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Concerns on rising costs of raw material for metal packaging

The cost of raw materials for the production of metal packaging (iron ore, tin and coke) continues to rise, with an increase between 9% and 12% reported for 2017¹. Additionally, the price for aluminium (LME) has increased by 12% since January 2017, and prices for cold rolled steel, the metal base for the production of cans, have increased by 40% since January 2015². These increased prices are primarily due to a reduced manufacturing capacity and an increase in worldwide demand, especially in China. This is a worrying trend for the food canning business, as the cost of empty cans count for a considerable part of the total production costs for this industrial sector.

This trend comes on top of the sector's challenges in dealing with an already concentrated market of steelmakers in Europe. Further concentration in that market would seriously affect the European food canning sector's worldwide competitiveness, and the current ongoing merger talks are therefore of big concern, not only for increasing costs of raw material but also for logistic and security of supply aspects.

For the food canning sector the maintenance of a competitive and internationally open market for steel is essential, as increasing costs of production limit the sector's possibilities to invest and innovate whilst staying competitive on the global scene. This is particularly important since the food canning business is a sector consisting mainly of small and medium enterprises (SME's) with an important role in employment, in many areas across the European Community.

PROFEL(Europe) is the European Association of fruit and vegetable processing industries (canned vegetables, frozen vegetables, dehydrated vegetables, jams, fruit preserves and compotes, canned fruit and frozen fruit), representing over 500 companies in 11 EU countries.

¹ Harbor Intelligence

² Harbor Intelligence