



## Update on the Current Packaging Market Conditions

January 2021

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*an employee-owned business*

Kite Packaging Limited

Registered in England & Wales No. 04680835    VAT Registration No. 765 3496 93

## Overview

Kite have put together this briefing, which includes a range of news cuttings, graphs and supplier letters to try and help you and your business understand how the packaging industry is being impacted by macro-economic events.

2020 saw a number of significant pressures on the UK's economy including both COVID-19 and Brexit. The last-minute Brexit negotiations have also left companies in the UK trying to figure out how the latest rules and regulations will impact the importation and exporting of goods.

COVID-19 has dramatically accelerated the way in which the UK public purchase goods, from an in-shop experience to an online transaction. High street sales have slumped, further undermined by Lockdown 3.0, forcing many retailers to sell their goods online to survive.

The consequence of this is a huge demand increase for packaging in order to fulfil these online orders. The likes of Amazon hoover up significant availability to meet their colossal sales, but also many traditional smaller businesses have now moved online as well.

This demand increase has been compounded by:

- lost production due to staff isolating and extra cleaning requirements;
- a global imbalance in the supply of shipping containers;
- delays at the main ports of entry; and
- a global shortage of starch, a highly important manufacturing component in the manufacture of cardboard boxes.

All of which have resulted in much longer lead times and shortages in packaging supply.

With demand continuing to outstrip supply it is natural that all these issues, combined with wider global influences, have forced rising prices across all packaging materials.

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## Online growth has driven demand for packaging

Online retail has grown way beyond its already rapid growth over the past few years exacerbated by COVID-19, which has kept people at home and diverted expenditure from holidays and going out, to online goods.



### Surge in online shopping eases pressure on UK retailers, says CBI

Business group says autumn lockdown not nearly as damaging to sales as Covid shutdown in spring

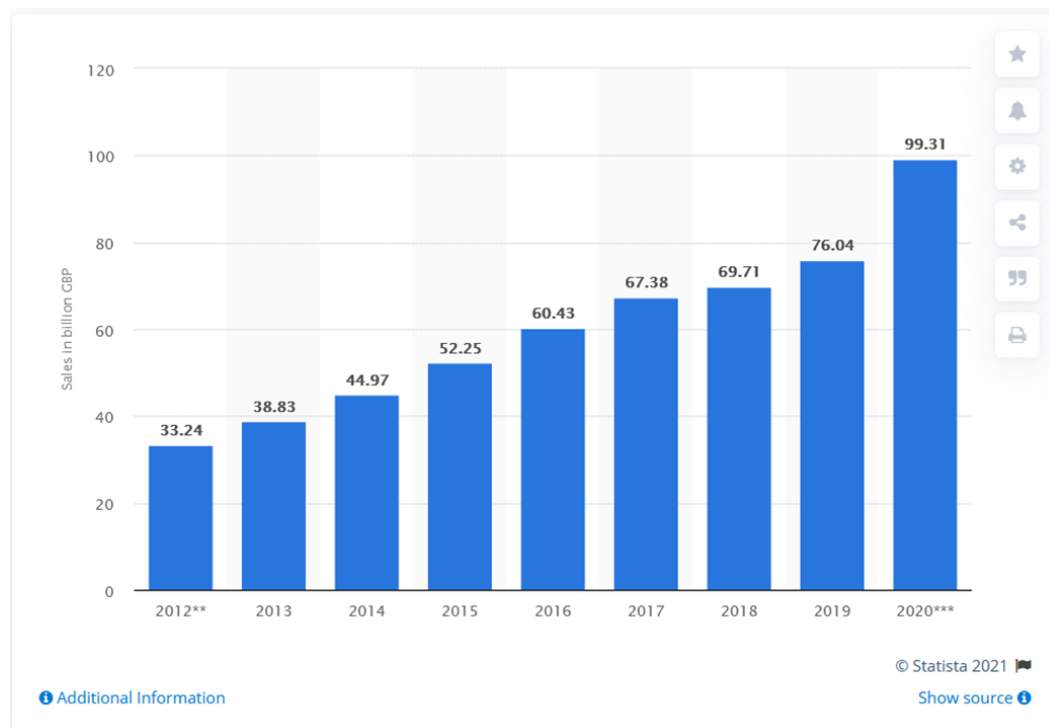


▲ Online shopping sales have surged, easing the misery for many retailers with a high street presence. Photograph: Victoria Clark/Alamy Stock Photo

A surge in shopping from home has eased the pressure on retailers caused by England's **four-week lockdown** and tighter restrictions in the rest of the UK, according to a survey from the CBI.

