



INDUSTRY UPDATE

Q2 2024

RESINS & RAW MATERIALS

Berlin Packaging maintains a best-in-class approach to sourcing packaging materials and manufacturing platforms. We are not bound to a specific material, technology, tool, or country of origin, affording us tremendous flexibility to find the most cost-effective packaging solutions for our customers.

North American prices for packaging raw materials appear to be a mixed bag of sorts. While some inputs like domestic energy (i.e., diesel fuel) and inflation are trending downward, other factors such as ocean freight rates are spiking. Additional market dynamics like moderate demand, sufficient supplies, persistent inventory destocking, and open manufacturing capacity contribute to short-term pricing stability for many packaging raw materials.

The Producer Price Index (PPI) for final demand goods (e.g., CPG products, raw materials) and services (e.g., transportation, warehousing) fell 0.2% in May after rising 0.5% in April. A 0.8% drop in final demand goods drove the May retreat, the largest decline since October 2023. The May index for final demand services remained unchanged after increasing 0.6% in April. For the preceding 12 months ending in May, the PPI grew 2.2%.



PLASTIC RESINS

In May, the National Oceanic and Atmospheric Administration (NOAA) predicted an above-normal hurricane season (June through November) for the Atlantic basin due to warmer-than-average ocean temperatures and the development of La Niña in the Pacific. NOAA forecasts 17 to 25 total named storms, with 8 to 13 predicted to become hurricanes, including 4 to 7 major hurricanes (category 3, 4, or 5).

Major tropical storms and hurricanes can wreak havoc along the Gulf Coast – home to most U.S. petrochemical and specialty chemical plants – and disrupt plastic resin production, supplies, and transportation, leading to higher prices. To safeguard against interruptions in resin supply, resin users typically build an inventory buffer at the start of the hurricane season.

Speaking of weather, a severe drought affecting two-thirds of Mexico and subsequent water restrictions have temporarily shut down or cut back production at several specialty chemical and plastic resin plants in the country.

Here's a brief rundown of the current market conditions for various resins:



PET (Polyethylene Terephthalate):

With summer peak demand in full swing, PET prices moved upward in May but have held nearly steady amid declines in raw material costs.



HDPE/MDPE/LDPE (Polyethylene):

PE prices have been relatively flat the past couple of months as resin producers tap the export market to balance capacity with domestic demand.



PVC (Polyvinyl Chloride):

Increased demand for construction projects has moved PVC prices slightly higher.



PP (Polypropylene):

Lower feedstock costs and slow demand have decreased PP prices.



PS (Polystyrene):

PS prices have been unchanged for the past few months.

Post-consumer recycled (PCR):

Increasing demand for recycled PET, HDPE, and post-industrial PP has raised pellet prices in North America. Europe is seeing a similar pattern of higher prices for rPET, rHDPE, and rPP.

GLASS

Domestic glass packaging supplies for beverages and food remain robust amid inventory destocking and soft demand from buyers. High ocean freight rates are triggering transportation surcharges on glass packaging imports to the U.S. and Canada.

METAL

With nearly 4 billion aerosol containers (constructed of 300,000 tons of steel or aluminum) sold in the U.S. annually, the Can Manufacturers Institute and the Household and Commercial Products Association have embarked on a recycling initiative. The national access rate for aerosol products (the percentage of Americans who can access recycling programs that accept aerosols) dropped from 70% in 2016 to 61% in 2021.

Outlined in a [white paper](#), the initiative spells out two primary goals: 1) achieve an 85% U.S. recycling access rate by 2030, and 2) label 90% of all aerosols as recyclable with messaging about properly recycling the containers by 2030. Reaching these goals will require more material recovery facilities (MRFs) to accept and recycle aerosol cans and consumer education.



PULP & PAPER

Although demand remains mixed for fiber-based packaging, costs for linerboard, corrugated, and uncoated recycled board have risen this year because of price increases from major paperboard suppliers. These purveyors cite higher input and operational costs (labor, materials, transportation, and energy) for the price adjustments.

U.S. containerboard production rose 7% in the first quarter compared to Q1 2023 but was down less than 1% versus Q4 2023, according to the American Forest & Paper Association. Containerboard shipments declined 1.1% year-over-year in Q1, according to the Fibre Box Association.

