

Corrugated Market Briefing

Know It All packaging newsletter

Situation Summary

- The corrugated industry has not been able to keep up with demand in quarter four
- Demand for corrugated is up circa 30%
- The supply of paper is not keeping up with demand either
- The market should move into balance during the course of February

Unable to Match Demand

- UK annual corrugated demand grows by circa 2% in a good year
- UK corrugated volumes were up by 5% in October and 6% in November
 - Taking the industry to capacity
 - Majority of plants working seven days a week
- However, demand is corrugated is up circa 30%
 - Causing a snowballing of unmet demand
- Box plant and sheet feeder lead times have subsequently pushed into February and March
- UK box plant on-time delivery levels range between an unprecedented 20% to 60%

Supply of Paper is Not Keeping up With Demand

- Covid-related bottlenecks in the paper supply chain
 - Labour shortages in paper mills, ports and transport companies
- Reduced paper supply due to planned maintenance downtime and significant exports to China
- New paper machines will not be up to full capacity until 2021

Why is Demand so High?

- A 30% increase in demand has created a peak that would annualise to circa 1.2 billion boxes in extra UK demand
- This has been caused by an unprecedented combination of factors
 - The seasonal peak in demand in Q4 is 25% higher than the trough of Q1
 - Covid-19 has accelerated the move to online retail sales
 - It takes a lot more corrugated to wrap around one postal pack than a multi-pack in a traditional retailer
 - Brexit-related panic manufacturing

Online Sales Have Doubled to 31.4% of Retailing

Category	Index categories and their percentage weights	Year-on-year growth	Month-on-month growth	Online sales as a proportion of retailing
All retailing*	100.0	74.7	6.3	31.4
All food	12.0	107.8	1.5	10.3
All non-food	35.2	105.9	19.3	32.2
Department stores	7.9	157.2	24.7	38.1
Textile, clothing and footwear stores	12.2	52.0	7.9	39.3
Household goods stores	6.6	124.7	24.2	28.7
Other stores	8.5	124.7	22.7	26.4
Non-store retailing	52.8	47.6	-1.7	83.4

Market Should Return Closer to Balance in 2021

- Seasonal demand is 25% lower in Q1
- A Brexit trade deal looks to be in place
- Everyone over 50 is scheduled to be vaccinated against Covid by the Spring
 - Thus protecting the majority of the most vulnerable in the UK population
- New European paper capacity should be at full capacity by the second half of 2021

Appendix

Corrugated Market Overview

Brexit-related Panic Buying



EUROPE ECONOMY

British stores stockpile food on Brexit no-deal concerns — but shoppers urged not to panic buy

PUBLISHED MON, DEC 14 2020-6:03 AM EST | UPDATED MON, DEC 14 2020-9:58 AM EST

 Holly Ellyatt @HOLLYELLYATT SHARE [f](#) [t](#) [in](#) [✉](#)

KEY POINTS

- U.K. supermarkets are widely reported to be stockpiling food.
- This comes amid the possibility of a no-deal scenario as Brexit trade deal negotiations continue.
- Shoppers have been told not to stockpile, however.



British grocery stores are stockpiling food amid the possibility of a no-deal scenario as Brexit trade deal negotiations between the EU and U.K. go down to the wire.

The supermarkets have reportedly been told by government ministers to hoard nonperishable goods, according to the Sunday Times newspaper, with lawmakers saying a “no-deal Brexit is on the cards.”

The U.K.’s Department for Environment, Food and Rural Affairs did not confirm or deny the report but told CNBC that the government was working with the food industry to support it in case of potential food supply chain disruptions.

“As we have seen this year, the U.K. has a large, diverse and highly resilient food supply chain – which has coped well in responding to unprecedented challenges,” a government spokesperson told CNBC on Monday.

Covid-Related Bottlenecks in the Paper Supply Chain

Felixstowe Port in 'chaos' as Christmas and Brexit loom

By Vivienne Nunn
Business reporter, BBC News

14 November



Retailers, shipping and haulage companies have complained of "chaos" at Felixstowe Port in Suffolk, affecting goods in the run-up to Christmas.

One ship due to be unloaded at the port last week was redirected to Rotterdam because of "unacceptable" delays.

The owner, Hutchison Ports, blames pre-Brexit stockpiling and the pandemic.

Freight manager Matt Hudson warned that "if the chaos continues, increased shipping prices will be passed on to consumers".

Mr Hudson, whose company distributes goods picked up at the port, said containers were being left on the quayside because haulage companies could not book a slot to enter the site.

"It's delaying freight going into shops for consumers to buy," he said. "Shops are struggling anyway at the moment because of the impact from the coronavirus."

"If retail outlets can't sell what is actually en-route at the moment in time for Christmas, potentially they could lose even more money than they have done already this year."

Part of the problem is a shipment of 11,000 containers of PPE ordered by the government that is clogging up the port.

