

What continues to impact prices?

Further to our June update, COVID 19 continues to have a significant impact on the Global Supply Chain, resulting in delays of up to 4 to 8 weeks and further increases in Ocean Freight. Container and vessel availability into Australia remains tight and many suppliers are enforcing allocations on their Australian distribution partners.

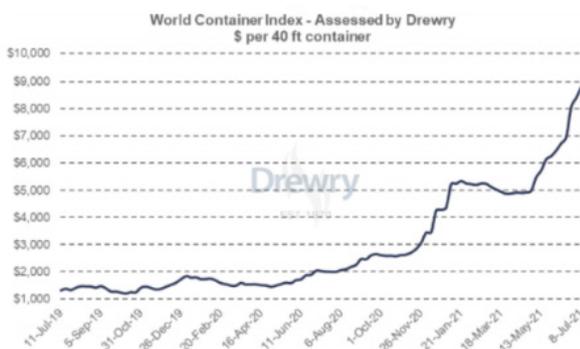
Through our Global network of suppliers and the support of our parent company Japan Pulp & Paper, Ball & Doggett have been able to navigate these supply challenges to ensure we maintain healthy stock levels to support the market.

This document is designed to explain some of the underlying drivers impacting pricing and to assist the messaging through the supply chain.

International Shipping

Over the past 6 months, International shipping costs have increased exponentially from all regions. These increases impact all imported product from around the world arriving into Australia. Prices stabilised for a short period between February and May however we have seen another spike over the past 4 to 6 weeks. It is the view of all of the freight forwarders that prices will remain high until the end of the year.

World Container Index



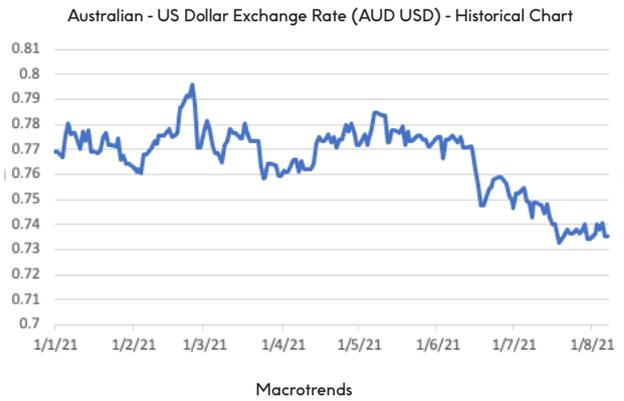
The factors driving this include:

- Due to the fiscal stimulus provided to American consumers containerised goods have risen by 40% on pre covid levels resulting in shortages in vessel and containers to other routes like Australia.
- 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.
- Blockage of the Suez Canal has caused further delays from Europe.

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

Up until recently yes, however since the middle of June the AUD vs USD has declined by approx. 4% (\$0.77 to \$.0735). Given ocean freight and pulp is traded in USD\$ this is further compounding the issue.

Currency Chart

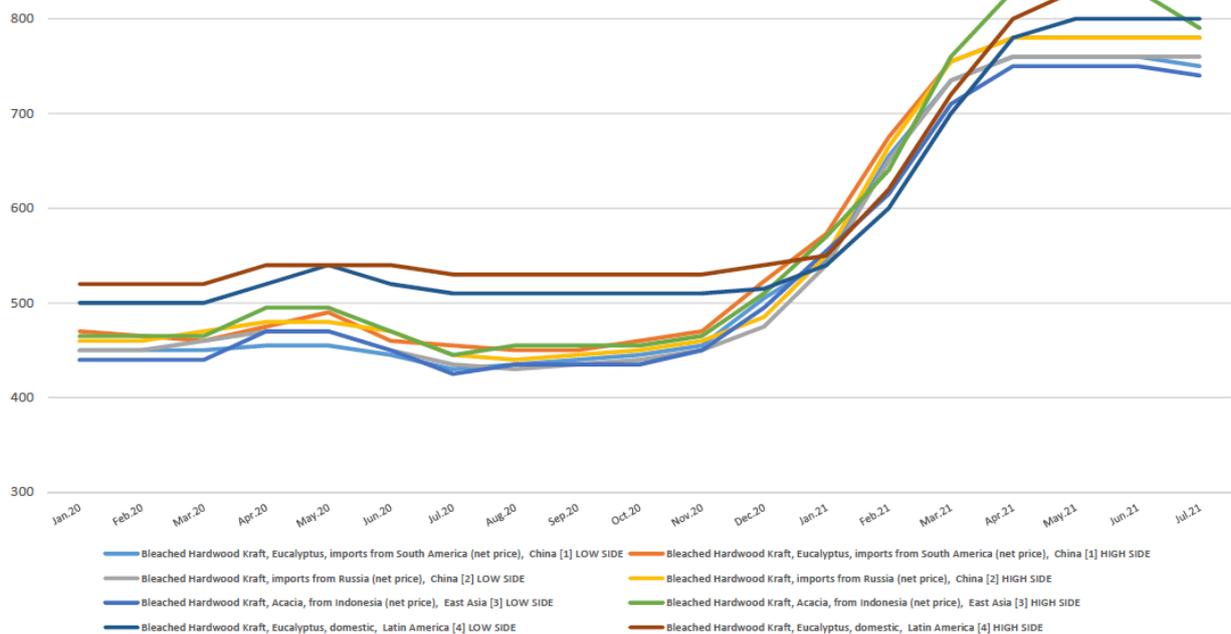


Pulp Pricing

Since January pulp pricing has increased by approx. 35% as a result of:

- 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.
- Increases in ocean freight to transport from pulp mill to paper mill.
- Unsustainable low historic pricing from all pulp manufacturers globally.
- The consolidation of major pulp producers controlling supply and demand.

Hardwood Pulp Trend - Southern Hemisphere Jan 2020 - July 2021

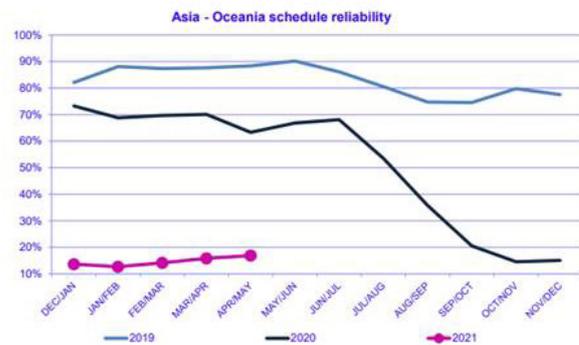


Along with this, schedule reliability is at its worst ever level as seen in the graph below. This is due to a number of reasons including trans-shipment, port congestion and blank sailings (cancellations or skipping of schedule port stops).

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

Schedule Reliability

Schedule Reliability (%)



In Summary.

Six factors driving prices higher:

1. Significant increases in pulp pricing over the past 6 months.
2. 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.
6. Recent decline in the Australian dollar against the USD.

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