

# What continues to impact prices?

COVID 19 continues to have a profound impact on the Global Supply Chain, resulting in significant delays on standard lead times of up to 4 to 8 weeks and significant increases in Pulp and Ocean Freight.

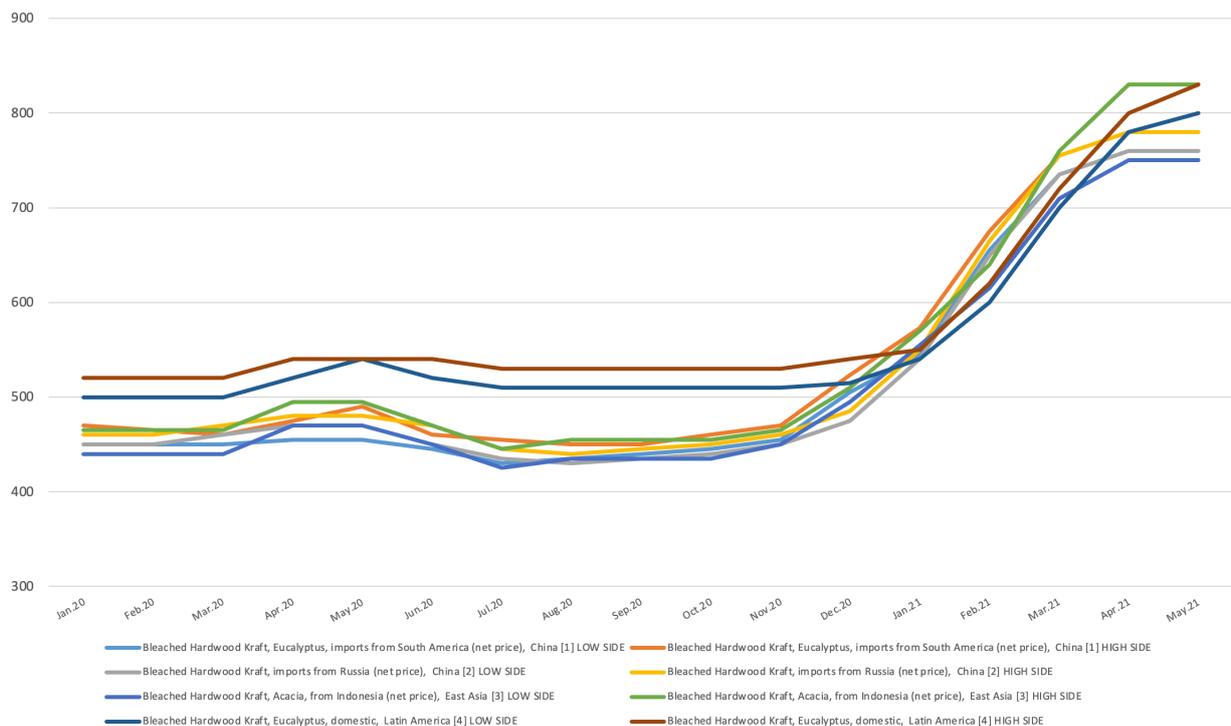
As a business, Ball & Doggett continues to work closely with all supply partners to mitigate the impact to our customers and to ensure the sustainable supply of our leading brands.

## Pulp Pricing

In recent months' pulp pricing has increased by approx. 35%. Some of the key drivers:

- High demand for fibre based packaging due to the pandemic.
- Strong demand from the building and textile industries as economies rebound from Covid.
- Shift from plastic to fibre based packaging due to environmental concerns.
- Unsustainable low historic pricing from all pulp manufacturers globally.
- The consolidation of major pulp producers controlling supply and demand.

### S.E. Asia - Regional Pulp Price Trend (USD)



## Other Inputs

In addition, resin prices have increased significantly since late last year driven by higher oil prices, strong demand and COVID workforce constraints. This is having an impact on raw material costs for plastics, films, synthetics, inks and chemicals.



## International Shipping

Over the past 6 months, International shipping costs have increased exponentially from all regions. These increases impact all imported products from around the world arriving into Australia. Pleasingly, we have seen shipping prices stabilise over the past month however they remain significantly higher than late last year. It is the view of all our freight forwarders that the current delays and current price levels will continue for the remainder of the year.

### World Container Index

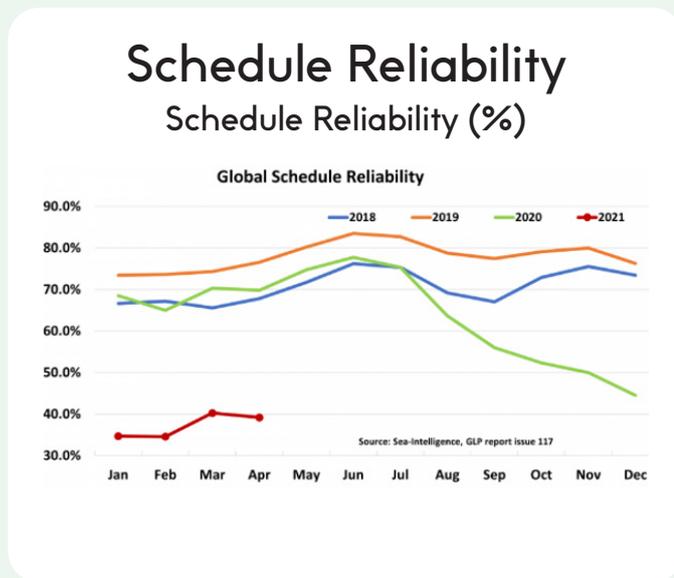


The factors driving this include:

- Increases to local landing charges.
- Port congestion due to volume and workforce constraints as a result of Covid.
- Global shortage of empty containers and vessels due to the consolidation of shipping lines controlling supply and demand.
- Recent blockage of the Suez Canal has caused further delays from Europe.

Along with this, schedule reliability is at its worst ever level as seen in the graph below. This is due to a number of reasons including trans-shipment, port congestion and blank sailings (cancellations or skipping of schedule port stops).

- Schedule reliability is the measure of a shipping lines ability to deliver within specified dates (DIFOT).



*Hasn't the exchange rate (AUD vs USD) mitigated some of these increases?*

Partially yes, however the supplier increases have surpassed the benefit of an improving exchange rate. Price increase percentages would be higher if not for the improvement in exchange rates.

*In Summary,*

*Five factors driving prices higher:*

1. Significant increases in pulp pricing over the past 4 to 6 months.
2. Significant supply chain and logistics disruptions arising from the pandemic.
3. Massive spike in freight costs, especially to the ANZ region.
4. Capacity reduction by Paper mills globally rebalancing supply and demand.
5. Solid global demand as economies rebound from COVID and customers replenish stock holdings.

If you require any further information please contact your Ball & Doggett Sales Executive.