

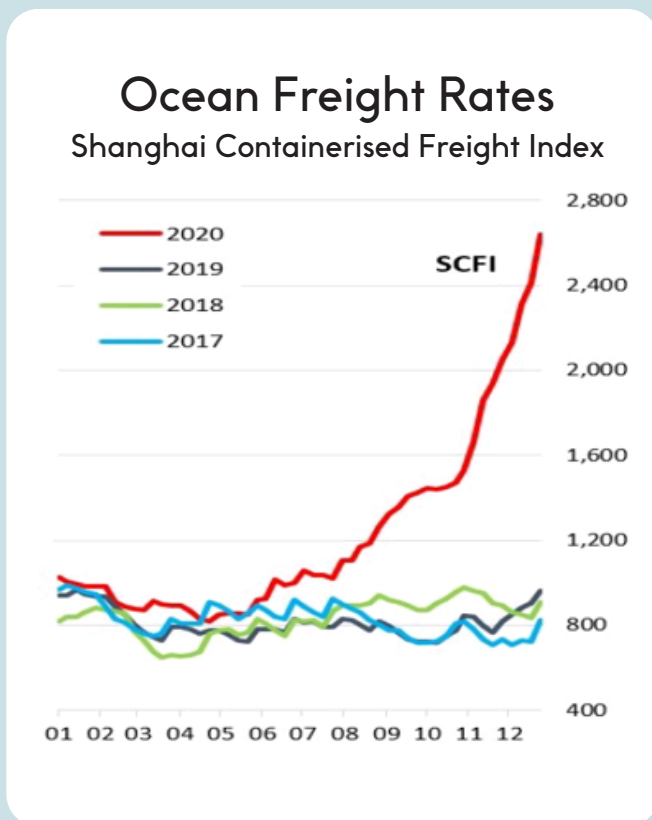


# WHAT'S IMPACTING PRICES?

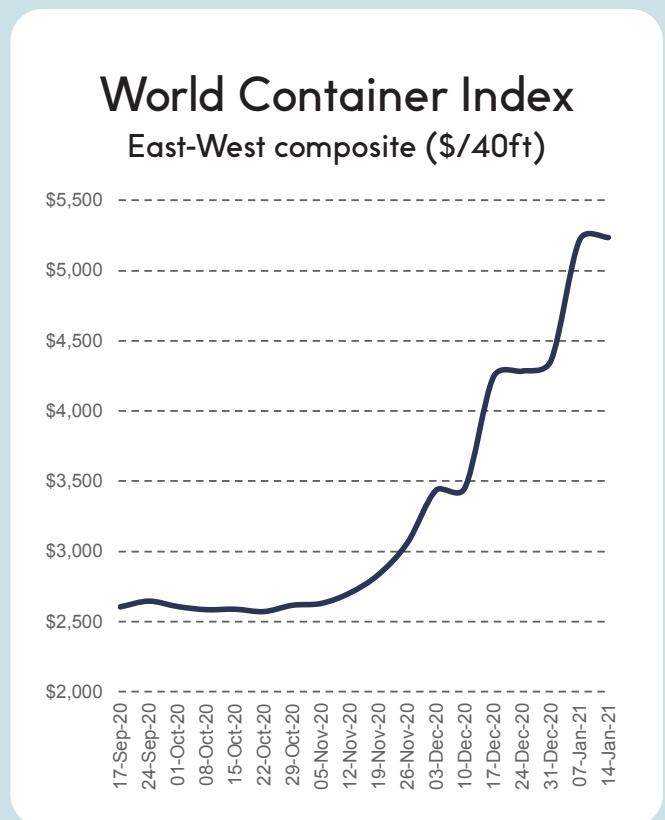
## International Shipping

Although we are all looking forward to a world without Covid-19, we are still dealing with its impact and will be for some time. In an unprecedented move, international shipping costs have increased exponentially. These increases impact all imported products from around the world. The below graphs illustrates the extent of the freight cost increases.

No matter what index you use, its the same story.



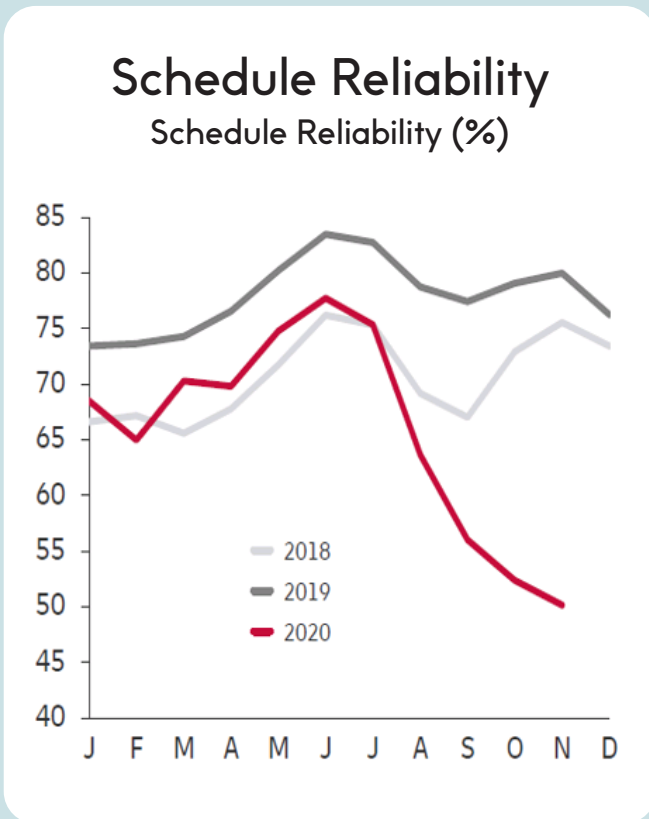
Source: Alphaliner



Source: Drewry World Container Index

The factors driving this include increases to local landing charges, a shortage of empty containers and vessels worldwide, consolidation of Global shipping lines controlling supply and demand of containers and vessels, with routes from South East Asia increasing by as much as 500%, as well as the surge in spot rates.

