



PALLET MARKET UPDATE - MARCH 2025

The following is based on market information and insights from Procure Analytics. We are providing our thoughts on how the pallet market may behave over the next 12 to 18 months.

EXECUTIVE SUMMARY

- Recycled pallet prices are increasing across all grades due to rising market pressures.
- Increased retail sales and domestic production are driving higher demand for pallets.
- Reduced pallet inventories and rising core pricing are contributing to the upward trend.
- Rising lumber costs are impacting new pallet prices, which in turn affect the recycled market.
- Market correlations with freight and paperboard, along with Canadian lumber tariffs, are expected to further inflate pallet prices.

Pallet pricing is once again on the rise, reversing two years of declines across all grades of recycled pallets. The pallet market is experiencing price appreciation in multiple sectors, driven by escalating lumber costs and concerns surrounding tariffs.

Forecasts indicate continued price increases as demand steadily recovers. The significant "de-stocking" that occurred during the first half of 2024 has normalized the market, and current pricing reflects these adjustments.

Key factors influencing this trend include:

- **Demand:** Increased retail sales and heightened domestic production are leading to more shipments and a greater need for pallets.
- **Pallet Inventory:** After reaching record highs in 2024, pallet inventories have now returned to historical norms.
- **Core Pricing:** As the largest single cost in recycled pallet production, core supply is dictated by retail sales velocity and inventory levels. Pallet recyclers are now paying higher prices for cores, due to a scarcity of quality materials.

- **Lumber Pricing:** Since every recycled pallet originates as a new pallet, fluctuations in lumber prices directly impact the market. When lumber supply tightens and prices increase, new pallet costs rise. This ripple effect extends to the recycled market, as buyers shift towards AAA pallets, reducing volume in the recycled sector. Consequently, A-grade and then B-grade prices are also pushed upwards.

While pallet pricing remains regionally influenced, nationwide increases in core pricing, the rebound of correlated market prices (lumber), and upticks in manufacturing and freight are collectively driving an inflationary market. The pallet market is closely correlated with the freight and paperboard industries. Both sectors have experienced Q1 increases, and we anticipate these trends to translate into higher pallet prices starting in Q2 2025. Furthermore, tariffs on Canadian lumber are exacerbating pricing pressures.

Regional prices are trending upwards, and we forecast that lumber costs will continue to rise in the foreseeable future.

Now is the time to reassess your buying habits and pallet selections. Adjusting pallet specifications can effectively mitigate cost increases. For instance, transitioning from premium A-grade pallets to standard A-grade pallets can reduce expenses without compromising functionality. It is crucial for buyers to continuously monitor economic conditions and adapt their procurement strategies accordingly.

Please reach out to your PA Account Manager for additional details or to learn more. If you are not a member of Procure Analytics GPO program and are interested in joining, please email info@procureanalytics.com.

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