

## **Corrugated Box Price Increases 2018**

### **What's it all about, why are my corrugated packaging costs increasing and what will happen during 2018?**

After a challenging 18 months, which has seen the price of paper rise at an unprecedented rate, we had hoped by now that the market would see some price stability. However, the corrugated industry, is still struggling with the supply of all containerboards.

### **What's causing this?**

The UK corrugated market has seen unparalleled growth during 2017, from the uncertainty over post Brexit supply combined with the 15% fall in sterling since Brexit. This has prompted UK manufacturing, which is currently booming, to reassess their supply chain and buy more packaging from within the UK. This upsurge in demand has impacted on the cost of the raw materials for the entire corrugated box making industry.

Because there is currently no planned investment for new Kraft paper mills, the demand is outstripping the supply of raw materials, meaning that box making factories are being let down on material delivery and are having to pay increased prices for the paper that they can source. Furthermore, orders are being cut short with only a percentage of requirements being fulfilled without prior notice.

The huge growth in demand for corrugated boxes added to the peak Christmas period means that lead times are extended as you can only produce a certain amount from a machine on a daily basis. Running machines at high speeds for lengthy periods of time means they become more prone to problems and breakdowns despite a programme of planned maintenance throughout the year.

### **What's the solution?**

Initially many customers looked to move to recycled papers such as TL2, but this increase in demand has also restricted the supply of such papers and has consequently led to an increase in price for these papers too. Ultimately those seeking to buy the raw materials for the manufacture of corrugated boxes are almost powerless to negotiate on price, if they want to continue to get supply.

Stocks of pulp and paper are very low. The usual q1 slump did not materialise so we do not see any improvement in supply or pricing on the horizon.

## What changes will we see in 2018?

There are several new recycled paper mills across Europe being commissioned during 2018 but this will only affect supply in the medium to long term. There is currently no planned growth in the production of Kraft papers anywhere. Consequently, we are heading for some quite substantial increases in price for corrugated boxes in early 2018.

Whilst Swiftpak have made every effort to mitigate, absorb and delay this latest increase and fully appreciate the impact on your business, we must however be able to operate a sustainable business whilst maintaining security of supply. Every factory large or small has been affected by these shortages in material supply and will have no option but to review their pricing.

We remain committed to helping our customers deliver cost take out, through product re-engineering and smart use of raw materials and are available to explore these options with you.

Further information can be freely found on the web, a couple of useful links are included below.

<https://dealersupport.co.uk/pressure-on-paper-supply-and-raw-material-costs-to-push-prices-up/>

<https://packagingeurope.com/experts-warn-of-rising-paper-prices-in-face-of-shortage/>

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