's operations became unsustainable. And now the market is left without a major supplier of release liner.

So how will this affect the paper industry?

Let's break down some numbers:

About half a million tons of release liner are needed for the North American market.

As the largest manufacturer of specialty paper in North America, the Androscoggin mill had the capacity to produce 230,000 tons of specialty label and release papers annually. The mill closing removes around 20% to 30% of release liner from the market. All of this comes amid a global paper shortage that's been ravaging the pulp and paper industry for the last several years.

Earlier this year, the UPM strike further delayed the supply of crucial materials by at least one month.

Point blank, we just lost a huge supplier of release liners. And there's no savior coming to the rescue. Label manufacturers are struggling to survive. They're doing their best to acquire materials, but the lack of available supplies is leaving them in a bind. Because it's not just one supplier with no stock of paper liner; it's all of them.

If companies hope to still acquire available label products for their customers, they must consider making a crucial move to alternative options. Many are being forced to switch to synthetic release liner materials to overcome the shortage.

Enter in: the rise of PET (polyethylene terephthalate) liner.

While linerless labels are also an option, the market is leaning toward PET as a more effective alternative to paper liner. Switching to linerless also requires huge investments:

- Buying new printers
- Excessive maintenance
- Acclimating customers

And customers are looking for a solution that works now.

As the release liner shortage rages on, here are several predictions we can make about the future state of the labeling industry:

1. PET liner corners the market – Paper release liner supplies will likely continue to be short throughout 2023. Label consumers will be forced to integrate more PET liner options. As high demand for e-commerce, retail businesses, and delivery services will continue to expand film liner usage as synthetic materials become the new normal. PET liner will make its way to more print and apply applications than previously seen.
2. Linerless label interest grows – Linerless label usage could see a rapid growth. As the sustainability trend continues to expand, suppliers will market more linerless label products to their customers with the pretense that brands can “go green.” We could see a spike in linerless label technology and innovation to make the product more accessible to large volume and machine applications. However, the conversion process will take time as investments into new printers is necessary. Only certain applications will be able to use linerless labels as it's not a drop in product for most companies.
3. A reliance on imports – Without another efficient mill like Androscoggin, laminators could look outside of North America for relief. While China has available liner, tariffs, transit costs, and operational complexity means it is not an economically attractive option. Therefore importing liner from South America, South Africa, and other parts of Asia and Europe could become viable if qualifications can be met. However, offshore options are typically smaller mills. Logistics issues like increased transit times, additional capital, and rising interest rates means higher prices for customers.

The punches continue to roll in and knock out forecasts of when supplies will officially stabilize, the labeling industry needs to consider some radical changes.

Because these conditions are crippling businesses and leaving label manufacturers, converters, and suppliers with nowhere to turn.