Tue 24 Nov 2020 13:19 GMT

## Value of online retail sales in the United Kingdom (UK) from 2012 to 2020 (in billion GBP)



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## Brexit uncertainty

Brexit has created huge uncertainty for business throughout 2020 and with the UK government having completed a last-minute deal, this has left businesses with a very steep learning curve in January in order to manage supply chains. In the build up to Brexit companies have understandably built-up buffer stocks of product to manage unforeseen situations, putting further stress on production capacities.

# The Telegraph

## UK borders set for 'chaotic start' to 2021 with or without Brexit deal

Ports and road hauliers warn of disruption at borders even if Brexit deal is reached

By Tom Rees  
5 December 2020 - 5:01am

Britain's borders are careering towards a "chaotic start" to 2021 with or without a Brexit deal, while trade in Northern Ireland could be an "unmitigated disaster", ports and road hauliers have warned.

Officials were told to brace for severe disruption at the borders from the end of the transition period by trade experts as Brexit talks go down to the wire.

"We are heading for a chaotic start to the year and I think it's anyone's guess as to how long it is going to take to settle," said Richard Burnett, head of the Road Haulage Association.

## Shipping container issues

The global issue with shipping container displacement was initially caused when shipping schedules were disrupted during the early stages of the pandemic. As a consequence, average container turnaround times have ballooned to 100 days from 60 days.



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## 'Price rises likely' due to UK shipping problems

By Vivienne Nunn  
Business reporter, BBC News  
9 December 2020

Brexit



A container ship docked at Felixstowe port last month

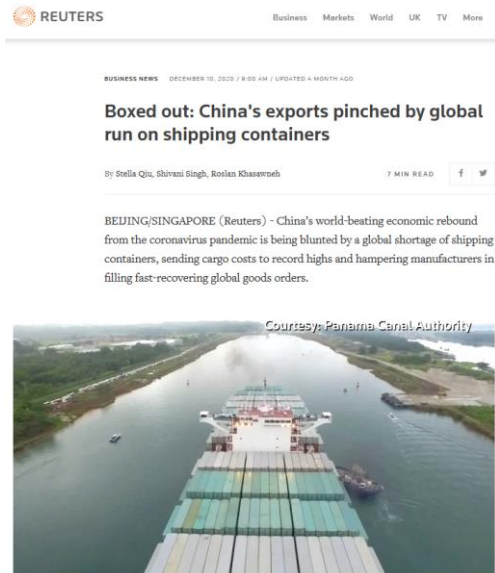
Businesses say a global shipping crisis is causing freight costs to soar and UK consumers may soon see price rises for imported goods.

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This has resulted in shipping container shortages leading to unprecedented market-wide increases in container prices driven by the shipping lines, which will affect the price of all imported products from outside Europe, particularly the Far East. For example the cost of containers from China/East Asia to Northern Europe is 4.3 times that for the return route with all-in costs typically circa \$13,000 per 40ft container. Despite this being a moment-in-time issue, aggravated by Brexit and the Chinese New Year, it is unclear how long this situation will last, but the issue is market wide.



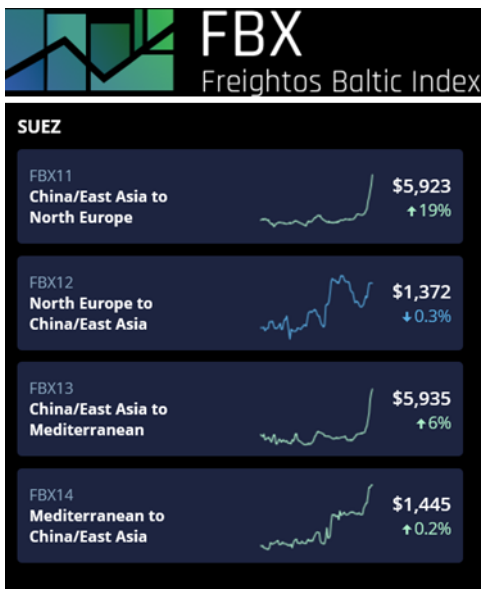
物流巴巴 5689.CN 物流巴巴 航期预定 运价查询 双清运价 物流方案

整柜运价 拼箱运价 空运运价 国际快递 FBA

southampton-南安普顿 SHEN ZHEN-深圳

全部船公司 EMC HMM HPL ONE OOCL

有效期	起运港-目的港	20GP	40GP	40HC
2021-01-08 截止: 2021-01-14	yantian 盐田, 深圳 → southampton 南安普顿	6550 USD	13100 USD	13100 USD
2021-01-08 截止: 2021-01-14	yantian 盐田, 深圳 → southampton 南安普顿	6550 USD	13100 USD	13100 USD



## the japan times

BUSINESS  
Demand for Chinese goods creates shipping container shortage



Demand for Chinese produces has led to a shortage of shipping containers and driven up shipping costs. | REUTERS

BLOOMBERG

SHARE Jan 7, 2021

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## Far East demand for European paper

The Chinese government are about to ban the import of paper waste used to manufacture paper for corrugated within China, so the Chinese market is switching to buying European paper, thus restricting the availability of recycled paper in Europe. This coupled with unprecedented internal demand for corrugated within China has resulted in depleted supplies being available to the UK as paper for corrugated production is siphoned-off to the Far East.

