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Dear Valued Customer,

Industry-wide price increase on corrugated

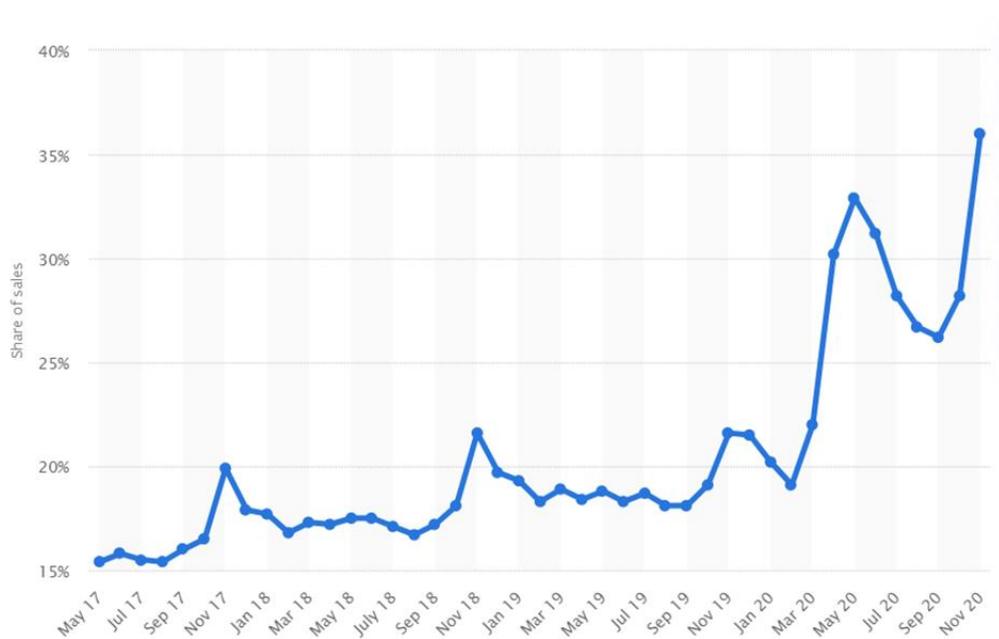
The last year has been a huge challenge to all businesses and in recent months we have seen real pressure on the supply chain for corrugated packaging materials leading to much longer lead times than usual.

It is with a heavy heart I am writing to inform you of an impending price increase. In recent weeks we have received notification of price rises from the mills we buy our board from and by the end of the month will have received increases from every mill supplying us – all taking effect before the end of January.

Why are prices increasing?

Global demand for corrugated materials has been at unprecedented levels for some months now, the pandemic has led to a change in shopping habits and how goods are supplied. *See Graph below*

INTERNET SALES AS A PERCENTAGE OF TOTAL RETAIL SALES IN THE UK MAY 2017 TO NOVEMBER 2020



In addition to these raw material increases; we are also seeing rising supply chain costs in a variety of areas.

We need to be in a position to guarantee all of our customers on-going continuity of supply and have no option but to agree to the increases that are being imposed upon us in order to maintain security of supply but are unable to absorb them into our costs – I wish we could!

How much is the increase and when will it start?

The increase will be 7.5% for converted product and 10% for sheet board (we supply sheet board direct from the mills). The increase will take effect for deliveries made on 15th February 2021 onwards.

If I ask for a quote now what price will I be quoted – pre- or post-increase?

Starting from Wednesday 13th January any quotes sent for new items will display your price including the February increase – *there will be a note in the top left-hand corner confirming this point*. For existing items where an up-to-date price is requested – our quote will display your current price and underneath will show the new price starting 15th February.

Will lead times ever get back to normal?

Usually, we work to a manufacturing lead time of around 10 working days. However, due to the unprecedented demand towards the end of last year paper stocks have been depleted, resulting in shortages and extended lead times. The mills are working hard to replenish stocks, and no doubt will correct the balance. But, in the short term, the impact has resulted in material availability currently being around 6 weeks, in some cases. Then we still need to manufacture and deliver. Can I ask how your stocks are at present? It's vital that we forward plan for the future to ensure we are able to fulfil your requirements. If you are already covered, that's great, but please be mindful of the pressures we face. We will of course keep you updated of all developments whilst we work through this difficult time and are looking forward to returning to some sort of normality in the near future.

Do I have any options open to me to reduce the increase?

We appreciate this will be unwelcome news and would be happy to discuss possible options to try to reduce this by means of downgrading material where possible or increasing order quantities in case savings can be made on transport costs / higher breakpoints etc. Your account manager will be happy to talk you through the options available to you on a product-by-product basis.

Thank you for your continued support and much valued business with Cumberland Packaging

I would like to take this opportunity to reassure you that as a market leading independently owned plant, we are in a strong position to guarantee your business continuity of supply.

Yours faithfully

John Watson

John Watson
Managing Director
Cumberland Packaging Limited