

# Wooden Pallet Manufactures and Recyclers

INDUSTRY UPDATE  
June 2025

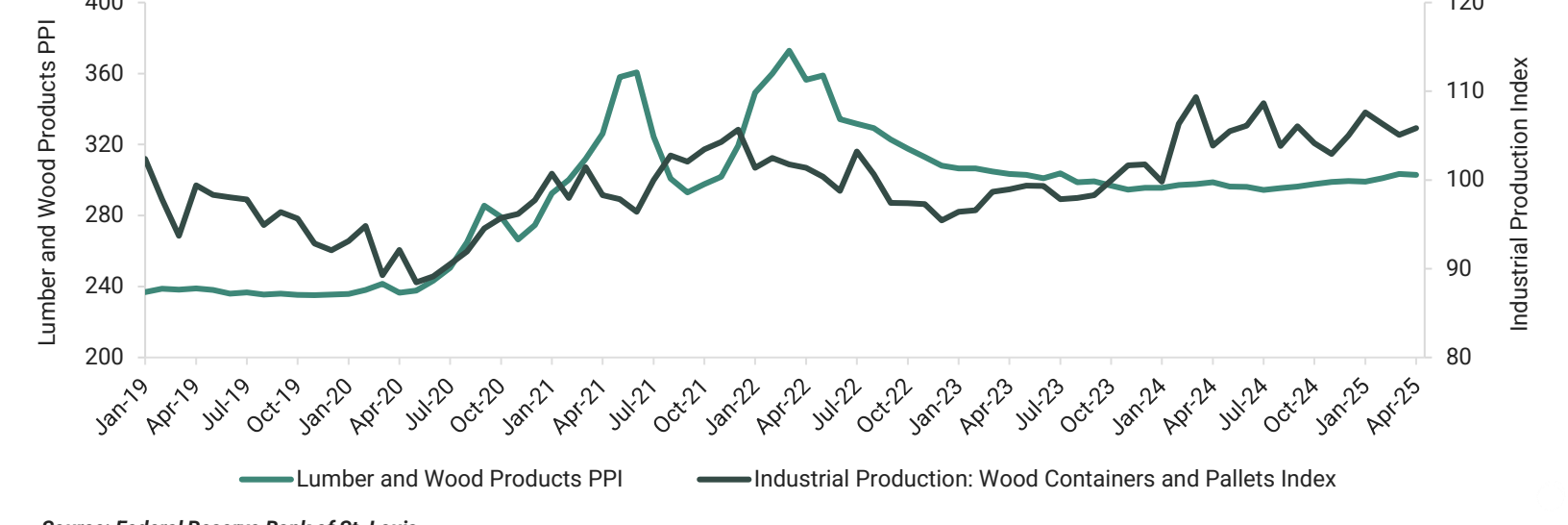
The wooden pallet industry confronts considerable challenges in 2025, as proposed tariffs threaten to disrupt lumber supply chains and escalate costs industry-wide. U.S. exports remain vulnerable to Chinese retaliation, while Canadian lumber tariffs could trigger a supply shortage this summer, driving raw material costs higher and compressing margins for new pallet producers. The sector grapples with an emerging labor crisis, as enhanced immigration enforcement could significantly impact the 35% Hispanic workforce, accelerating the push toward automation.

Despite these challenges, recycled pallet demand remains strong through H1 2025 due to high manufacturer inventories and cost-conscious buyers seeking alternatives to expensive new pallets. Companies are strategically stockpiling materials ahead of potential tariffs while positioning themselves to serve growth sectors like energy and housing. Ultimately, success will hinge on maintaining operational agility, diversifying supply sources across multiple regions and suppliers, and making targeted investments in automation technologies and process optimization.

## Headline Transactions

TARGET	ACQUIRER	ACQUISITION SYNOPSIS
		In 2025, Welch Packaging acquired Soky Pack and Pallet. Soky will add its fiber packaging, in addition to wood pallet manufacturing and crates, to Welch's portfolio of corrugated packaging. In 2024, Welch's also acquired Innovative Packaging Solutions and Northeast Box Co to further build out its corrugated packaging portfolio
		In 2024, BC Wood Products acquired American Pallet Inc. This acquisition represents BC Wood Products' strategic expansion into the used and recycled pallet market, complementing their existing custom wood manufacturing capabilities and providing customers with a broader range of pallet solutions
		In 2023, EP Group ("EPG"), a family-owned operating group, acquired Morgan Wood Products. This acquisition represents EPG's entry into the wood pallet brokerage and wood pallet recycling sector, leveraging Morgan Wood's extensive geographic coverage and established customer relationships across North America
		In 2023, Kamps, Inc. acquired the Business of John Rock, Inc., strengthening the pallet company's Mid-Atlantic capabilities and enhancing its value chain nationwide. Specializing in the complete value chain management of the pallet manufacturing process, the Rock possesses industry-leading capabilities in lumber milling, logistics, & pallet manufacturing

