

Prices Hold as Producers Watch and Wait

In a month marked by economic uncertainty and cautious forecasting, North America's linerboard market showed a stoic resilience in April with prices across all major grades of containerboard remaining unchanged from March. Shifting trade policies and muted demand are casting a long shadow across the corrugated industry. The normal spring season bump in demand has failed to materialize as firms rush to import as many goods as possible ahead of the tariff deadline.

All indications would have traditionally led most observers to expect a decline in prices, but the major integrated producers have offered little or no economic rationale for the price hikes they have inflicted on the corrugated market over the past year and a half as they try to disconnect themselves from market realities.

Demand Deteriorates

U.S. box demand deteriorated sharply in the first quarter. According to the Fibre Box Association, U.S. box shipments fell 2.1% year-over-year and posted a 4% drop from Q4. Box volume fell to 91.36 billion square feet.

Inventories are rising, now hovering around a five-week supply compared with the typical four-week average — a clear indication of softer underlying demand and intensifying pressure on box prices. Mills, already grappling with reduced exports and rising global competition, are increasingly facing pressure to consolidate operations to protect margins.

In an interesting shift, 80% of producers, converters, and traders surveyed by RISI reported no price change this month, while one in five contacts noted that prices have not increased at all since the beginning of 2024. This suggests a market caught between anticipation and inertia—hovering near the ledge, but not yet falling.

As we have mentioned in past newsletters, this appears to confirm our prior suspicion that these

pricing moves are designed to put pressure on smaller converters. Essentially allowing the major integrated suppliers to pick and choose where prices will go up, and for whom.

Industry Adjusts Course

Integrated producers are responding with a mix of consolidation and restraint. International Paper, in a strategic recalibration, permanently shuttered its Red River mill in Louisiana, eliminating 805,000 tons per year of kraft linerboard capacity. Also affected were 45,000 tons of unbleached packaging paper and operations at three other sites.

Integrated producers are reducing their exposure to the open market, a signal that internal inventories and tepid demand are being closely managed.

Tariffs Cloud the Landscape

Though containerboard imports from Canada and Mexico remain exempt under the terms of the U.S.-Mexico-Canada Agreement (USMCA), industry sentiment has not escaped the chill of unpredictability. The root of the malaise traces back to February, when U.S. reinstated a 25% tariff framework affecting numerous sectors. Tariff anxiety has sapped ordering momentum, disrupted normal buying cycles, and seeded caution throughout the supply chain.



Looking Ahead: All Eyes on the Consumer

If tariffs are the cloud cover, then consumer behavior is the barometer. As the market endures what one executive described as a "hiccup period" expected to last through May, many industry watchers believe that a retail-led resurgence could offer the clearest path to revival.

There is some guarded optimism that the tariffs—despite the short-term pain—may ultimately accelerate a shift toward reshoring, reducing Chinese import volumes and fostering investment in domestic box production. Still, most stakeholders agree: the next few months are likely to test the industry's patience and its pricing discipline.

Our View

At Tavens we love people who make things; these are our core customers. More local manufacturing is something we would love to see happen. We support any industrial policy that can support manufacturing.

We also believe in markets. It is clear now that the major integrated producers wanted to believe they were no longer subject to the laws of supply and demand. They pushed through successive increases during the last 18 months, with little or no economic justification, and saw only a slight decline in demand. This outcome drove the delusion that their products are not subject to normal economic conditions. These box demand numbers indicate that reality may have finally set in.

We believe industry turmoil is a great time to help, educate and grow. We see these changes in the industry for what they are, simply change. This is a great time to help our partners react and think differently.

Price Index Snapshot: Stability Across the Board

No significant movement was reported in any of the primary pricing tiers.

- 42-lb kraft linerboard: \$940–\$950/ton
- There is some upward pressure on coated paper used for litho-labels (largely imported and now facing tariffs) but there are plenty of US based mills that can produce that material, so the price pressure may be short lived.
- Some of our vendors have added a \$1.50 per ton rider on **Kemi liner** (a premium grade of white top linerboard used in the production of high-quality printed corrugated containers) to take effect on May1 and changing to \$2.50 as of June1.

Sources: Wall Street Journal, Bloomberg Green Markets, RISI Fast Markets, Fibre Box Association, New York Times, Economist Magazine.