



Containerboard & Supply Chain Impact

December was a solid month with record-breaking sales for many manufacturers and their supply chains, despite it being the month with the fewest invoicing days. Having said this, containerboard mills were true to their word and increased operating rates. In December, our recycle paper mill, Greenpac, ran 24/7 for all 31 days as an attempt to reduce the paper shortage. However, demand remained high, too high to have an impact on the current situation and we continue to see long extended lead times.

We believe this situation will remain until the summer months and are anticipating another price increase to come into effect in the spring.

Corrugator plants, such as our sheet feeder plant Tencorr, continue to run with its hands tied. Scheduling based on what paper arrives for the week and shipping out as quickly as possible.

As the next link in the supply chain, we at Royal Containers, continue to run orders as soon as we receive materials, but our lead times remain very long. We are strategic in scheduling production and communication with our customers is the top priority. Our manufacturing sites in Brampton and London are operational 24/7 with the best talent in the industry.

Economic Impact

Why is demand outpacing supply? Higher than normal demand is being generated because of the increase in online purchases, e-commerce. Everything gets made or imported, shipped, warehoused, picked, and shipped again and in most cases, in more than one box. Secondly, our purchasing and consumption of food and personal care are higher than normal, the entire food processing and distribution chain also require more than one box. The trend toward e-commerce has been driven by COVID-19 but will likely remain long after it is gone. Proof of this, pay attention to the current television advertising, it is dominated by ads for companies such as DoorDash and GoodFood. What is always highlighted? The answer is the box. So, if demand is not slowing down, and supply has not yet expanded, we can expect the situation we are in to remain. There are new mills coming online this year, several big integrated companies have plans to produce containerboard, as soon as they can contribute to the overall supply, this will help.

Collateral Impact

The sad thing is too many industries have been devastated, restaurants, retail, music industry, fitness, and many more. On the flip side, there are others who have prospered, like Amazon. Take for example these industries that are also experiencing commodity shortages and are in the situation we are in; lumber, home improvement, trucking; trucks and trailers, sporting equipment, try to buy a pair of snowshoes, food processing, and soon there will be a shortage of labour. On a personal note, I worry about the shortage of humour and the mental collateral damage.



Moving Onward and Upwards with a Smile

The need for positivity and gratitude has become paramount. Pay a compliment to someone daily, show your appreciation several times a day with your co-workers and give your kids & pets a hug. Choose to live happy & smile. The Leafs are back!

There is light at the end of this COVID-19 tunnel. In the meantime, we will abide by the Province's health regulations. This week we had a visit by a Ministry of Labour Inspector, and I am happy to report we passed the inspection with no orders and celebrated our consistent efforts. All companies in Ontario are subject to provincial fines for not complying with regulations. Today, a fine for not wearing your mask indoors is \$880 to the individual employee and \$1100 for the employer. Ensure all employees are wearing masks, staying distant, sanitizing lunch spaces, and maintaining & updating your documented safety plan to stay healthy and compliant.

Be Happy and Stay Well!

Sincerely,

A handwritten signature in blue ink, appearing to read 'Chelsen', with a large, sweeping flourish at the end.