

CAPS CASES

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Corrugated Market Briefing

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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 have remained extended throughout 2021 with many UK box plants now quoting delivery in 12-16 weeks.

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.
- Online retail sales have grown to 29% of all retail sales, down from 35% during lockdown, but it takes a lot more corrugated to wrap around one postal pack rather 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 and causing lead times to drift out still further

Why are prices increasing?

When there is not enough of a commodity, prices will keep rising until there is closer equilibrium between supply and demand.

- Waste paper prices have risen in almost every month in 2021 and are now up 87% year to date.
- Containerboard (paper for making boxes) prices have risen 8 out of 10 months in 2021 and are 48% higher year to date.
- Sheet board price have risen 52%.
- UK box prices have risen by 38-45% 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.



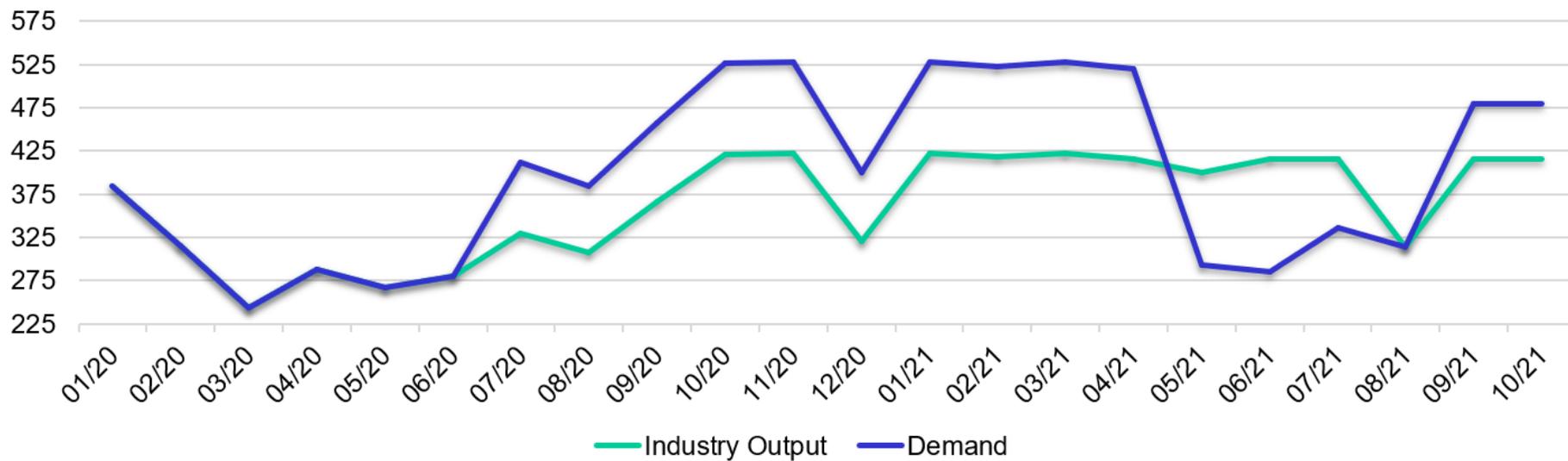
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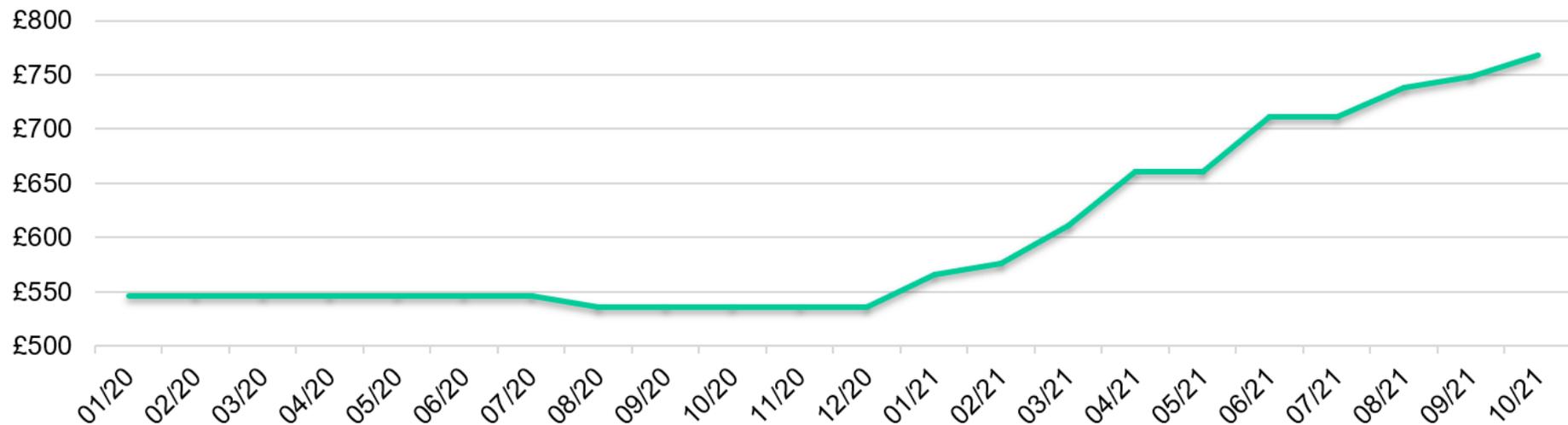
Demand vs Industry Output

Monthly UK corrugated market volume tracker



Kraftliner Prices +43% in 2021

Monthly Prices - Kraft



Source : Know It All packaging newsletter

Waste Paper Prices +87% in 2021

