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New FFI flash survey: Customers should plan folding carton requirements more realistically in future

Frankfurt am Main, 17. February 2022

In its new FFI flash survey, almost 90% of the 40 participating folding carton manufacturers stated that communication in the supply chain had improved significantly compared to pre-Corona times, but this does not apply equally to all customers. "A fundamental change of mindset is required, especially among brand owners and customers from retail," as Andreas Helbig, FFI board spokesman, notes. "Folding boxes are becoming more and more popular. Just as at the moment, we suspect that demand for recyclable and sustainable folding cartons will also increase in post-Corona times," Helbig adds. At the same time, the current Corona-induced demand peaks meet a supply side that is running under full load and declining in its capacities. "What we need, therefore, is planning security and predictability," Helbig appeals to the customers of the folding carton industry. He says it is not appropriate, when customers pre-order fictitious demands out of uncertainty about the supply of folding cartons, e.g. in the form of flat annual volumes of packaging. "In contrast, we now need much more open communication between suppliers, converters and customers to bring the demand for folding cartons and the supply of cartonboard back into better balance and to prove the fundamental stability and resilience of the supply chain for folding cartons," Helbig demands and concludes: "It is therefore the special responsibility of customers to realistically plan their actual demand for packaging in order to ease the situation and to exchange views on this with their suppliers on the basis of trust and

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transparency. We as the folding carton industry are making the greatest efforts ourselves to contribute to ease the situation."

CARTON SUPPLY REMAINS TIGHT

The urgency for more intensive communication in the supply chain emerges from the current FFI survey, which was conducted in the first week of February to assess the situation at the beginning of the year after the last flash survey in autumn 2021. According to the new survey, only 12.5% of survey participants reported that current delivery times for virgin fibre cartonboard in the existing customer business had not changed compared to October 2021. In contrast, 77.5% of folding carton manufacturers reported extensions of between four to 16 weeks. The same picture is seen on the recycled carton side.

PRICES FOR FOLDING CARTONBOARD RAISED TO NEW LEVEL IN SHORT, HARD STEPS

The supply situation is reflected in the development of procurement prices. The majority of survey participants report at least double-digit percentage price increases, regardless of the fibre type. The price jumps since the last FFI flash survey, i.e. since October 2021, were up to 25% for recycled cartonboard, in individual cases over 30%. For virgin fibre cartonboard, the price increases since then have amounted to up to 25%. The increases were implemented in several steps, with further increases announced.

DEMAND FOR FOLDING CARTONS STABLE

Several causes have been identified for the supply chain development that has been worsening for months. Corona and the governmental and self-imposed measures to contain the pandemic had a far-reaching impact on consumers' demand and supply



habits. Even though there was volatility in individual folding carton segments, on balance the German and European folding carton industry experienced and continues to experience greater demand for cardboard based packaging. Quite a few market observers suspect that this growth in demand could also prove stable in post-Corona times, with reference to the possible substitution effects towards recyclable folding cartons and other fibre-based packaging that comes from natural, renewable and certified sustainable raw material source of wood or from recycled paper. These developments and trends on the object-driven side of the market are coupled with a supply side that is running under full load and is seeing its capacities decline.

DANGEROUS SPIRAL SET IN MOTION

Against this background, the temporary raw material shortages for cartonboard manufacturers - as well as the brought forward energy price developments - and the increased demand for folding cartons and fibre-based packaging in many regions of the world have set in motion a worrying development. This finds expression in long delivery times, increased prices, supply limitations and entails supposed safety measures such as even earlier orders and higher order quantities along the entire supply chain. This also includes the reflexive build-up of inventories, which is confirmed by the information in the flash survey. However, this picture is heterogeneous: 50% of companies have seen an increase or large increase in raw material inventory since October 2021, whereas 25% report a decrease or large decrease.

INTENSIVE SUPPLY CHAIN COMMUNICATION CAN REMEDY THE SITUATION

In order to calm the situation, brand owners and customers from retail should take more responsibility by planning their packaging requirements realistically according

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to the period and by intensively exchanging information with their suppliers within the framework of existing business relationships. The folding carton industry, for its part, is making great efforts to contribute to ease the situation.

About FFI Fachverband Faltschachtel-Industrie (German Folding Carton Association)

Since 1948, German Folding Carton Association FFI has been representing the interests of more than 60 companies with over 80 production locations that manufacture approximately 9,900,000 tonnes of folding cartons per year, amounting to a production value of approximately EUR 1.95 billion. The members of the FFI account for roughly two thirds of the industry's sales. The folding carton industry has some 9,500 employees from numerous professions, including industry-specific ones such as packaging engineers, printers, packaging technicians, packaging developers or media designers as well as commercial, technical and logistic professions. The industry is currently training almost 700 apprentices and has a long tradition of being a future-oriented and responsible employer. FFI supports its members by providing them with a wide range of products and services; in doing so, it helps them to make sustained improvements in their competitive position. The range of committees and information provided by FFI is unique anywhere in Europe. FFI works systematically on transferring know-how and increasing skill levels via information events and training seminars as well as via manuals, guidelines, samples and checklists.

Appendix

Picture (caption):

Andreas Helbig, Spokesman FFI Board: "Supply chain partners need to exchange more intensively to improve cartonboard supply."

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