Covid-Related Bottlenecks in the Paper Supply Chain

Covid chaos disrupts Kent ports as France bans UK freight

Boris Johnson to hold Cobra meeting on Monday after hauliers told to avoid Kent ports 'until further notice'



The Guardian

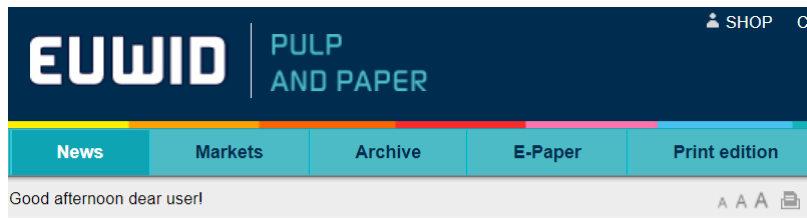
Miles of lorry queues and travel chaos were expected across Kent on Monday morning after France [announced a 48-hour ban](#) on passengers and freight entering from the UK.

The prime minister, Boris Johnson, is to chair a Cobra meeting on Monday that will address “the steady flow of freight into and out of the UK”, a number 10 spokesperson said, amid expected significant disruption at ports in the south-east.

The European Union is to hold a similar crisis meeting today to coordinate its response to concerns about a [fast-spreading new strain of Covid-19](#) after countries across the continent banned UK flight arrivals.

The UK transport secretary, Grant Shapps, warned of “significant disruption” following the snap travel ban that came into force on Sunday night. As a result of the announcement from Paris, Kent police implemented Operation Stack, where lorries will queue between junctions eight and 11 of the M20, southbound, to avoid gridlock on the county’s roads.

Supply of Paper is Not Keeping up With Demand



NEWS

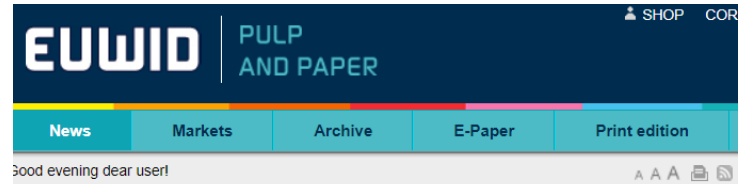
Progroup's PM 3 to reach full capacity in Q2 2021

01 Dec 2020 – The ramping-up of Progroup's new PM 3 in Sandersdorf-Brehna is progressing well. The company therefore expects commissioning of the machine to be completed in the second quarter of 2021.



The ramping-up of Progroup's new PM is progressing well

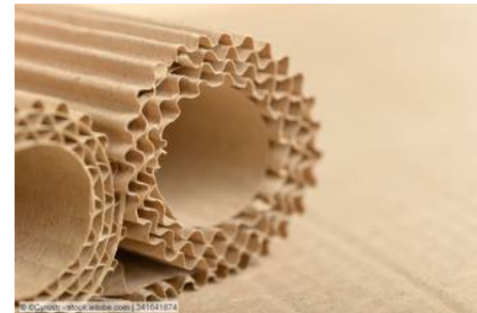
At the end of August, Progroup started-up the PM 3 in Sandersdorf-Brehna in eastern Germany. Just three months after the start, the machine was able to reach a daily production of over 2,000 tonnes several times. The ramp-up phase is therefore expected to be completed by the end of the second quarter of 2021. In normal operation, PM3 will then be able produce up to 750,000 tpy of containerboard from 100 per cent recovered paper.



NEWS

Hamburger Containerboard's new PM 2 produces first tambour of brown testliner

18 Nov 2020 – Despite some setbacks completion of the project was delivered "almost on time".



The new PM 2 at Hamburger Containerboard's mill in Spremberg, Germany, produced its first tambour of brown testliner on Saturday 14 October. At full capacity, the new paper machine can produce up to 500,000 tpy of white and brown corrugated case material. This will bring the mill's total output capacity to almost 900,000 tpy. The launch marks the completion of a two-year building phase of the new machine. Total costs of the project is €370m.

The company said that there were several setbacks in the time schedule for the project due to Covid-19 and a fire in the stock preparation earlier this year. However, start-up of the machine was almost on time, Hamburger explained.

Corrugated Industry Unable to Keep Pace With Demand

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The impending UK cardboard crisis

The serious impact on food supplies and medical packaging

The COVID-19 pandemic is creating gaps in supply chains. The Recycling Association is warning of an imminent shortage of cardboard. This will affect food and medicine packaging.

The shortage is directly related to Councils' suspending regular recycling. Which in turn is increasing the amount of waste going into landfill.

The Recycling Association is predicting a worldwide shortage of fibre. This fibre usually comes from used paper and cardboard. Which is recycled and then used to manufacture cardboard boxes. These boxes are essential for food and medical supplies distribution.

The shortage in the UK is due to two factors. Borders between European countries – a major source of fibre – are more difficult to negotiate. But also because more and more cardboard is going into landfill. Councils around the country are suspending domestic collections. And high street shutdowns mean retailers aren't recycling packaging either. The fear is, with home deliveries increasing, much of the fibre the recycling industry needs will end up in general rubbish bins. Where they go straight into landfill or incinerators.

In a fast-changing scenario, it feels like many systems and processes are up in the air. This is where Restore Datashred can step in and help you do your bit for the environment. Helping keep distribution lines open for vital supplies.