TAVENS
PACKAGING AND DISPLAY

Tavens News

Jan. 28, 2025

Linerboard Prices Unchanged

Linerboard prices did not change in January.

North American linerboard prices remained flat in January, despite an announced third price increase in the last 12 months. Integrated producers announced price increases for January: $60/ton and $70/ton for linerboard, $80/ton and $90/ton for semi-chemical corrugating medium.

*The industry managed to push through $40/ton increases in February 2024 and June 2024. Those increases were driven by higher costs and margin erosion at some of the big integrated producers, **not** increased demand.*

60% of buyers and sellers reported no price change for January while 25% reported slightly higher prices and only 15% reported slightly lower prices.

Higher linerboard prices are anticipated in February or March as the integrated producers attempt to maintain margins.

Supply and Demand

Box demand is steady with no major increases. Reports show lower box pricing despite the announced linerboard increase. The market has seen some national account buyers challenge the US box price increases due to ample supply and stable demand.

Smaller producers are concerned about losing orders due to price increases.

As discussed in previous newsletters, these announced increases are outside normal supply and demand dynamics. Mill backlogs are reported at three to five weeks this month, down from four to six weeks in November.

Box-makers expect continued challenges in achieving price hikes in Q1 2025, with attention focused on how demand and market conditions evolve.

There is a potential impact of President Trump's pro-manufacturing policies and tariffs on Canadian and Mexican goods on the box market as producers continue to on-shore, but this is plagued with uncertainty at the moment.

Mergers and Acquisitions

International Paper's acquisition of DS Smith is expected to be completed soon. Smurfit Kappa acquired WestRock in July and is continuing the arduous integration of these two organizations. There is a lot of ongoing talk in the market about short-term mergers and acquisitions in North America.

KEEP READING

Continued...

Mitigating the Real Cost of Packaging

Managing packaging costs is crucial to maintaining profitability and delivering quality products.

The Real Cost of Corrugated Packaging

There are two main drivers in the cost of packaging, the first is not having packaging. The second is the owning and storing of corrugated packaging. The cost of not having packaging is straightforward. No packaging equals no way to ship products. The cost of owning corrugated packaging is not as critical as not having it, but still significant. Any solution that works will address these two issues.

Have Packaging When You Need It

It is important to understand the optimal order quantity for all corrugated packaging items. This process may seem tedious and complicated, but the tools we have today make this process a critical part of cost reduction. The objective is to identify optimal run quantities that consider demand intervals, variability, and the true cost of owning boxes.

Calculating Lowest Cost v. Lowest Price

1. **Calculate Demand Interval and Variability:** *Assess the lead time required and the maximum demand quantity to determine the run quantity needed by the due date.*
2. **Calculate Number of Pallets per Run:** *Divide the run quantity by the optimal pallet quantity.*
3. **Calculate Skid Slots:** *Divide the number of pallets per run by the stack height.*
4. **Calculate Warehouse Utilization:** *Divide the skid slots by the square feet per pallet.*
5. **Calculate Warehouse Cost per Month:** *Multiply the warehouse utilization by the baseline warehouse cost per month per square foot.*
6. **Calculate Total Warehouse Cost per Order:** *Multiply the warehouse cost per month by the run quantity.*
7. **Number of Pallets per Run Quantity:** *Calculated as Run Quantity divided by optimal Pallet Quantity.*
8. **Skid Slots:** *Calculated as Number of Pallets per Run divided by Stack Height.*
9. **Warehouse Utilization:** *Calculated as Skid Slots divided by Square Feet per Pallet*
10. **Determine Optimal Order Quantity**: *The optimal order quantity is the one with the lowest item cost, including warehouse and carrying costs.*
11. **Calculate Item Cost with Warehouse and Carrying Costs:** *Add the quoted price to the total warehouse cost per order.*

Collaboration is The Key

The information required to manage packaging effectively is shared between the customer and the vendor. This approach is very effective, but it requires collaboration and partnership with your corrugated vendor.

This is a "new-er" way of thinking in the corrugated industry. If you think this could help and you are looking for a partner to help achieve the best outcomes, reach out and see how we can help you better understand and manage optimal run quantities and demand interval and variability.