Statement on the Current Position of the Corrugated Cardboard Industry

Corrugated cardboard is both integrated and circular, with supply dependent on the recycling of old boxes into paper and conversion into new boxes. It is therefore subject to the changing dynamics of global trade.

Production of corrugated cardboard has always run efficiently and effectively, but we are now facing a combination of market conditions that are proving extremely challenging, especially at a time when demand for sustainable packaging materials like corrugated cardboard are so high.

Observations on current trends

COVID-19

- Clearly the pandemic has significantly changed society, not least in its approach to shopping. We have seen dramatic increases in online ordering, with the consequent demand for corrugated packaging that is required to ensure that goods are protected.
- The pandemic has also had an impact on global trade, with an imbalance in containers around the world, which has had an impact on transport logistics.
- Lockdown through 2020 also had an effect on paper mills with commentators noting a change to scheduled planned maintenance, leading to some imbalances in supply.
- Companies have introduced safe working practices, but there have still been occasions when employees are required to self-isolate with the consequent impact on staffing and production.

Brexit

- The Brexit Transition Period came to an end on 31 December 2020 and there was uncertainty until late in the year with the Deal only announced on 24 December. Many companies will have been stockpiling in the final months of 2020.
- With the implications of Brexit now taking effect, products entering the UK can be subject to delays at customs. We are still seeing evidence of delays at borders.

It has been suggested that the Chinese ban on export of paper for recycling has negatively impacted the industry. We are not aware that this has had any impact on the production of new corrugated boxes.

As a result of all of these developments lead times for the industry have risen dramatically, increasing from days to weeks. Some customers have been unable to source sufficient boxes.

CPI Position

While we can expect the implications of border delays due to Brexit to drop away in time as we settle into our new arrangement, there is still evidence of ongoing issues. As we move out of lockdown we can expect the maintenance schedules to return to planned timelines; and the incidence of self-isolation will decrease. While we may find that consumer buying behaviour has changed for good, industry will adapt to such demands.

Importantly there are plans in place to bring the market back into balance, with many paper companies across Europe having brought new capacity online late in 2020 or scheduled to do so throughout 2021.

Conclusion

A range of recent circumstances have come together resulting in an imbalance in supply and demand across the corrugated industry. These circumstances are changing and steps are in hand to address the imbalance with increased capacity. As the implications of Brexit settle and we come out of lockdown, we can expect the situation to level out.

Further Information

For further information on this issue please contact Andy Barnetson, Director of Packaging Affairs on 01793 889602 or email abarnetson@paper.org.uk.

Confederation of Paper Industries

- The Confederation of Paper Industries (CPI) is the leading trade association representing the UK's Paper-based Industries, comprising recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers, and makers of soft tissue papers.
- CPI represents an industry with an aggregate annual turnover of £12 billion, 62,000 employees, which supports a further 100,000 jobs in the wider economy.
- For facts on the UK's Paper-based Industries please visit: www.paper.org.uk.

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