

**PCR Pricing Models**



Pricing Models	Indices	Explanation	Sample Formulas								
Bales Plus	Recycling Markets <a href="http://recyclingmarkets.net">recyclingmarkets.net</a>	Price of PCR goes up and down each month/quarter based on prices of the feedstock (bales) and level of contamination of the bales (waste factor)	Bale Price	Freight: Bales to PCR Processor	% of Bales that are unusable (waste factor)	Bale Price including freight and waste factor	Conversion + Processing	FDA add on	Packaging in Boxes	Delivery to customer	Total PCR Cost Delivered to site
			\$0.39	\$0.04	33%	\$0.6418	\$0.20	\$0.10	0.02	\$0.05	\$1.0118
			<b>Formula:</b>			$(\$0.39 + \$0.04)/(1-.33)$			<b>Formula:</b>		
Virgin Plus/Minus (as absolute cpp or as %)	CDI/IHS/ICIS	PCR pricing goes up and down each month based on the agreed upon virgin index.	IHS Published price for X RESIN in Jan	IHS Published price for X RESIN in Feb	Price difference	PCR Price Adjustment					
			\$1.04	\$0.98	-\$0.06	-\$0.06					
Spot Market	N/A	Pricing is typically negotiated each month with the PCR processor	*Prices used in the sample formulas do not reflect reality and should not be used for any pricing assumptions **Pricing is typically in cents per pound (CPP)								

Understanding cost drivers and pricing mechanisms are key components of any sourcing strategy. Pricing for contracted PCR could be tied to published indices, virgin or recycled resin. These pricing mechanisms could provide less volatility in the pricing as well as increased transparency into the cost drivers. Alternately, some buyers prefer to negotiate on the spot market, which is subject to more pricing volatility.

In addition to determining the pricing mechanism of PCR, it is beneficial for buyers to understand additional cost drivers to help eliminate unnecessary costs and plan adequately. A wider range of sellers' desirable attributes on a specification or contracting method may create opportunities to source material at a lower price.

**Disclaimer:** The U.S. Plastic Pact created this toolkit to assist U.S. Pact Activators in voluntarily purchasing postconsumer resin for their products and packaging. This toolkit does not contain any endorsements, recommendations, legal, or financial advice and should not be construed as such. The U.S. Pact and contributing authors are not liable for any business decisions that result from consulting this toolkit.