Although Berlin Packaging cannot control the price of raw materials, we offer multiple value-added services and income-boosting solutions to help our customers Package More Profit®. Over the past few years, Berlin Packaging has added more than \$200 million in profit to our customers as a unique benefit of doing business with us.





2024



ECONOMIC INDICATORS

Berlin Packaging's mission is to improve our customers' net income through our packaging products and services. We help to increase their sales, reduce costs, and/or improve productivity. Along with having a positive impact on their income, we are committed to providing accurate and timely information and products.

As the second quarter nears the finish line, the economy shows signs of further deceleration. Here's a snapshot of recent economic activity, data, and news influencing the consumer packaged goods (CPG) market and the packaging industry in North America.

- U.S. consumer spending inched up 0.1% in May, following a 0.2% decline in April.
- Consumer sentiment moved downward in May, with worries about inflation, unemployment, and interest rates.
- U.S. inflation was unchanged in May, after rising 0.3% in April.
- First quarter U.S. GDP rose 1.3%, the slowest growth since Q2 2022.
- Private-label products continue to gain market share as shoppers prize value and quality.
- Several major retailers slashed prices on thousands of SKUs to attract price-weary consumers.



CONSUMER SPENDING AND SENTIMENT

U.S. consumer spending and retail sales ticked up 0.1% month over month (MOM) in May, following a 0.2% decline in April. The sluggish month corresponds to MOM sales drops in food & beverage stores (-0.2%), building materials & garden supplies stores (-0.8%), and restaurants & bars (-0.4%). Excluding auto sales, the May figure would have shown a 0.1% dip.

In Canada, consumer spending and retail sales rebounded by 0.7% in April, following a 0.2% decline in the first quarter, according to advance estimates from Statistics Canada.

Consumer sentiment — a measure of how U.S. consumers view their finances and the economy — dropped in May to its lowest point in six months because of concerns over inflation, unemployment, and interest rates, according to the University of Michigan consumer sentiment survey. Nearly 40% of consumers believe unemployment rates will rise in the year ahead.

INFLATION AND INTEREST RATES

After rising 0.3% MOM in April, the U.S. consumer price index (CPI) was unchanged in May, according to the Bureau of Labor Statistics. Total food prices increased 0.1% in May, with at-home food prices flat and away-from-home prices advancing 0.4%. On an annual basis, the CPI rose 3.3% for the 12 months ending in May.

The annual inflation rate in Canada stood at 2.7% in April, a drop from 2.9% in March. Lower food, services, and durable goods prices contributed to the annual inflation deceleration.

At its June meeting, the U.S. Federal Reserve held interest rates steady (5.25 – 5.50%) for the seventh consecutive time. Earlier this year, the Fed had suggested three interest rate cuts in 2024. However, stubborn annual inflation rates above the Fed's 2% target have changed the expectations to only one rate cut this year. Fed Chairman Jerome Powell declared, "We have stated that we do not expect it will be appropriate to reduce the target range for the federal funds rate until we have gained greater confidence that inflation is moving sustainably toward 2%. So far this year, the data have not given us that greater confidence."

U.S. GDP ROSE 1.3% IN Q1

First quarter U.S. GDP grew 1.3%, the slowest quarterly growth since Q2 2022. Consumer spending, residential fixed investment, and state and local government spending helped to buoy the lackluster increase. Private inventory investment decreased in the first quarter.

In Canada, the GDP advanced 0.4% in the first quarter, following a flat GDP in the fourth quarter of 2023. Higher household spending on services propelled the increase in GDP, while slower inventory accumulations moderated overall growth.

PRIVATE LABEL GOODS GAIN MARKET SHARE

To stretch their dollars against high prices, more consumers are purchasing private label or store brands. Private label products gained market share from name brands last year, increasing to 25.5% of total unit sales from 24.7% in 2022, according to a report from Circana. Dollar sales of private label goods increased by 6% in 2023. The report notes, “Retailers are treating their [store] brands similarly to national brands by innovating with more clean labels, premium offerings, and marketing support.”

Households with children represent 35% of private-label food and beverage unit purchases, while millennial and Gen X households with no children represent 36% of sales, says the report. In the food and beverage categories, private brands outperformed name brands based on dollars and units for the core pantry.

