TAVENS
PACKAGING AND DISPLAY

Tavens **News**

April 1, 2025

Box Prices Did Not Move in March

The February $40-per-ton price increase on kraft linerboard quietly took hold, marking yet another cost hike in the corrugated packaging industry despite tepid demand. Though fundamentals point to flat or declining box consumption, the pricing move has so far held, raising questions about elasticity and market logic.

The current published price in the RISI Index Survey for 42-lb unbleached kraft linerboard is $940 to $950 per ton. As mentioned in prior newsletters this benchmark is increasingly disconnected from market fundamentals. Demand for boxes has slipped back to levels not seen in nearly eight years.

Box shipments rose 0.1% year over year in 2024, reaching 381.0 billion square feet. Industry analysts attribute the marginal increase to the calendar—2024 had one additional shipping day compared to 2023—rather than any underlying expansion in market demand.

Mill backlogs have also softened, falling to four weeks or less, down from the prior four-to-six-week range. February saw a notable dip in order flow, which many in the industry link to looming tariff concerns and broader economic uncertainty. A recent uptick is attributed to a preemptive buying surge ahead of new tariffs set to take effect April 2.

Those tariffs—targeting goods from Canada, Mexico, and China—have cast a shadow over short-term planning. Some expect the rush in orders to be followed by a demand cliff, particularly if retaliatory tariffs emerge. These potential countermeasures could dent U.S. export competitiveness and further complicate domestic supply chains.

Amid these shifts, major producers have pointed to rising manufacturing costs and persistent inflation as the rationale behind continued price hikes, but industry sentiment remains mixed. Some mills claim to be sold out, while others report steady or even flat volumes. Independents are bracing for another $20 to $40 per ton increase in April. Meanwhile, some end users have voiced concerns about the cumulative impact of three consecutive $40-per-ton increases, totaling $120 in just one year.

Market Response

Despite the push for higher prices, buyers argue that demand doesn't support the trajectory. With growth flat and continued overcapacity, price increases are beginning to look more like an effort to sustain margins than a response to market pull.

Perhaps the industry believes corrugated liner is an inelastic product that will not easily be substituted, if they do, they are not paying attention. These shifts are already being felt. High box prices have prompted end users to seek alternatives. Bottled water, once shipped in corrugated boxes, now ships wrapped in plastic. Amazon has aggressively pivoted to paper mailer bags, reportedly using over 1 billion units from 2020 to 2023, with a target of 3 billion annually.

KEEP READING

Continued...

Meanwhile, the pricing model for boxes itself is coming under renewed scrutiny. With no futures market to speak of, box prices remain closely tied to published containerboard benchmarks. This structure tends to favor integrated producers, who may benefit from pricing opacity and limited open-market activity. As a result, even as box prices fall for some customers, containerboard increases continue to flow through.

This trend benefits the major producers who often hold box prices steady for major customers while using reported index increases to foster an uncompetitive position in the independent market that relies on the index to manage vendor agreements. If the independent producer is forced to buy liner in line with the index, then they will be forced to raise prices on boxes. The integrated producers benefit from higher liner board costs, lose money at the box plant, but simply transfer those losses from one pocket (converting operations) to the other pocket (mills).

Independent box makers, facing a global containerboard oversupply estimated at 30 million tons, are finding ways to stay competitive by sourcing more affordable inputs. Major players like Packaging Corp. of America and International Paper, which have minimal participation in the open market, wield limited influence there. The major integrated producers, acting in concert, are hoping they have finally achieved a strong enough market position in North America so that they can set prices without regard to normal market conditions. We shall see.

With another hike rumored to be for mid-year, many are beginning to question whether box pricing has become untethered from traditional supply-and-demand principles. If fundamentals like mill operating rates, inventory levels, and actual demand are no longer guiding price strategy, how far can the industry push before buyers begin walking away in greater numbers?

Looking ahead, the short-term forecast points to continued volatility. Another price increase may come in Q2, especially if inflation persists and tariffs roil supply chains. But in the longer term, producers may face difficulty justifying future hikes unless demand rebounds.

At Tavens, we realize that our customers don't care about boxes. We know the real mission is getting products to customers, safely, on-time and at the lowest total cost. We know that if the costs for corrugated continues to rise the industry will prompt our customers to explore alternatives to corrugated boxes. We believe this is already happening. We see it in the box shipment numbers.

We know we provide more than just the box, but we also know that as costs increase, we must work hard to find ways to help customers mitigate those costs or they will become uncompetitive. We need our customers to compete, to survive and ship more products.

To stay ahead in the market, we concentrate on more than just competitive pricing; we aim to cut the total cost of corrugated packaging across your entire system. We do this by providing outstanding customer experience, high-quality packaging, reliable on-time deliveries, and by minimizing inventory burdens while boosting our responsiveness. While larger, integrated competitors strive to push independent suppliers aside, we recognize that our margins are under pressure. Yet, we firmly believe that customers value a transparent, dependable partner who can deliver exceptional performance in today's challenging environment.

We know these are challenging times for our customers. We hope this is not an effort by the industry to alienate customers even further.