## Lumber & Wood Products PPI vs. Industrial Production: Wood and Pallets



Source: Federal Reserve Bank of St. Louis

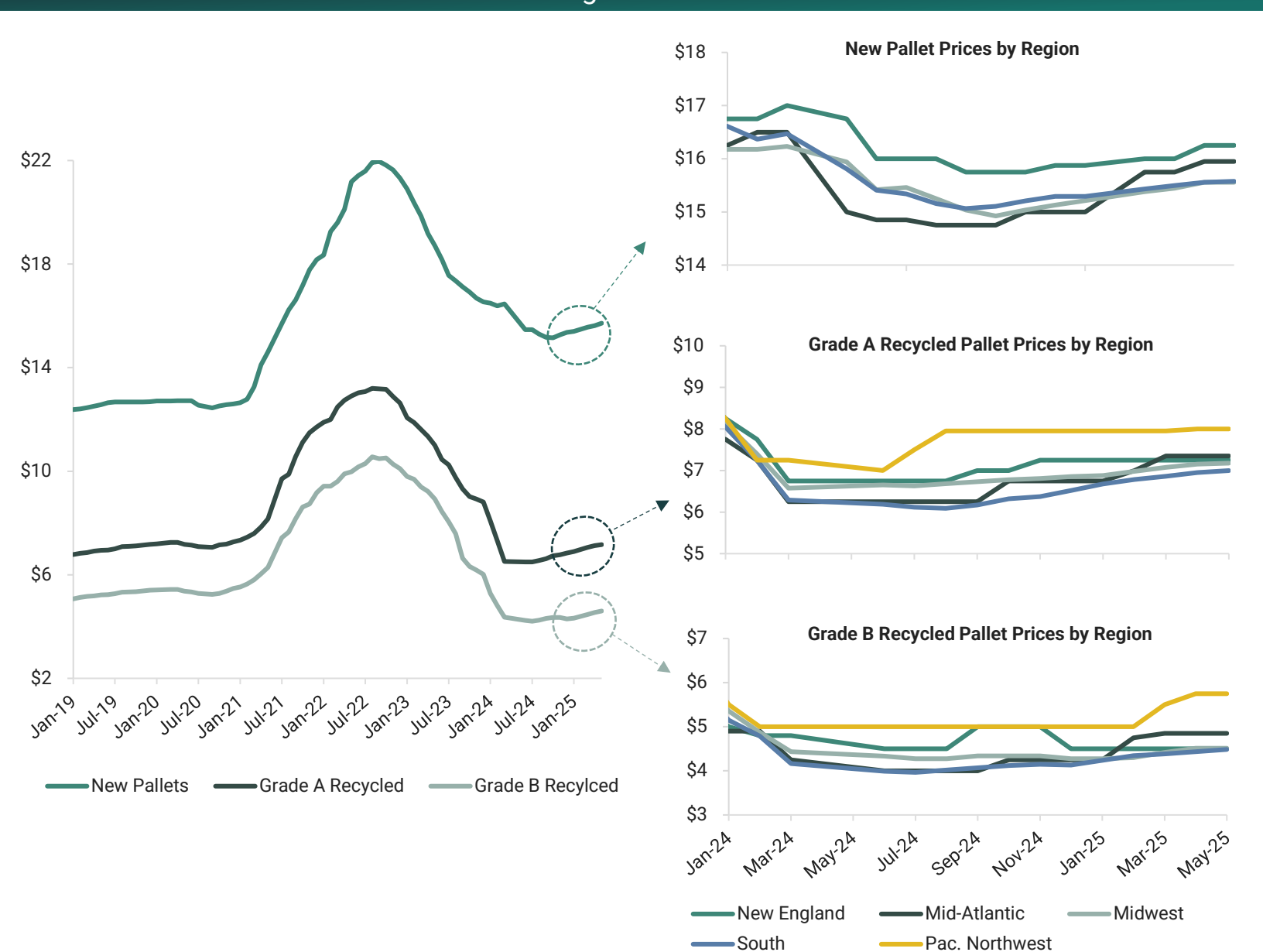
- Lumber Prices Dynamics:** Lumber represents the primary cost driver for wooden pallet manufacturers, with prices remaining elevated above pre-pandemic benchmarks despite supply chain normalization since late 2023. While the extreme volatility of the COVID era has subsided, sustained higher costs continue to pressure producers, who have largely succeeded in passing these increases through to end customers
- Recycled Pallet Market Strength:** The recycled pallet segment benefits from a favorable convergence of market conditions. Elevated lumber prices create a natural pricing umbrella that supports higher recycled pallet values, while record-high manufacturer inventory levels – a key demand indicator for recycled pallets – signal robust market fundamentals. Essential goods sectors, particularly food and household products, are expected to maintain consistent pallet consumption through H1 2025, providing demand stability even as inflationary pressures and potential tariff disruptions reshape broader market dynamics

## Lumber Physical Delivery Price Per Thousand Board Feet



Source: MacroTrends.net

## Pallet Pricing Trends Across US



Source: Pallet Profile Magazine

## Pallet Market Economic Indicator Dashboard

Predictors	General Trend	Demand Impact	Pricing Impact	Data Source
Manufacturers' Inventories	Rose for sixth consecutive month	↑	↑	FRED Manufacturer's inventories thru Apr '25
Retailers' Inventories	Down slightly in Q1 but up YoY	→	↑	FRED Seasonally adj. Retailers Inventories thru Mar '25
Imports	Up 36% annualized	↑	↑	FRED Real imports of goods and services thru Q1 '25
Consumer Spending	Grew modestly with a strong March	→	→	FRED Real Personal Consumption Expenditures: Goods thru Apr '25
Old Corrugated Cardboard (OCC) Pricing	In an upward trend since a Feb. 2024 multi year low	→	↑	FRED Recycled Paperboard PPI thru Apr '25
Lumber Pricing	Down ~50% since COVID high but up 8.5% YoY	↑	↑	FRED Lumber PPI thru Apr '25
Retail Sales	Up 2.2% in Q1	↑	→	FRED Seasonally adj. Retail Sales: Retail Trade thru Mar '25

Source: PLA Q12025 Update and Federal Reserve Bank of St. Louis ("FRED")

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