According to 2024 consumer research from the Food Marketing Institute, nearly half (46%) of shoppers said they plan to buy more private label products over the next year or so, compared to 27% who said the same for national brands.



RETAILERS ROLLEBACK PRICES

Appealing to budget-conscious shoppers, several big-name retailers (e.g., Amazon, Walmart, Target, Aldi, and Walgreens) have cut prices on thousands of their products. In addition to pricing adjustments, some retailers are launching lower-priced product lines.

In April, Walmart debuted a private-label food brand called Bettergoods, with most products priced under \$5. The colorful store brand boasts more than 300 products, ranging from frozen, dairy, snacks, and beverages to pasta, soups, coffee, and chocolate. Bettergoods items target three categories: culinary experiences, plant-based, and “made without.”



As the world’s largest Hybrid Packaging Supplier®, Berlin Packaging continually tracks consumer behavior, product trends, macroeconomics, geopolitical events, and packaging innovation to fully understand what is happening in the market so we can best help our customers succeed.

The brands mentioned in this report are trademarks of their respective owners. Inclusion of these brands in this report is not meant to imply an association with or endorsement from the respective trademark owners.



OCEAN FREIGHT

As volatility persists in many global trade lanes, Berlin Packaging continues to proactively provide alternate routings and real-time visibility of the global freight market to help our customers minimize any disruptions to their supply chains. We partner with all major ocean carrier alliances to help mitigate delays due to route changes or blank sailings from a single carrier.

Longer vessel routes and transit times from Asia to Europe because of the Red Sea crisis, container and capacity constraints, early peak season demand, an uptick in blank (skipped) sailings, port congestion in Asia and the Mediterranean, and importers pulling orders forward to avoid impending U.S. tariffs on Chinese goods have created a perfect storm for skyrocketing ocean freights rates.

Spot rates are approaching record high levels not seen since the height of the pandemic. In mid-June, global spot ocean freight rates for forty-foot containers increased 202% compared to one year ago, according to the Drewry's World Container Index. If conditions persist, Sea-Intelligence estimates spot rates in some Asia to Europe trade lanes could exceed \$20,000 per forty-foot equivalent.

The only good news seems to be the Panama Canal, which had reduced the number of vessels traveling through the waterway for many months because of record drought and low water levels. However, the rainy season has brought relief, increasing the daily number of ships transiting the canal, and permitting heavier ships with more containers. The Panama Canal Authority expects normal traffic levels in October.

