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Tavens **News**

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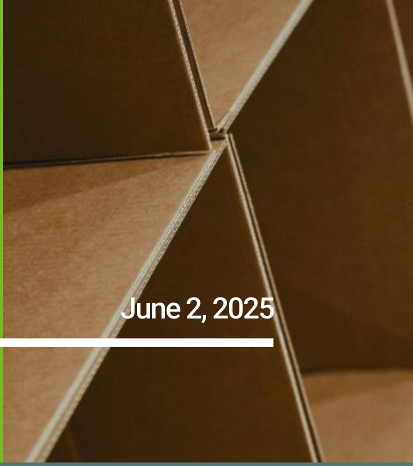

Linerboard Prices Unchanged in May Index

Despite declining demand, linerboard prices held steady in May. Benchmark 42-lb unbleached kraft linerboard remained at $940–$950 per ton. But there is increasing pressure on prices, prompting a massive capacity cutback by the major producers in an effort to maintain current price levels.

The U.S. corrugated packaging industry is undergoing a historic transformation as producers grapple with a potent mix of soft demand, rising input costs, and sweeping capacity rationalizations. In just five months, 5% of U.S. containerboard capacity—totaling 2.3 million tons—is slated to disappear, driven by a trio of permanent mill closures in the Southeast and Southwest.

The largest, Georgia-Pacific's Cedar Springs mill in Georgia, which alone accounts for more than 1 million tons annually, will cease operations by August 1. International Paper closed its Campti, La., mill in March, while Smurfit WestRock will shutter its Forney, Texas, mill by July. Altogether, more than 4.1 million tons of U.S. containerboard capacity have been retired since 2023, as producers recalibrate to a market that no longer mirrors the pandemic-era e-commerce boom.

These shutdowns mark an aggressive pivot for an industry long built on growth and scale.

This is an unprecedented series of moves reflecting the industry's commitment to maintaining its pricing leverage by reducing supply to meet demand. "The speed and scope of the capacity cuts are extraordinary," one Wall Street analyst said, describing the pullback as among the most significant retrenchments in the modern history of the paper and packaging sector.

These closures are an effort by the corrugated industry to maintain historically high prices in the face of falling demand. The current reported price for 42lb kraft liner is close to COVID-era prices. This is a clear signal that the traditional, producer-driven model that the major integrated producers have pursued successfully for the last 60 years is no longer driving value for shareholders or customers.

The big players need these higher prices, and they will do anything they can to maintain them. Rather than embrace their customers, they have decided it is easier and faster to cut capacity. This is a short-term solution that signals to the world we will do anything we can to maintain these high prices. Good for the stock price, the bottom line, and terrible for customers and consumers.

Demand Fades as Box Shipments Hit 9-Year Low

First-quarter box shipments in the U.S. dropped 2.1% year-over-year to 91.4 billion square feet, their lowest level since 2016, according to the Fibre Box Association. The decline follows a 10.9% cumulative drop in shipments since 2022, erasing nearly all gains seen during the online shopping surge of 2020 and 2021.

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International Paper reported an 8.1% decline in its first-quarter volumes, while Smurfit WestRock saw shipments fall 5.7%. By contrast, Packaging Corporation of America, the third largest industry player, bucked the trend with a 2.5% year-over-year increase in daily shipments and set a new first-quarter production record.

Trade Tensions Add Fuel to the Fire

The industry's turmoil has been further complicated by international trade uncertainty. Earlier this year, the Trump administration imposed 145% tariffs on Chinese imports, prompting retaliatory 125% duties from Beijing. The standoff all but halted U.S. exports of kraft linerboard to China, the second-largest destination for U.S. producers.

While a 90-day cooling-off period announced in mid-May brought temporary relief—with tariffs dropping to 30% on Chinese goods and 10% on U.S. exports—damage had already been done. GP cited weakening Chinese demand as a factor in its Cedar Springs closure and had idled a 360,000-ton machine at the facility weeks prior.

Capacity Contraction: A Calculated Reset

The post-pandemic reality is forcing producers to align supply with slower growth expectations. Most of the capacity being cut—more than 80%—comes from virgin mills, which face capital reinvestment needs in the hundreds of millions of dollars. Conversely, nearly all new projects since 2021 have been recycled-content machines, viewed as more flexible and cost-efficient.

It is estimated that by the second half of 2025, total U.S. containerboard capacity will fall to 40.7 million tons, down from 42 million tons in 2022. A further mill shutdown is rumored for later this year.

While North American prices increased $120 per ton from February 2024 through February 2025, many in the industry see those gains as fragile.

Producers are reducing capacity to increase operating rates to 95% by 2026—levels not seen since before the pandemic.

It is clear now that the major integrated players expect demand to remain soft in the face of economic uncertainty.

Profitability Rises, but So Do the Stakes

Despite the downturn in volume, financial results were mixed, aided by cost cuts and price hikes. IP increased its North American packaging margin to 15%, up from 11.7% a year ago, while Smurfit WestRock posted a 16.8% margin in North America. PCA remained the leader at 20.8%, though its margin contracted slightly from the previous quarter.

Outlook: Hope for Q3, but Caution Reigns

Producers and buyers alike are eyeing July and August as potential turning points. Trade tensions have eased for now; inventories are normalizing, and more mill downtime could help tighten supply. Yet many remain wary.

"There's too much containerboard supply," one industry executive said. "Until demand picks up, everyone's just trying to hold the line."

As the dust settles from a year of closures, mergers, and strategic resets, the corrugated box industry is in transition—not just back to 2019 norms, but toward a leaner, more disciplined market built for resilience, not just volume.

Our position remains the same, the corrugated industry maintains its commitment to a producer driven business model, customers be damned. Prices must be manipulated by curtailing supply, not improving the customer experience, adding real value, and delivering results for customers. These people make paper, not boxes. Our customers buy boxes.