

Impact of the Ukraine crisis on print and packaging

According to AM Mahomed, CEO of Printing South Africa, the past two years have been severely disruptive in the entire print and packaging sector. Covid 19 and the recent crisis in Ukraine have compounded the problems experienced with our member companies feeling the effects of supply chain disruptions and shortages, logistic challenges on road freight, and rail roads and sea ports in SA that are not functioning optimally. This is in addition to significant price increases on paper, board, inks, glues and other consumables.

From those doing packaging and packaging converting, they are experiencing problems securing packaging material, and significantly reduced order volumes on items that are imported and packaged locally, like fertilizer, maize and cooking oil.

Two other major segments affected are imported thermal papers (not manufactured in SA) and uncoated woodfree and kraft papers (manufactured in SA). Even prior to the Ukraine crisis, all thermal paper mills were from Germany, Brazil or South Korea and all of them have increased their prices by over 30% in the last year. They have also placed certain customers on allocation due to demand exceeding supply. Some have imposed a port surcharge to SA deliveries due to inefficiencies at our ports. More recently a large German paper manufacturer has imposed a 300 Euro per ton surcharge based on “exploding energy costs and shortages of raw materials”. If their suppliers and logistics companies are unable to deliver to them, it could result in further drastic reduction of production or complete suspension of deliveries. This surcharge equates to a further 15% increase. We are sure other mills will follow.

With uncoated Woodfree paper, Mondi declared Force Majeure earlier this year due to delays to an upgrade at their pulp mill, and increased their prices by over 10%. For kraft paper, supply disruptions due to the shortage of recycled fibre are affecting deliveries to SA.

The major concern is that due to massive price increases and shortages of supply, users of print may be forced to accelerate communications to digital platforms. Once this happens, it will unfortunately permanently destroy the need to print. This impacts on job losses, as some companies contemplate downsizing or even closures – a toxic mix that has to be addressed sooner rather than later.

