

Statement on the Current Position of the Corrugated Cardboard Industry



The corrugated cardboard industry is both integrated and circular, with supply dependent on the recycling of old boxes into paper and conversion into new boxes. It is subject to the implications of global trade.

This is an industry which has always run efficiently and effectively. For some months it has faced a combination of market conditions that are proving extremely challenging. Many of these are common to UK manufacturing, others are particular to the cardboard industry.

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 cardboard packaging that is required to ensure that goods are protected.
- Companies have introduced safe working practices, and this has become part of the new business as usual, 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. 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.

Recycling

- With the increases in online delivery, we have seen more cardboard ending up in the domestic home and a relative decrease in material for recycling that ends up back of store. The nature of

domestic collection infrastructure makes it more complicated to recycle, as Councils have to deal with smaller amounts of cardboard from a larger number of sites.

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 throughout 2021, increasing from days to weeks. Some customers have been unable to source sufficient boxes.

Seasonal fluctuations

- The Christmas period is always a busy time for the cardboard industry, with annual production typically peaking in November.

Recognising the seasonality of demand, industry has taken specific steps to prepare for this year, and we are confident that there will be sufficient material to meet requirements.

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 that 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.

It remains critically important that society keeps recycling their old cardboard boxes rather than hoarding or disposing of them in some other manner. Recycled fibre is a major portion of UK made cardboard (75%+) and the cardboard industry needs old boxes with which to make new boxes.

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 continue to come out of lockdown, we can expect the situation to level out. While we are facing higher seasonal demand, industry has taken steps to prepare and we are confident that there will be sufficient material to meet requirements.

Further Information

For further information on this issue please contact Andy Barnettson, 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, 56,000 employees, which supports a further 93,000 jobs in the wider economy.
- For facts on the UK's Paper-based Industries please visit: www.paper.org.uk.

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