

Postal, Paper & Logistics Update

February 2026

In brief: Losses deepened at the U.S. Postal Service in the first quarter of FY 2026. Severe winter storms have tightened freight capacity across multiple U.S. states, and a threat to delay the opening of an important new bridge connecting Detroit with Windsor, Ontario, is injecting additional uncertainty into the logistics industry. Paper companies continue to raise prices amid production declines, while paper availability is also being affected by winter storms. Tariffs under the Trump administration continue to evolve following the U.S. Supreme Court's decision invalidating the administration's emergency tariffs.

Built on our roots as a printer, mail industry partner and logistics leader, Quad is a marketing experience (MX) company focused on delivering streamlined solutions at scale to our clients. As the largest USPS customer, we are uniquely positioned to provide clients with best practices and insights on the latest postal, paper and logistics topics. If you have any questions or concerns during these challenging times for our industry, contact your Quad representative. We'll tap our in-house experts to investigate and get you the answers you need.

Postal

USPS reports \$1.3 billion first-quarter loss, 30% higher than planned

The U.S. Postal Service saw operating revenue slip 1% to \$22.2 billion for the first quarter of FY2026 (Oct. 1 through Dec. 31, 2025) and net income fall nearly \$1.3 billion into the red compared to earning \$144 million in the same period last year (SPLY), which was part of a presidential election cycle.

[In a statement](#), the agency pointed to increased workers' compensation and retiree health benefits expenses, higher operating expenses and transportation costs in addition to lower operating revenue as the reasons for the net loss. Controllable income, which excludes expenses not controlled by management, fell by two-thirds to \$350 million in the quarter vs. \$968 million SPLY.

Mail volume fell in both Market Dominant and Competitive categories, partly offset by a slight increase in First-Class Mail revenue. The details:

- First-Class Mail revenue increased \$68 million, or 1%, even as volume declined by 702 million pieces, or 6%, compared to the same quarter last year.
- Shipping and Packages revenue decreased \$23 million, or 0.2%, on a volume decline of 243 million pieces, or 12%.
- Marketing Mail revenue dropped \$126 million, or 3%, as volume fell by 1.8 billion pieces, or 11%.
- Periodicals revenue slipped 8% to \$223 million as volume declined almost 17% to 568 million pieces.

The agency's 10-Q first quarter financial results filing is available [here](#) [PDF].

In the Q1 earnings release, Postmaster General (PMG) David Steiner noted that the USPS is taking a number of steps to "right our financial ship." They include creating new opportunities for businesses to leverage the agency's last-mile delivery network. In January, the USPS launched an online bidding platform to take proposals for access to its last-mile delivery network, opening more than 18,000 destination delivery units and local processing centers nationwide to a broader range of customers, which could raise badly needed funds. The USPS has said more than 1,200 companies and individuals have asked to join the bidding.

Steiner added that the agency is pursuing additional administrative and legislative reforms to remedy "outdated and unwarranted financial and regulatory burdens." These include changing the retiree pension benefit funding rules, diversifying pension asset investments beyond U.S. Treasury bonds, raising the agency's debt ceiling and reforming administration of workers compensation.

In addition, the Postal Service has asked the Postal Regulatory Commission (PRC) to modify the Market Dominant ratemaking system, including eliminating the price cap linked to the Consumer Price Index. Separately, in mid-February the USPS appealed the PRC's decision to limit price changes to once a year to the federal D.C. Circuit Court of Appeals.

Inspector General report questions parts of Delivering for America plan

The USPS's disappointing financial results announcement followed a [January report](#) issued by the Office of Inspector General (OIG) for the USPS which questioned the effectiveness of the Delivering for America (DFA) plan launched by previous PMG Louis DeJoy.

The OIG report found the USPS had made "meaningful investments in infrastructure, fleet modernization and pricing reforms," but noted that "service performance has been inconsistent, and financial outcomes have fallen short of break-even targets."

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The report concluded, “Four years into its 10-year DFA plan, the Postal Service continues to face challenges with reliable service, network reconfiguration, financial sustainability and rising personnel costs. While the Postal Service has reduced transportation costs and raised revenue through price increases and legislative reforms have yielded benefits, persistent service performance issues, cost overruns and delayed implementation of key initiatives continue to challenge outcomes.”

The USPS’s response, included in the OIG report, criticized the report, saying in part: “Ultimately the report does not achieve its stated purpose of enabling readers to evaluate our progress, as it fails to provide the necessary context or recognize that the operational elements of the plan are not only comprehensive but holistic in nature. Isolating and dissecting certain discrete component parts of the individual initiatives . . . does not fairly portray the success of the Plan even to date, let alone over the longer term.”