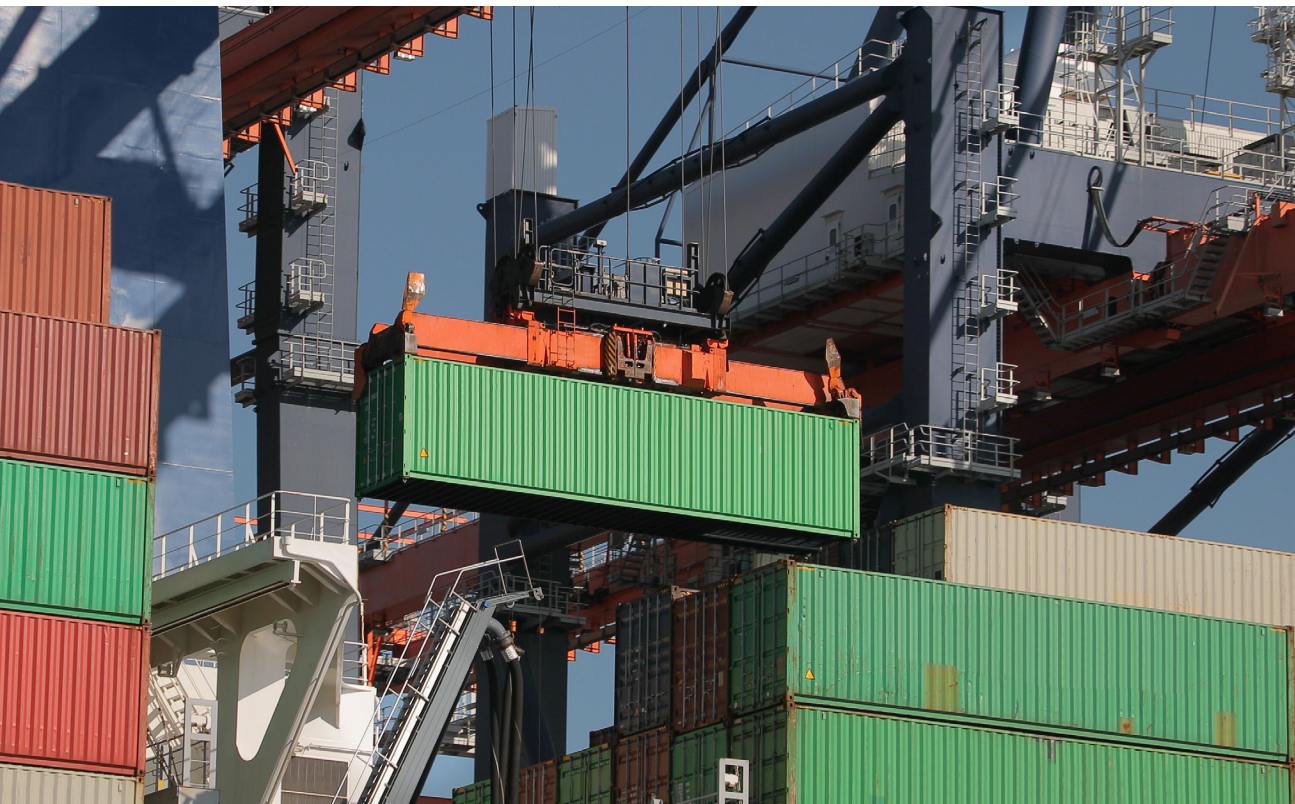


IMPORT VOLUMES RISE

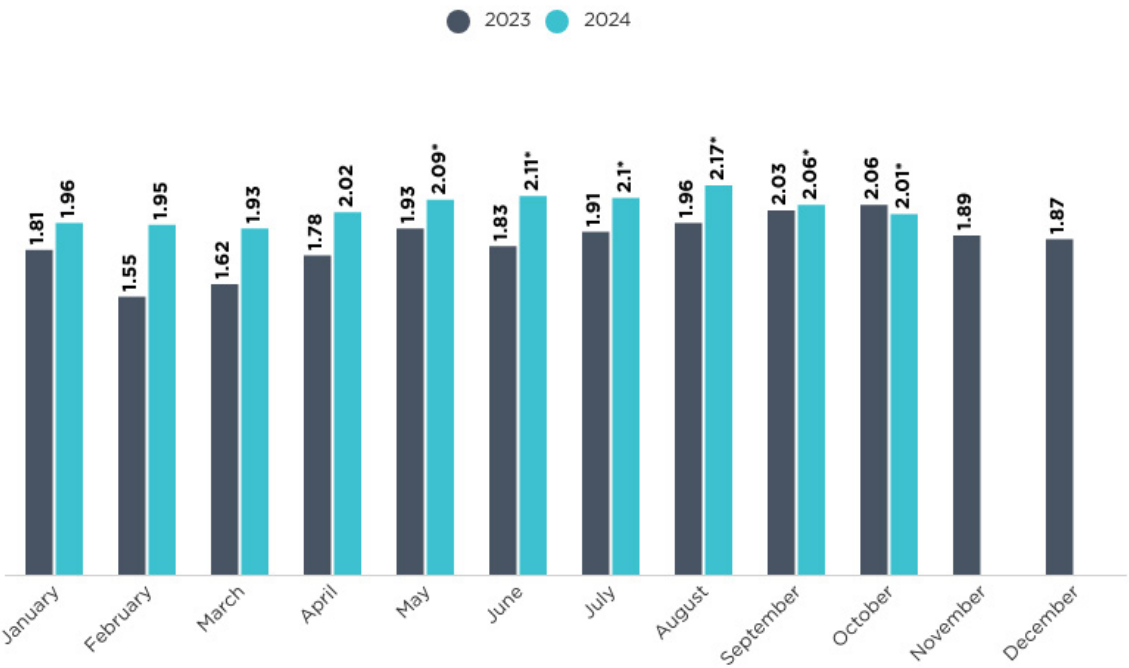
May U.S. container import volumes jumped more than 6% month over month (MOM) and nearly 12% year over year (YOY), according to Descartes. Significant increases in imports from China (up 17.6% in May) drove much of the growth.

