

CAPS CASES

Studlands Park Industrial Estate
Newmarket, Suffolk, CB8 7AU
T. 01638 667 326
F. 01638 667 407
www.capscases.co.uk

Corrugated Market Briefing

4th May 2021

The corrugated industry has not been able to keep up with demand since quarter four 2020, and the supply of paper is not keeping up with demand either. Hence, box lead times will remain extended throughout 2021 with many UK box plants quoting delivery in 12-16 weeks, and On-Time delivery performances range from an unprecedented 10-70% in the UK.

Why is demand so high?

- Significant containerboard exports to China from Europe.
- A 30% increase in demand has created a peak that would annualise to circa 1.2 billion boxes in extra UK demand.
- Covid-19 has accelerated the move to online retail sales
- Online retailing enjoyed year on year growth of 62% and it takes a lot more corrugated to wrap around one postal pack than a multi-pack in a traditional retailer
- UK corrugated volumes are up by 5-6%, however demand for corrugated is up circa 30% causing a snowballing of unmet demand

Why are prices increasing?

Essentially it is down to demand far out-stripping supply, and prices will keep rising until there is closer equilibrium between supply and demand. There are likely to be 5-6 corrugated industry-wide box price rises this year whilst much of the required capacity to restore balance is commissioned, with a cumulative 35-45% increase in box prices projected by year end.

- Waste paper (for making recycling containerboard) prices have risen every month in 2021. Containerboard (paper for making boxes) prices have risen every month in 2021 and are set to continue in May.
- UK box prices have risen by 22.5% so far this year

Is there an end in sight?

Corrugated is in a super-cycle (i.e. a prolonged period of demand outstripping supply), Inflationary pressure will continue for the rest of 2021 and lead times will remain extended. However new paper, board and box conversion capacity will come on stream by early 2022 to start to restore equilibrium. In the meantime, security of supply is at least as critical as price.



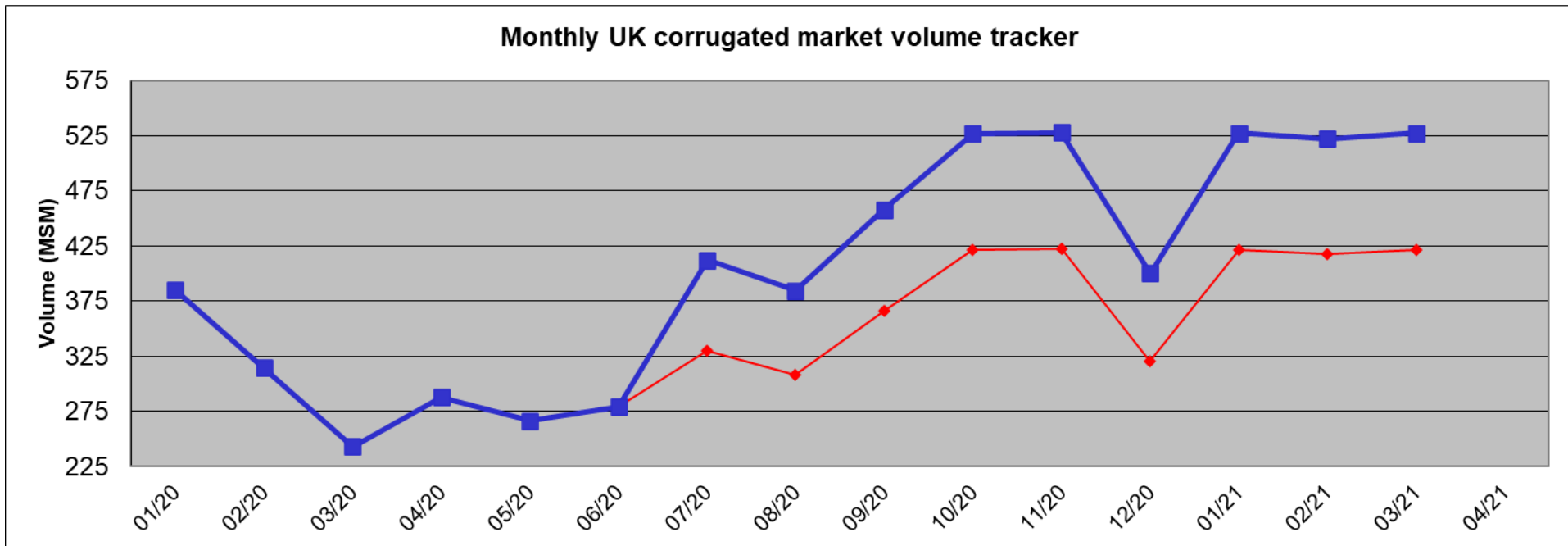
The mark of responsible forestry
FSC® C114714

Directors: C. Bissett, A. Bissett, T. Bissett, M. Bissett, J. Bissett, N. Drewry
Registered Office: Studlands Park Industrial Estate, Newmarket, CB8 7AU

