# Foodservice Packaging & Paper Cup Shortages Summer 2021

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Is the foodservice packaging industry in for the perfect storm this Summer? Global supply chain problems occurring in the foodservice industry could have a knock-on effect on the recovery of the hospitality sector in the UK.

So what's going on?

2020

To answer this we have to go back into 2020 at the height of the pandemic. Pubs, restaurants, and cafes were ordered to close and only offer takeaway. Many businesses adapted well, while a noticeable proportion decided to use government support schemes such as furlough and grants, kept the doors shut, and wait it out. During this time, takeaway packaging such as foil containers, cardboard food boxes, and pizza boxes was in good supply and keeping up with this upsurge in takeaway demand.

At this point, many product ranges used by the hospitality sector went the opposite way with huge drops in the UK's paper cup usage as commuters work from home and the lifeline of the to-go coffee for cafes was removed from them. As a result, manufacturers rolled back production worldwide to suit the lower demand, mitigate costs and reduce expensive storage.

2021

Come into 2021 April and May, it's a very different story. The government has offered bounce-back loans, restart grants and the hospitality industry is preparing for its big reopening to end-users and welcoming them outdoors and indoors! Hoorah!

But there is a problem, the world is doing this all at the same time and raw materials and manufacturers have an all-time high demand for its products. At the same time, many other industries are seeing the same upsurge in massive demand for raw materials.

The result, big price increases, and product shortages. Manufacturing is a very big operation that relies on a global supply chain that historically operated on just-in-time methods, it's very difficult for manufacturers to pick up capacity in such a short period of time.

Just to make things a lot harder, the globe has a shortage of shipping containers. With the restart of world economies and multiple industries, shipping containers and haulage demand spike dramatically. This causes delays in products and raw materials arriving in the UK, and also huge transportation costs. The price of shipping containers from Asia has gone from $2,500 to $15,000.

Then, let's make it a bit harder still! The Suez canal is blocked for a week. What seems like a small problem to many, the knock-on effect throughout the world is huge and supply chains are still recovering from it. Hundreds of ships are delayed, the ships backed up which then all arrive in UK ports at the same

time. Ports are full, ships queuing to get in, and then not enough haulage lorries and drivers to get them out. A nightmare!

A way to counter the volatility of stock shortages, delays in imports is to buy even more. Which in some respects compounds the issue. Stock hold for longer periods of time. Great, but hang on. Many distributors have had a very difficult year already and those product ranges now spiking take up lots of space and most importantly cash flow, with some buying from varying suppliers which may be on Pro-forma.

This is sounding rather pessimistic of the hospitality industry reopening, but more than anything I hope it levels up expectations of supply and demand from the caterer's position.

Final Thoughts

Prices are set to be very volatile over the next 12 months and already some key importers and manufacturers to the foodservice industry are out of stock or with extended delays and lead times. Price increases of 35% are a reality for some suppliers, unheard of for a single increase.

The hospitality industry and especially those in foodservice using packaging will have a difficult time throughout Summer as the effects of these difficulties become reality. My message to them, prepare well in advance, get your stock right for reopening and buy buy buy. The prices will only be going up over the next 12 months from many different suppliers.

From our own business position at Catering24, we have worked with suppliers very closely and are proud of our relationships with them. We have acted early on stock and for a larger stock holding than normal to mitigate the effects for our customers and keep the continuity of supply and price wherever possible with some price reductions as a result such as our Plastic Pint Glasses. Our team is working around the clock to perform as we always have done, we are ready to support you in your reopening.

Manufacturers, I feel for you. You're possibly thinking that it may dip due to another covid upsurge. My message to you is, go for it! Increase your capacity asap and start producing more wherever possible. Don’t hold back, I predict the foodservice industry increasing beyond 2021 to higher levels than seen in previous years, but this next 12 month is critical for that to happen.

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