Monthly inbound cargo volume at major U.S. container ports could reach its highest level in nearly two years this summer, according to the National Retail Federation (NRF) and Hackett Associates. NRF predicts a 15% increase in import volume for the first half of 2024 compared to last year.

“Imports of containerized goods at U.S. ports are booming, with particularly strong growth on the West Coast,” said Hackett Associates Founder Ben Hackett. Reasons for this surge include retailer restocking, importers getting ahead of new tariffs on Chinese goods set to take effect in August, and orders for end-of-year holiday goods.



Monthly imports 2023-2024
(TEU-Millions)



Source: NRF/Hackett Associates Global Port Tracker *Forecast

PORT ACTIVITY AND LABOR CONTRACT

On the West Coast, container volume grew 12% YOY in April at the Port of Los Angeles (the busiest U.S. port), marking the ninth consecutive month of YOY growth. Cargo volume at the Port of Long Beach jumped 14.4% YOY in April, the eighth consecutive month of cargo growth. For the first four months of the year, container volume rose 17% at the Port of Oakland.

With a 9% YOY increase, April marked the fifth consecutive month of YOY container volume growth for the Port of New York and New Jersey, the second-busiest U.S. port for loaded imports and exports. In May, the Port of Savannah handled 22% more container units than the same month in 2023. For the year through April, container volume increased 12% YOY at the Port of Houston.

The labor contract between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) will expire this fall. The ILA union represents tens of thousands of dockworkers from Maine to Texas, while the USMX speaks for ocean carriers and employers at 36 coastal ports on the East and Gulf Coasts.

Negotiations between the two groups appear to be at a standstill. In June, contract talks ended abruptly, with the union claiming that automated equipment at port terminals is processing trucks without ILA labor — a violation of the current contract.

Another issue is wages. "USMX member-company's profits are enormous, amounting to billions of dollars," declared the union, "and the ILA will demand wage increases commensurate with these revenues." ILA President Harold Daggett warned, "The threat of a coast-wide strike on October 1, 2024, is becoming more likely as USMX and its member companies continue to drag their feet."

As a Customs-Trade Partnership Against Terrorism (C-TPAT) certified importer, Berlin Packaging and our customers reap multiple benefits, such as reductions in customs freight examinations, "front of the line" status during inspections/exams, shorter wait times at the border, and more.



DOMESTIC TRANSPORT

With a dedicated and accomplished team of logistics specialists, Berlin Packaging excels in all modes of transportation to ensure our customers benefit from competitive rates and freight expertise. We are flexible and nimble, ready to tackle urgent and expedited shipments and special requests like drop trailer services for customer convenience.

Shippers in North America continue to benefit from competitive domestic transportation costs. Capacity exceeds freight demand, and benchmark diesel prices — used to calculate fuel surcharges — have fallen more than 40 cents per gallon since mid-February.

The [May 2024 Logistics Managers' Index report](#) showed a gain in transportation prices and utilization while transportation capacity fell. “It is encouraging that transportation prices are expanding again and are mildly above capacity,” noted the report. “However, we have seen this a few times before in the past six months, and it has been temporary every time. The freight recession that began in mid-2022 will not be over until transportation prices are consistently above transportation capacity.”



CANADIAN HEADWINDS

A potential rail strike in Canada may disrupt commerce shipments in North America. More than 9,000 Canadian rail workers were ready to strike on May 22nd, but government action paused the work stoppage. Recent negotiations between the Teamsters Union and the Canadian National Railway broke down after only one day. If the union does move forward with a strike, it must give a 72-hour notice.

Another labor issue involved the Canada Border Patrol Agents, who have been without a contract for two years. On June 11th, two unions (representing the agents and customs officials) and the Treasury Board of Canada reached a tentative agreement, averting a potential strike and job action. In 2021, job action by the agents and allied workers seriously slowed cross-border shipments between the U.S. and Canada.

TRUCKLOAD RATES & SHIPMENTS

In early June, line-haul costs per mile for the dry van spot market averaged \$1.95, nearly identical to rates 12 months ago. The weekly count of dry van spot shipments rose 17.4% compared to one year ago. However, the lofty percentage increase is attributable to a sharp drop in June shipments last year rather than a big jump in shipments in 2024. Spot rates are 23 cents less per mile than contracted rates.