VAT No. 370 4547 55

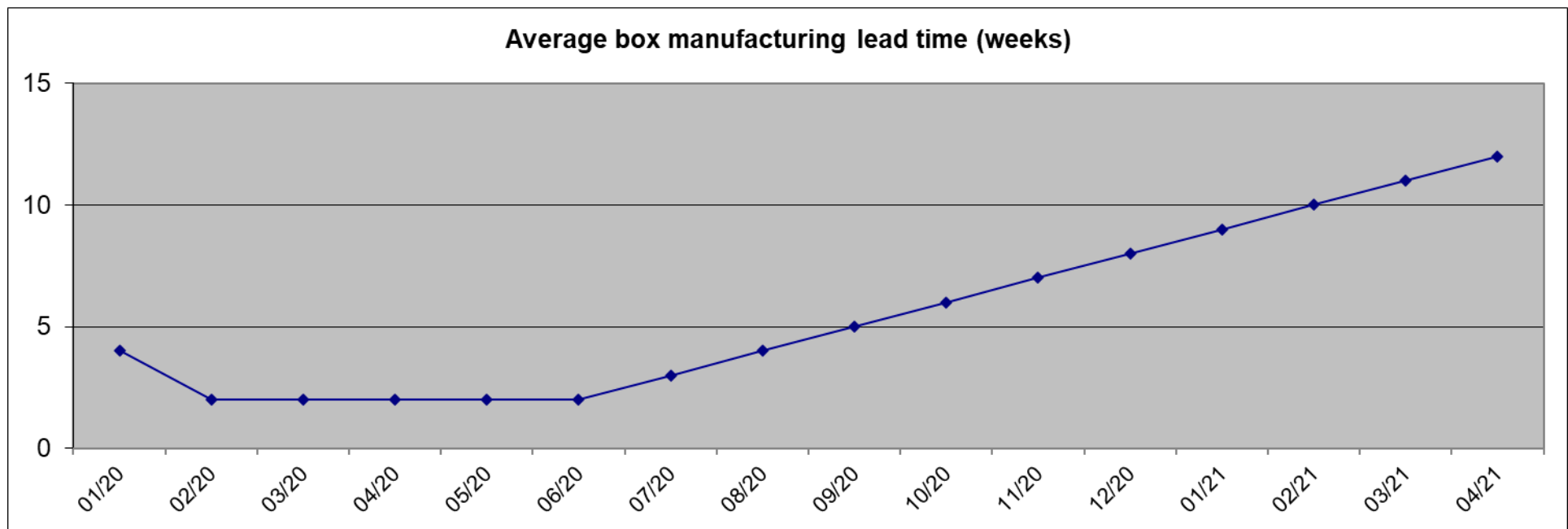
Registered No. 1636565 England

Demand vs Industry Output



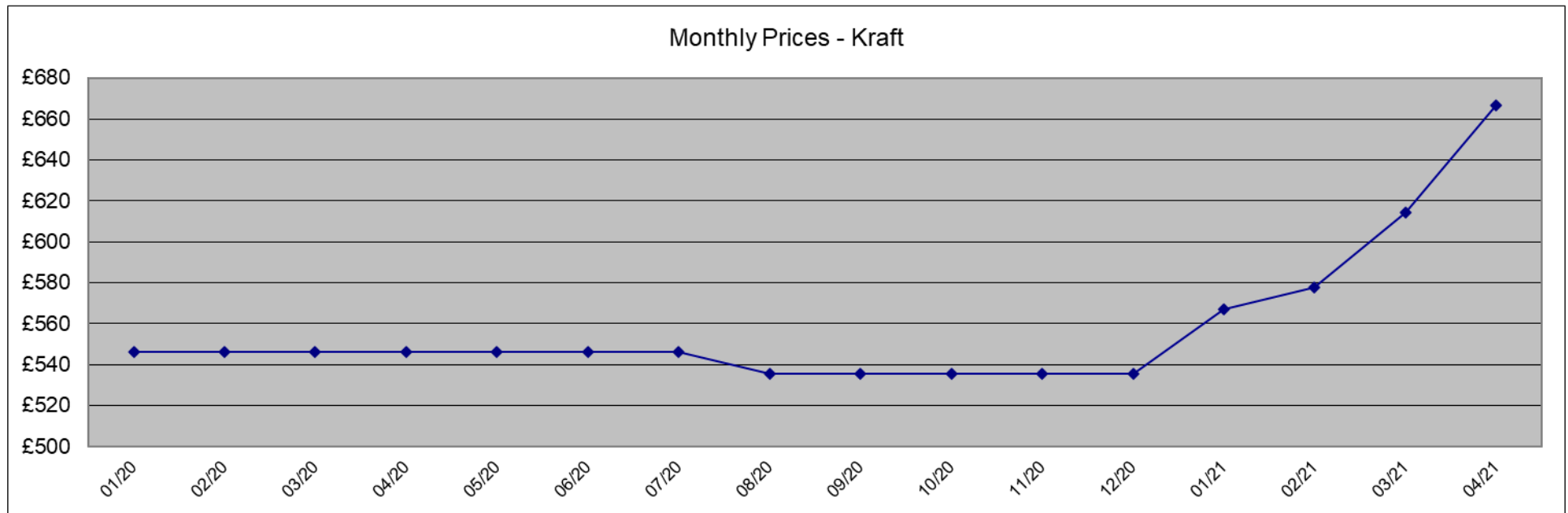
----- **Corrugated market demand**
----- **Corrugated industry output**

Average Box Plant Lead Times Extending Steadily



Industry lead times extending by one week per month

Kraftliner Prices +29% in 2021 to April



Testliner 3 Paper Prices +30% in 2021 to April