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 port congestion, covid-19 work force constraints, blank sailings and transshipments.



Source: Sea Intelligence

*So how long will these shipping cost increases stick around for?*

That's a great question. Nobody is sure, the industry experts are predicting at least through to the end of 2021. We'll continue to try and mitigate the impact as much as possible by reducing expenses in other parts of our business.

*Hasn't the exchange rate mitigated some of these increases?*

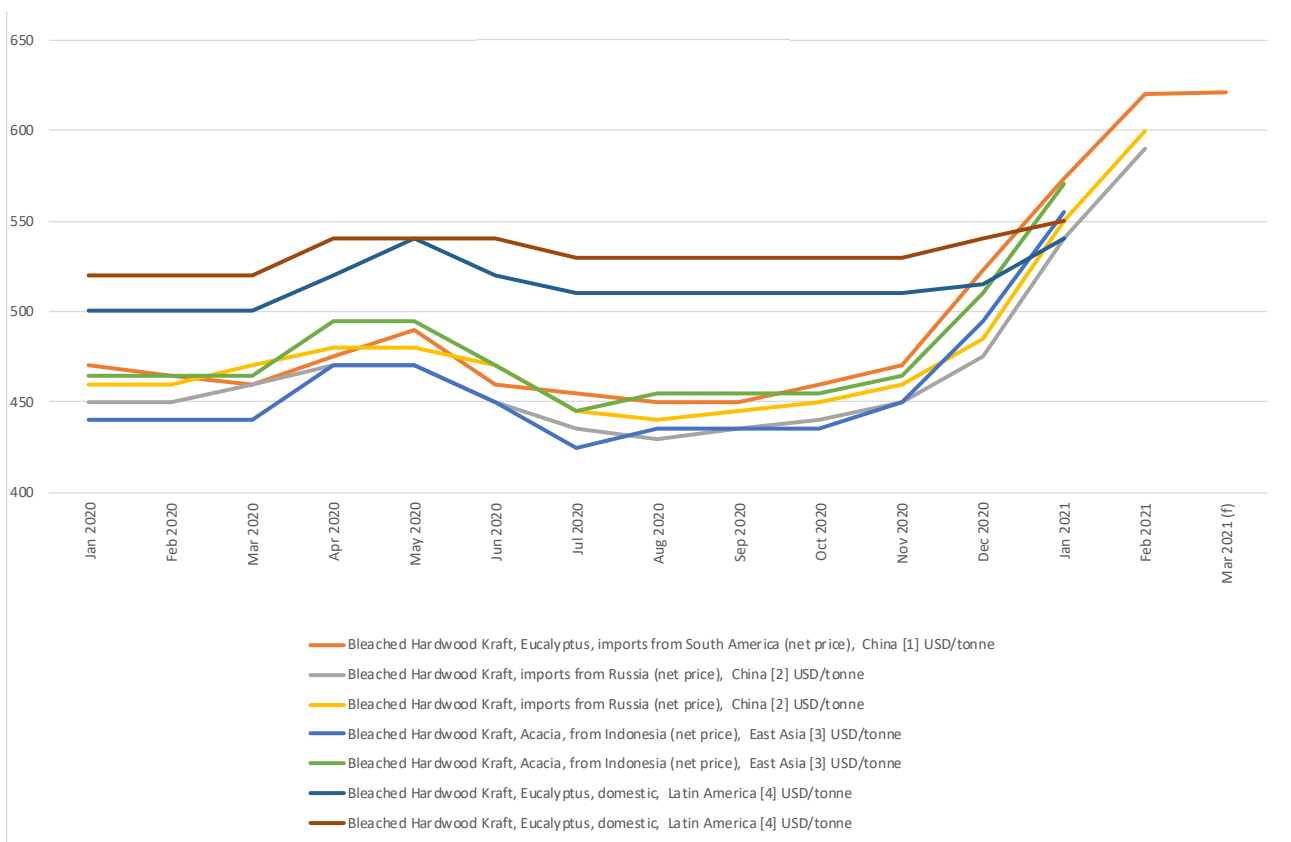
Yes and no, the increases in cost have surpassed the benefit given by an improving exchange rate. Price increases would have been greater if not for the improvement in exchange rates.

# Pulp Pricing

In recent months pulp pricing has increased by circa 30%. Some of the key drivers:

- High demand for fiber based packaging, building and textiles as economies rebound from COVID.
- Strong shift from plastic to fiber based packaging due to environmental concerns.
- Unsustainable low historic pricing from all pulp manufacturers globally.

## Hardwood Kraft Pulp



Source: Fastmarkets

*Does this mean we could be facing further price increases?*

We will continue to monitor the situation closely, provide information to you as it becomes available.

These are unprecedented times with complex supply challenges. Ball & Doggett is working hard to mitigate the impact of these supply chain issues and remain committed to ensuring consistent supply of our range of products.