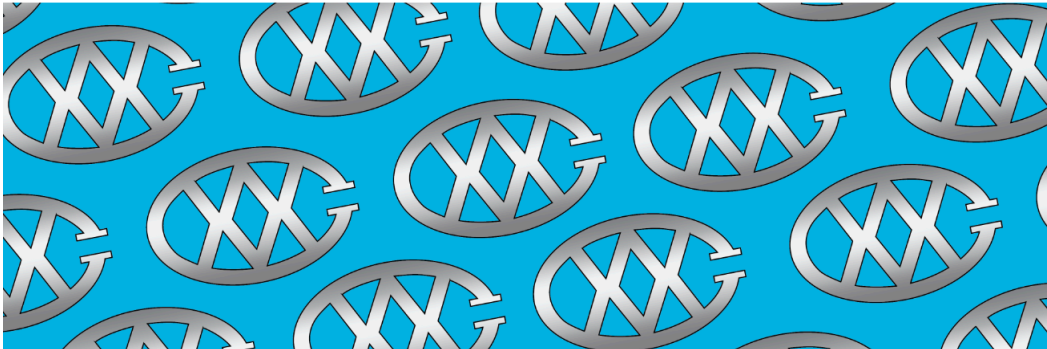


Tech Talk #13:

How Will Steel and Aluminum Tariffs Affect the Printing Industry?

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By now, everyone has heard about the steel and aluminum tariffs affecting the automotive and construction industries. But these industries are not the only ones affected. Metal is used in inks and presses. It's also used in dies—Wilson's area of expertise. Let's look at the effect tariffs will have on the cost of tooling.

How high could costs go?

The tariff presented by the U.S. government calls for a 25% tariff on steel and 10% on aluminum, but these do not include price changes the mills are already applying in anticipation of the tariffs. In fact, some sources say that the increase to the consumer on the cost of aluminum and steel may be as much as 40%. The steel companies have already started increasing the prices of materials simply because of the threat of tariffs. They are waiting to see how it plays out.

What determines cost?

Since solid engraved dies are made from steel, most of the cost is determined by the amount of labor that it takes to make the tool, not necessarily the cost of raw material. A simple 4×6 RCR tool, 2 across and 2 around, does not have as much labor involved as a complicated tool (i.e. folding carton, air eject, vacuum). To compare, in the simple 4×6

tool, approximately 50% of the cost is in the steel. In this example, the cost of the die could increase by as much as 20%. In a more complicated tool, such as folding carton, the cost of the steel could be as low as 20%, raising the overall cost less than 10%.

Which materials will be affected?

Not all materials will be affected by this tariff. Wilson Manufacturing uses a variety of materials to produce engraved dies. The materials affected will be the tool steel dies that we produce using S100 and A100. Only 1% of the total S100 produced in the world is made in the United States. This includes all forms of the material (not just round bars), making domestic purchase virtually impossible. Our Carbon and Alloy steels are all produced domestically and will not be affected by the tariff.

In comparing the cost of inks and presses, it is obvious that more metal is used in the manufacture of a press than in inks. Therefore, the cost on new presses would increase at a higher rate than inks, depending on where the material is sourced.

Will costs be absorbed by Wilson?

The tooling industry over the last several years has been able to absorb the increase in steel and aluminum costs through greater efficiencies. However, a rapid and large cost increase of 40% on these metals simply cannot be absorbed. Wilson Manufacturing will make sure to communicate any cost increase to customers when time does arise.