Van load-to-truck ratios, which serve as a measure of demand (the number of loads) and capacity (the number of available trucks to carry those loads), have risen since March and reached 4.39 in May. The ratio was 3.33 in May 2023. Higher ratios mean more demand or competition for available trucks, pushing up rates.



DIESEL FUEL PRICES FALL

Since February, U.S. diesel fuel prices have fallen \$0.45 per gallon and stood at \$3.65 per gallon in June. The price is about 14 cents lower than 12 months ago. Declining crude oil prices and the OPEC+ announcement of increasing barrel output in October are helping to keep a lid on diesel fuel prices.

U.S. MANUFACTURING SPUTTERS ALONG

Economic activity in the U.S. manufacturing sector contracted in May for the second consecutive month and the 18th time in the past 19 months, according to the [May Manufacturing ISM Report On Business](#). “U.S. manufacturing activity continued in contraction after growing in March, the first expansion for the sector since September 2022,” stated the report. “Demand was soft again, output was stable, and inputs stayed accommodative.

“Demand remains elusive as companies demonstrate an unwillingness to invest due to current monetary policy and other conditions. These investments include supplier order commitments, inventory building, and capital expenditures.” High interest rates without immediate cuts in sight dissuade companies from investing in people, inventories, fixed assets, and new projects.

For products like aluminum cans and bulk glass containers, Berlin Packaging can utilize partial truckloads, which streamline the handling and delivery of packaging at competitive market rates and avoid using LTL networks with preset carrier rates.

Average price for diesel fuel
(per gallon)

\$3.79

June 2023

\$4.10

February 2024

\$3.65

June 2024

E-COMMERCE SALES GREW 2.1% IN Q1

According to recent government data, U.S. retail e-commerce sales reached \$289.2 billion in the first quarter of 2024 — a 2.1% increase over the fourth quarter of 2023 and an 8.6% leap from the first quarter of 2023. Retail e-commerce sales in Q1 accounted for 15.9% of total retail sales.

U.S. parcel volume grew slightly (0.5%) last year to reach 21.7 billion parcels, according to the Pitney Bowes annual [U.S. Parcel Shipping Index](#). Despite the slight volume growth, parcel revenue declined for the first time in seven years by -0.3% from \$198.4 billion in 2022 to \$197.9 billion last year.

Except for Amazon Logistics, volume for all parcel carriers declined in 2023, reports the index. Amazon handled 5.9 billion parcels, up 15.7% from 2022, to surpass UPS as the No. 2 U.S. parcel carrier by volume. The USPS generated the highest parcel volume last year, reaching 6.6 billion units. Its volume was down almost 1% from the prior year. UPS parcel volume fell 10.3% to 4.6 billion parcels. FedEx volume declined 6.1% from 4.1 billion parcels in 2022 to 3.9 billion in 2023.

By revenue, UPS leads the pack with a 35% market share, followed by FedEx (32%), USPS (16%), and Amazon (14%), notes the index.

In 2023, Berlin Packaging efficiently managed more than 60,000 shipments in North America, representing over 100 million pounds of packaging components and approximately 30 million transportation miles.





We Believe Anything Is Possible®

With over 100 years in the packaging industry, more than 2,000 packaging professionals and a global network of suppliers and warehouses, we offer 50,000+ SKUs of plastic, glass, and metal containers, closures, and dispensing systems across all markets for customers just like you.

Our Business Model

Berlin Packaging combines the best elements of manufacturing, distribution and logistics, and value-added service providers to deliver cost-effective packaging solutions to our customers. Our mission is to improve our customers' net income through packaging products and services. We are the world's largest Hybrid Packaging Supplier®.



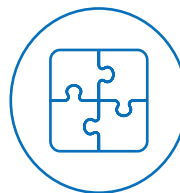
Best Elements of
a Manufacturer

+



Distribution
& Logistics

+



Value-Added
Specialty Services

Value-Added Specialty Services

Our compelling suite of solutions addresses your needs and unlocks profit.

- Custom Design & Innovation
- Quality Service Management
- Global Sourcing & Services
- Inventory Management Services
- Sustainable Packaging Solutions
- Berlin Financial Services