We all know it's the last dance for optical disc storage but it's more like a slow waltz than a fast tango...

And there's money in the last-man-standing product cycle, as we saw with floppy discs.

Since the beginning of 2011, first-tier Taiwan-based makers of blank optical discs (CMC Magnetics, Ritek and Gigastorage) have reduced output of of CD-R and DVD discs by 20-30% (and increased Blu-ray discs). Most second-tier makers stopped production and are selling off inventory. Prices at source rose 10-20% in Q1 and may increase even further in Q3/Q4.

U.S. CONSUMER HOME ENTERTAINMENT RENTAL & SELL-THROUGH SPENDING (in billions)

Year	VHS/UMD	DVD	BD/Hi- Def	Digital	TOTAL
1999	$12.2	$1.1	$0.0	$0.5	$13.9
2000	$11.4	$2.4	$0.0	$0.7	$14.5
2001	$10.9	$5.3	$0.0	$0.7	$16.9
2002	$9.6	$8.6	$0.0	$0.7	$19.0
2003	$6.9	$13.1	$0.0	$0.7	$20.7
2004	$4.4	$16.7	$0.0	$0.7	$21.8
2005	$2.1	$18.9	$0.0	$0.3	$21.7
2006	$0.4	$20.2	$0.0	$1.0	$21.6
2007	$0.1	$19.7	$0.3	$1.3	$21.4
2008	$0.1	$18.4	$0.9	$1.5	$21.0
2009*	$0.0	$15.8	$1.5	$2.1	$19.4
2010	$0.0	$14.0	$2.3	$2.5	$18.8

The DEG has re-stated its historical figures based on the 2009 revised reporting from Rentrak Corporation's Home Video Essentials and studio sources.

"Bigger plants can supply in time while the smaller plants have problems with the availabilty especially of CD-R...about 6-8 weeks longer lead time than usual," notes Marcus Speer, CEO of MediaRange. "Prices in Europe are currently stable. It will take about 2 months more until the price increase will start to hit the European market. Of course, that also depends on the USD exchange rate."

Total production capacity of CD-R and DVD blank optical discs in Taiwan in Q2 decreased by an estimated 50% from the same period of 2010, according to industry sources.

Grounded mainly by the growing use of cloud services and streaming video, global demand for blank optical discs in 2011 is expected to drop by 10-20% from 2010. Listen to today's impact of that drop as recorded by Imation's recent financial report:

"Our worldwide revenue for the three months ended March 31, 2011 was negatively impacted by overall price erosion of 9% and overall volume declines of 6%, offset partially by a favorable foreign currency impact of 2%. From a product perspective, the revenue decrease was due to declines in traditional storage products of $40.7 million, including $29.7 million from optical products and $7.5 million from magnetic products, as well as $4.8 million from emerging storage products driven by planned rationalization of low margin products and $3.8 million from electronics and accessories driven by planned rationalization of our video products."

US-owned Imation controls major brands including Memorex, TDK Life on Record, and XtremeMac, so if they are feeling the pressure, you can bet the others in the industry are, too.

Currently Japan's Mitsubishi is the largest BD maker worldwide, making not just for its own Verbatim brand but also for OEMs. When the market is ready for it. Mitsubishi's plants in Singapore could produce more than 20 million discs each month, twice as many as a year ago.

The Verbatim brand is now the No. 3 brand in Europe for all recordable media and the global No. 1 brand in optical media. Like most optical storage companies, Verbatim isn't going down with the ship but has floated a number of life boats with the Verbatim logo including portable USB drives, flash memory cards, SSDs, external hard drives and a broad variety of computer

Accessories. Did we mention LED lighting?

Yet the company that scares Taiwan makers the most is not the big brands like Verbatim but Moshe Baer India (MBI).

Once looked down upon as a technology-slacker by Taiwanese, Moser Baer became the first storage media company in the world to ship HD DVDs.

In its home market of India, Moser Baer entered optical storage market with the launch of its own label only in 2003. Now it has a share of over 40% and benefits from India's strong domestic demand and movie business. Will the advantage of residing in the last-market-standing enough to make you the last-man-standing?

MBI could supply about 3 billion BDs a year, although BD currently accounts for less than 1% of MBI's total capacity. Moser Baer India, now the second largest manufacturer of optical media in the world, focuses on OEM sales to the world's optical media manufacturers.

While big brands with big factories (and OEM factories) watch carefully their production capacities and investments in the future of optical discs, you would assume the more nimble, factory-less OEMs would have the advantage. Yet, when production slows, the market goes to whoever can supply...and prices go up...

"Q4 is always high season, so sales will go up about 20-30% like usual," notes MediaRange's Speer.

While the dance floor becomes less crowded, the dance is nonetheless just as rewarding until the music stops.