# The Steel Can Crisis Created By Tariffs, Quotas and Domestic Supply Cutbacks

## May 2022

# Background

- Can manufacturing industry makes 27 billion steel cans annually
  - 22.5 billion food cans
  - 4.6 billion aerosol and decorative cans
  - Shipments grew almost 12.8 percent during the pandemic.
  - Demand remains high today while domestic and foreign steel tinplate capacity has decreased

<u>Fewer food and aerosol cans may be made domestically unless the steel supply crisis is resolved</u>

# Domestic Supply of Tinplate Is Declining Dramatically

**Steep decline in domestic tinplate production plus 232 tariffs and quotas on imported tinplate creating a national security food crisis**

- Only 2 percent of domestic steel produced is tinplate. Only 8 tinplate lines exist in the U.S. today, down from 11 lines before the tariffs were imposed. One additional large tinplate line will close in 2023
  - Can makers sourced approximately 55% of their tinplate needs to domestically in 2019. By the end of 2023, domestic sources will decline below 50%

# Tinplate Steel Crisis Will Create Food Security Risks

- Decreased domestic steel can production plus increasing imports of canned items will create a death spiral for the canned food industry--farmers, processors, retailers, food banks and consumers
- 20% of food sold in grocery stores are canned. Lower availability of U.S. produced canned foods
- Data from before the pandemic show that 83 percent of our country's kitchens have canned foods in their pantries.
- These high quality, affordable products are especially important for low-income Americans and U.S. food banks.

# Food Security Risks and Food Assistance Programs

- Americans consume on average 5 cans of fruits and vegetables per week. Recipients of SNAP and WIC consume 7.1 cans of fruits and vegetables
- 25% of the fruit consumed in the average American household is sourced from cans; this proportion rises to nearly 32% of all fruit consumed in SNAP and WIC households
- Just under one third (31%) of the vegetables consumed in the average American household is sourced from cans; this proportion rises to 39% in SNAP and WIC households
- 56% feel canned fruits and vegetables are extremely or very important in helping them prepare convenient, nutritious and affordable meals. This number rises to 67% of those on SNAP/WIC

# Tinplate Steel Exacerbated by 232 Tariffs and Quotas

- 90% Anti Dumping Duty on Japanese Tinplate
- Hard quota in Korean, Brazilian Tinplate
- TRQ on EU and UK Tinplate
- 232 and 301 duties on China tinplate steel

# Section 232 Tinplate Crisis
# Requested Relief

CMI requests immediate action through comments submitted to Commerce/BIS:

- Grant "categorical exclusion" request from the 232 tariffs and quotas on imported tinplate steel, black plate and hotbands

**Categorical exclusion from tariffs and quotas ensures long-term certainty for can makers and food customers**

# Reference slides-What Is Tinplate Steel?

- A unique steel called “tinplate” needed to make food and aerosol cans
  - Domestic and imported “hotbands” made into “blackplate” are further processed and coated with a thin layer of tin to make tinplate and tinfree steel.   Can makers buy the finished tinplate
  - Hotbands are produced for other steel products as well and are in short supply

# Reference Slides-Supply

- Foreign steel suppliers are using tariffs to profit from artificially high prices
- Prices for hotbands are near historic highs and at a premium to the rest of the world
- It is possible that limited steel supply will result in some crop/food/products not being canned
- Imports of canned foods are in the rise from foreign sources including China
  - Imports of canned products were up substantially in 2020
  - Trend continues in 2021 and 2022

**Categorical exclusion for tinplate from quotas and tariffs will alleviate supply issues**

# Reference Slides-Cost of Canned Foods

- Cost breakdown of a 15 oz. can of U.S grown corn without profit margin:
  - Metal can 41% (Tariffed tinplate is 80% of this component or 30% of total canned corn)
  - Corn 22%
  - Labor 14%
  - Warehousing/Labeling 12%
  - Overhead 8%
  - Shrink wrap/Corrugate 1.5%
  - Ingredients 1.5%
- **Imports of foreign produced canned corn have lower metal costs and, in some instances, lower labor cost**
- **Price increase in steel components equals approximately a $.10 increase per can for consumers. This equates to a $2.2 billion tax on consumers for food cans**