# the japan times

BUSINESS

## China's online shopping addiction is killing its green packaging drive



Employees pack orders at Alibaba's logistics arm Cainiao ahead of the Singles' Day shopping extravaganza this year. | BLOOMBERG

SHARE Dec 21, 2020

## Extended Lead times for Packaging

Sheet feeders (who supply sheet plants) are reporting that lead times have extended from the usual 2-3 weeks out as far as 6-10 weeks in some cases.

Integrated manufacturers are experiencing increased demand and with their capacity being reached lead times are also extending.

Distributors are seeing huge demand, but replenishment is taking longer.

Increased paper mill and manufacturing capacity will take some time to become available, causing supply for paper to be restricted and leading to reduced allocations to those businesses who need it.

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## Timber prices at a decade high

Timber prices have risen sharply in 2020 on the back of the home improvement boom, which has impacted the packaging industry, specifically the cost of pallets and crates used to transport goods.



## Increased cost of finished packaging

It is not one single element that is currently affecting the price of finished packaging, rather it is the culmination of a range of pressures affecting the whole industry within the UK, which is strongly influenced by global factors.

- 30.6% growth in online sales in 2020 compared to 2019 resulted in huge additional packaging demand
- Brexit uncertainty led to increased demand for packaging due to buffer stockpiling
- Impact of COVID-19 on supply chain production capacity
- Shortage of shipping containers driving up transport prices and lead times for imports
- Companies transitioning from Plastic packaging to Paper packaging alternatives
- Far East demand for Paper used in corrugated depleting availability in Europe
- Shortages resulting in extended lead times across the whole packaging sector
- Cost of timber and starch has increased used for pallets and in corrugated manufacturing

As a result, price increases will be seen across all packaging materials, until the pressures on the sector recede and a more normalised status quo resumes.

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## Industry letters



I would like to take the opportunity to formally write to you to thank you for your ongoing support over the last year. As we are all aware the impact with Covid-19 during 2020 has seen significant challenges for us all as businesses, with higher than normal demand, shortages of materials and uncertainty within the UK economy.

Throughout this period we at Corrboard have put every effort into ensuring a consistent supply of products without any impact on pricing. Unfortunately due to the increasing demand on materials within the market we are now being informed of significant increases for our base raw materials that will take effect from the 4<sup>th</sup> January 2021.

Corrboard is committed to offering you the quality you expect and deserve and we have been working hard over the past months to minimize the potential impact of any price increase to ensure as much stability for you as possible.

Unfortunately with the further significant rises in paper across Europe and the UK, our prices will need to increase by 9% effective for all deliveries from the 4<sup>th</sup> January 2021.

Corrboard greatly appreciates your continued business and support through this time and our commitment remains to become your supplier of choice.

If you have any further questions or concerns regarding this price increase, please do not hesitate to reach out. Our team is more than happy to discuss this situation with you.

Kind Regards,

Paul Barber  
Managing Director

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Tel: 01724 781668  
Co. Reg. No.: 08745634  
Vet. Reg No.: 179382268

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18<sup>th</sup> December 2020

As you will be aware, against a backdrop of exceptional demand, our sector's supply chains are stretched to the limit, with the additional prospect of an uncertain Brexit outcome, fuelling inflationary cost pressures across our business.

It is therefore no surprise that we have been notified of significant paper price increases on both Kraft and Recycled grades effective 1<sup>st</sup> January 2021. Our considered view, given the current market dynamics, is that we have no realistic opportunity to mitigate these cost increases.

Unfortunately, we are simply unable to absorb these levels of additional cost and as a result we will be increasing our prices on all deliveries made on and after 18<sup>th</sup> January 2021.

I fully recognise this is unwelcomed news for our customer base, particularly against a backdrop of extended lead times and restrictive allocations.

Your sales contact will be in touch to communicate the percentage increase to be implemented on your account and will organise a new price list for confirmation accordingly.

I would like to take this opportunity to thank you for your patience and support through a very challenging final Quarter. Please be assured that as the UK's only independently owned sheet feeder, we will continue to make every effort to minimise the impact of these increases to your business.

Kind Regards

Dominic Drew  
Managing Director  
Designate  
Board24 Ltd



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