Miscellaneous updates

- The recording and slides from the USPS’s Last Mile Bidding Process webinar are posted on PostalPro and can be found [here](#). The bidding closed on Feb. 17.
- The USPS has terminated the money-back guarantee for Priority Mail Express for Thailand effective Feb. 12.
- The USPS suspended mail acceptance to Cuba effective Jan. 30.
- There will be a pilot test by the Census Bureau using USPS employees to collect in-person information for the 2030 Census. Test sites will be in Spartanburg, S.C., and Huntsville, Ala.
- The USPS is now offering Delivered Duty Paid (DDP) for international outbound goods sent via Priority Mail Express International (PMEI), Priority Mail International (PMI) and First-Class Package International Service (FCPIS), when available at a retail service counter or online using Click-N-Ship, through USPS APIs or using Global Shipping Software (GSS). USPS DDP enables the sender to prepay import duties, taxes and fees under the destination country’s requirements at the time of mailing. USPS DDP is initially available for shipments to Canada, Germany and the United Kingdom, with expansion to other international destinations expected in the future. The Industry Alert on this is posted [here](#).
- Registrations for the National Postal Forum, May 3-6 in Phoenix, are outpacing most previous years.

USPS delivery performance

The average in-home curves for our Marketing Mail clients who tracked their mail with Quad’s IMsight application (for the four weeks starting Jan. 12) appear in the chart that follows. Note that the last two weeks of January were impacted by Winter Storms Fern and Gianna from Texas to New York with record snowfalls, sub-freezing temperatures, poor road conditions, power outages and significant transportation disruptions.

| | Week of 1/12 | Week of 1/19 | Week of 1/26 | Week of 2/2 |
|-------------------|-----------------|-----------------|----------------------|------------------------|
| | | MLK holiday | Winter Storm Fern | Winter Storm Gianna |
| Early | 19% | 11% | 19% | 15% |
| Day 1 | 47% | 38% | 36% | 34% |
| Day 2 | 71% | 62% | 54% | 53% |
| Day 3 | 89% | 81% | 72% | 73% |
| Day 4 | 95% | 91% | 83% | 86% |
| 1 Day Late | 97% | 95% | 87% | 91% |

For both Flats and Letters, many locations received mail from us three to four days later than planned due to storm conditions. Delays were impacted for an additional three to four days while the USPS worked to reschedule deliveries as conditions improved.

The Sectional Center Facilities (SCF) below struggled to hit 70% by USPS Service Standard due to the impact of the storms on labor.

Letters:

| Entry Type | City | In-Home by Service Standard % |
|------------|--------|----------------------------------|
| SCF | Dallas | 69% |

Flats:

| Entry Type | Location | In-Home by Service Standard % |
|------------|-----------------------|----------------------------------|
| SCF | Hazelwood, Mo. | 42% |
| SCF | Corpus Christi, Texas | 46% |
| SCF | Shreveport, La. | 55% |
| SCF | Columbus, Ohio | 61% |
| SCF | Great Falls, Mont. | 61% |
| SCF | Chicago | 63% |
| SCF | Dayton, Ohio | 65% |
| SCF | Little Rock, Ark. | 67% |
| SCF | Memphis, Tenn. | 67% |
| SCF | Grand Junction, Colo. | 67% |
| SCF | Dallas | 68% |
| SCF | Richmond, Va. | 68% |
| SCF | Greensboro, N.C. | 69% |

USPS volume

Please note that the USPS indicated that volumes may be influenced by the storms/weather over the last few weeks.

| Mail volume for the week ended February 7, compared to last year | | |
|--|-------------------|---|
| Total Mail Volume | Up 21.0% | ▲ |
| Packages | Up 7.8% | ▲ |
| Single Piece | Down 5.0% | ▼ |
| Presort First-Class | Up 13.9% | ▲ |
| Marketing Mail | Down 5.9% | ▼ |
| Periodicals | Down 14.1% | ▼ |

| Mail volume for the week ended January 31, compared to last year | | |
|--|-------------------|---|
| Total Mail Volume | Down 13.6% | ▼ |
| Packages | Down 17.3% | ▼ |
| Single Piece | Down 25.5% | ▼ |
| Presort First-Class | Up 17.4% | ▲ |
| Marketing Mail | Up 12.1% | ▲ |
| Periodicals | Down 6.0% | ▼ |

| Mail volume for the week ended January 24, compared to last year | | |
|--|-------------------|---|
| Total Mail Volume | Down 1.4% | ▼ |
| Packages | Down 1.1% | ▼ |
| Single Piece | Down 14.8% | ▼ |
| Presort First-Class | Down 5.4% | ▼ |
| Marketing Mail | Down 2.2% | ▼ |
| Periodicals | Up 6.5% | ▲ |

| Mail volume for the week ended January 17, compared to last year | | |
|--|-------------------|---|
| Total Mail Volume | Down 2.5% | ▼ |
| Packages | Down 5.2% | ▼ |
| Single Piece | Down 18.7% | ▼ |
| Presort First-Class | Down 4.8% | ▼ |
| Marketing Mail | Up 5.9% | ▲ |
| Periodicals | Down 29.5% | ▼ |

Paper Market

Various price changes and weather events are impacting paper markets.

