
FLEXIBLE PACKAGING: Consumers and investors are kicking the traditional can

By Brian Dunn Published: Apr 1 2008

Creativity-it's the root of survival and often stems from desperation, or at the very least is most evident in desperate times. The U.S. food can market certainly appears to fit the mold.

The traditional food can market is shrinking in the United States, forcing the industry to become more creative, according to Gene Leo, project director of Omega Research Associates, Pittsburgh.

"The problems for food cans will be compounded by a sharp increase in the price of tinplate due to the rise in iron ore, coke, energy and tin during the past two years. In the United States, these costs will be passed through by can makers to food processors and ultimately to the consumer," he said. "In early October, steel producer ArcelorMittal (SA, Luxembourg) announced a 15-percent increase in the price of tinplate for its North American customers. Despite surplus tinning capacity, steel suppliers in both Europe and North America followed suit."

Cans for goods consumed by people are forecast to decrease as processors choose alternative packaging such as flexible and rigid plastics, Leo said, and the food can industry might be in for more of a rough ride this year. Cans for coffee and seafood will drag the entire category down, although canned vegetables, soups and pet foods should help boost shipments, Leo said.

"While pet food cans have been growing, it offers little comfort to steelmakers, since about 60 percent of pet food cans are made from aluminum. And beverage cans in the U.S. and Canada are all aluminum. Overall, the long-term trend for canned human food is downward. Per-capita usage has been dropping steadily for three decades, and no turnaround is in sight."

Flexible packaging is just cheaper to produce and ship, driving its continued growth. It accounts for approximately 300 million pounds (41.4 percent) of the total 725 million pounds of aluminum foil used in consumer packaging each year in the United States, and its use is growing at a rate of about 4.4 percent annually, according to the Flexible Packaging Association, Linthicum, Md.

While no major breakthroughs in metal packaging technology occurred in 2007, several developments are expected to have long-term significance.

Can makers, for example, are working to develop the North American market for retortable (sterilized), peelable membrane lids on food cans. While peelable membrane ends for dry food have been available for years, their use on cans for heat-processed food is more of a challenge both in terms of technology and costs. The peelable ends have been doing well in Europe, but the U.S. market has been far more difficult to crack.

"Metal food cans will continue to lose ground regardless," Leo said. "These new innovations will only slow the process, not halt it." The average American consumed 125 food cans in 1976; 10 years later that figure was down to 100; now it's down to 75 cans.

U.S. demand for food containers (metal and plastic combined) is expected to grow 3.3 percent annually to \$23.5 billion in 2011, or nearly 300 billion units, led by demand for more convenient foods and value-added packaging, Cleveland-based Freedonia Group Inc. said. Plastic food containers will lead the way with a 6.3-percent annual increase, followed by plastic bags and pouches at 4.4 percent. The growth of bags and pouches-at the expense of paperboard, metal and glass-will be led by cost and performance advantages such as portability, and freshness protection.

However, there is a bright spot, Freedonia said. Metal container competitiveness will benefit from the growth of non-traditional can types, such as retortable aluminum bowls, and innovations like microwaveable steel and aluminum cans. And aluminum will post above-average gains due to opportunities in faster-growing applications such as containers for liquid meal replacements.

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