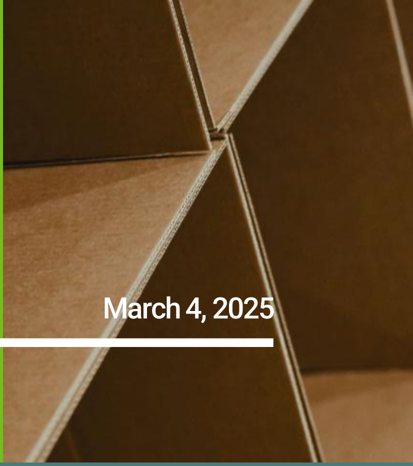
TAVENS
PACKAGING AND DISPLAY

Tavens **News**



March 4, 2025

Linerboard Prices Increase $40 per ton in February

In February, the RISI Index reported an increase of $30-40 per ton for US linerboard prices. Interestingly, this price hike seems disconnected from traditional supply and demand dynamics, as the industry remains oversupplied with flat demand. This marks the third price increase since February 2024, pushing linerboard prices up by over $120 per ton during a time of decreasing demand.

Back in January, major producers announced $70 per ton price hikes, but the RISI index did not reflect these increases. As a result, some of the larger producers have started to challenge the index's credibility. PCA reported they are invoicing at higher prices and paying higher prices from their suppliers, but it is worth noting that PCA sells very little on the open market, relying on its own network to absorb production.

PCA is also reporting increased demand as it continues to absorb market share from IP. The lack of transparency around box shipments is a new market dynamic, suggesting major integrated producers are pushing the index to reflect market moves that cannot be found in the survey. At Tavens, we believe this is an effort to squeeze independent converters. This evolving market dynamic is fueled by several factors:

1. *The shrinking open market means fewer survey participants for RISI's pricing index.*
2. *RISI does not publish the underlying data that supports the survey, consequently when the index does not reflect what the major producers want it to, they attack the credibility of the index.*
3. *If most transacted business does not rely on the index, then the publication is less relevant, and its viability is threatened.*
4. *This leads to a scenario where the publication becomes irrelevant, weakening its credibility and threatening its viability.*

The February index change appears to be a response to this pressure. RISI does not want to bite the hand that feeds it.

The majors have an incentive to increase linerboard and medium prices because they are simply paying themselves for their own products. They sell linerboard to themselves for the most part. Consequently, the converting plants that are part of an integrated network may be "paying" a higher price, but that simply moves the profit away from the converting facility and toward the mill. This may explain why the announced price increase for liner and medium did not include a box price increase. The goal is to move the index.

This "increase" is clearly targeted at the independent converters buying liner, medium and sheets on the open market. It is an effort to squeeze the margins of these companies and attract their best customers.

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It is a sales tactic. While independent producers get their margins squeezed by their suppliers following price agreements tied to the linerboard index, that additional cost is not reflected in transacted box prices offered by the integrated producers.

The situation paints a troubling picture where the index, instead of being a neutral pricing tool, becomes a means of exerting control. The value of an index is that it can provide flexibility across markets while still providing a simple mechanism for managing market changes. It is a useful tool that allows buyers to have some price stability and avoid the painful process of quoting boxes continuously. When one supplier moves, generally everyone moves.

The mills, the corrugators, box plants and even small converters have an incentive to see the index move up and push back when it moves down. Everyone benefits from the higher prices that come from changes in the index with contracted customers, except the customers, of course. But this is only true if everyone is playing by the same rules.

We believe this move is an effort by the big players to force independents to pay more from their suppliers while offering discounted prices to the top customers of the independents to capture these accounts in a very soft market.

All of this assumes an outmoded way of thinking about the tole corrugated packaging plays in the lives of customers.

Corrugated packaging is cheap, but owning, storing and moving boxes is expensive. The chokepoint is always about making sure the boxes are where they need to be.

This is an expensive problem that requires a packaging partner that creates value by reducing the cost of ownership through collaboration, planning and the ability to respond rapidly to customer needs.

The highly customized nature of packaging, the specific and often variable demand characteristics of the end-using customers, and the cost of moving and storing corrugated are what really drive value. The incremental changes in board pricing impact the cost of the box, but the real cost of packaging is not having it when you need it.

The biggest producers know they cannot provide the service experience, so they work to manage the price. It's all they have.

Tavens is changing that. We believe our customers value transparency, honest-dealing and direct talk about packaging problems over market manipulation and pricing shenanigans.

As a result, we will be talking with every customer about how we can best make our new input costs work to ensure you have the packaging you need when you need it.

42lb Kraft Price/Ton