- Last month, we reported that newsprint producers in North America were seeing higher operating rates and longer order lead times. Since then, newsprint producers in North America have announced a price increase of \$50 per metric ton, or \$2.27/CWT (hundredweight), for 45 GSM (grams per square meter) newsprint (27.7# news), effective March 1.
- Weather-related disruptions have caused a shortage of trucks and other logistical issues for paper deliveries. In several cases, paper has been delivered late. Quad is mitigating the impact of this by moving inventory where possible to keep presses running. Specifically, the Canadian province of Quebec has experienced significant disruption and a shortage of available trucks.

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- Some types of Sylvamo paper will be available on a reservation basis starting March 1. This affects all uncoated freesheet commodity offset and digital inkjet rolls made at the company's Eastover, S.C., mill. Paper produced at Sylvamo's Ticonderoga, N.Y., mill (Accent Opaque, Hammermill Colors), are not on allocation at this time. Sylvamo is losing production volume from the IP-Riverdale machine conversion in Q2 (260M tons). In addition, paper from its Brazil operations had been hit with 50% U.S. tariffs, which curtailed exports into the U.S. (See more on the latest developments surrounding tariffs below.)

Logistics

Weather events are affecting capacity throughout the transportation market. At the same time, possible actions by the Trump administration to reduce U.S.-Canada cross-border traffic are creating uncertainty for carriers and companies shipping goods to and receiving goods from Canada. And Quad continues to monitor legal developments surrounding global tariffs. The details:

- Severe winter weather has increased pressure on the transportation market and continues to strain capacity across multiple regions. Winter Storm Fern in late January swept through states from the deep South to the Northeast, followed immediately by Winter Storm Gianna in the first week of February, which slammed the Southeast, followed by Winter Storm Hernando, aka the Blizzard of 2026, which paralyzed parts of the Northeast. The storms caused service interruptions, particularly in areas with little to no snow removal equipment. This created tighter than usual capacity for this time of year, sustaining rate pressure and adding complexity for shippers. As weather patterns have stabilized, rate pressure has remained high.
- At the same time, we are tracking the possibility that the Trump administration will prevent the opening of the U.S. side of the Gordie Howe International bridge connecting Detroit with Windsor, Ontario. In social media posts earlier this month, the president threatened to prevent the bridge from opening unless Canada agreed to new trade negotiations and compensation for what the president alleged were unfair trade practices, [the CBC reports](#).

Construction of the bridge began in 2018, and major construction is now complete. The bridge will create a more truck-friendly route along a corridor that [FreightWaves called](#) "the most critical truck freight crossing between the U.S. and Canada." The project was fully funded by the Canadian government.

Any policy shifts or disruptions in this area could influence freight flows across the U.S.-Canada border. This remains a key focus for companies moving freight into Canada, as well as those sourcing paper and other materials from Canadian suppliers. Uncertainty about the bridge's status could create delays, tighten capacity and increase transportation costs.

- Tariffs continue to be a source of uncertainty in the marketplace, especially after the U.S. Supreme Court decision invalidated the use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs. The Trump administration has announced that the U.S. will cease collecting tariffs imposed under IEEPA immediately. Additional developments and details:

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- President Trump announced that he will use different statutes that he believes provide him with the authority to impose a global 15% tariff on all goods (with some exceptions) entering the U.S. starting on Tuesday, Feb. 24. Under the statute used to impose these tariffs, they can be in effect for a maximum of 150 days, unless Congress acts to extend them.
- There are some exceptions to these new 15% tariffs. For example, all products that are compliant with the United States-Mexico-Canada Agreement (USMCA) trade agreement are not subject to the 15% tariff. Therefore, paper coming into the U.S. from Canada will continue to be duty-free.
- Important note: The tariffs that are currently in place for steel and aluminum or any anti-dumping duty remain in effect. Those tariffs were put in place using statutes that were not subject to the U.S. Supreme Court's ruling. Those tariffs will continue to be collected.
- Tariffs and tariff policy under the Trump administration will continue to evolve and Quad will monitor those changes as they happen.

Quad is staying ahead of logistics developments to safeguard service and keep our clients' operations running smoothly. Our team is actively navigating market shifts and weather-related challenges to maintain freight movement and on time delivery performance. As always, your Quad representative will work diligently to find you the lowest rates with the most efficient transportation available.

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