
ArcelorMittal SA fails to reach a price smoothing agreement

Monday, 13 Apr, 2009

Dr Rob Davies deputy trade & industry minister of South Africa has expressed disappointment at the failure of ArcelorMittal SA to reach a price smoothing agreement with the packaging industry in order to avoid the prospect of a tin plate price spike in 2009, which was sure to raise tinned food prices.

It may be noted that Steel producer ArcelorMittal SA announced a 69% to 78% increase in tin plate prices for 2009, which it justified on the basis of the significant weakening in the rand over the year, as well as a rise in international tin plate prices of about 25%.

But Dr Davies warned that the price increase could translate into a 50% increase in the price of cans, which, in turn, would raise the price of canned food products. The flow through effect to poor consumers was particularly concerning, owing to the fact that price of a can could comprise as much as 40% of the price of affordable foodstuffs, such as tinned pilchards. In other words, the price increase could well lead to double digit price increases on certain tinned food products, at a time when poor consumers had already been made vulnerable as a result of slowing economic growth and retrenchment programs. He added that "Now, I don't think we can just sit by and watch."

ArcelorMittal SA also noted that it had offered the packaging industry an interim pricing adjustment in October 2008, when international tin plate prices were peaking. But that offer was turned down in favor of negotiating a full year increase in March. It also stressed that, while tin plate prices were traditionally reviewed annually, and that the current adjustment was set to run until March 31st 2010, it had agreed to a midterm review, which would take place in October.

(Sourced from www.engineeringnews.co.za)

For more news visit at www.steelguru.com