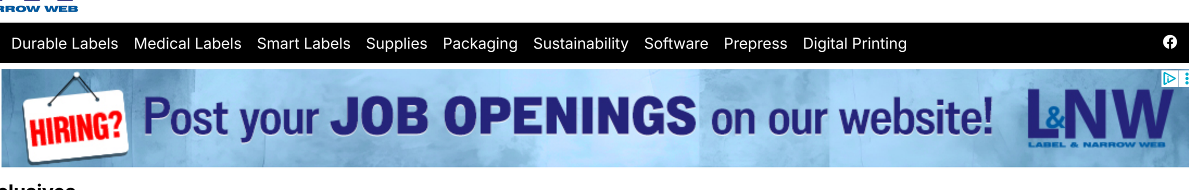

EXPERT'S OPINION

HiFlow Solutions explores impact of tariffs on packaging industry

The experts at HiFlow detail how companies are confronting rising prices, which could lead to tighter margins and potential shifts in supply chain strategies.

March 17, 2025

By: Greg Hrinya
Editor

For flexible packaging manufacturers, tariffs translate into immediate cost increases for raw materials. Aluminum foil, paperboard, and various metal components used in flexible packaging and folding carton production are already subject to price volatility. Increased input costs can force manufacturers to either absorb the higher expenses – thereby shrinking profit margins – or pass the costs on to consumers, which could dampen market demand.

A recent analysis by BofA Global Research noted that, on average, imports constitute about 13% of revenue for US manufacturing, with even more specific figures for sectors like plastics (11%), fabricated metal (10%), chemical products (9%), and paper and printing (7%). For many in the packaging sector, these percentages underscore the vulnerability of their supply chains to tariff-induced disruptions.

What would this look like? What would manufacturers do?

- Pass on some or all of the cost to the consumer
- Take a margin hit on some or all of the cost
- Mitigate some or all of the cost by reducing other costs
- Employ methods of increasing plant efficiency
- All of the above (likely)

Another issue is that while multinational packaging may be able to absorb some costs, SMBs in flexible packaging will face tough challenges. "A 25% tariff on Canada and Mexico threatens to upend the very supply chains that have made US manufacturing more competitive globally," said National Association of Manufacturers president and CEO Jay Timmons in a statement Saturday. "The ripple effects will be severe, particularly for small and medium-sized manufacturers that lack the flexibility and capital to rapidly find alternative suppliers or absorb skyrocketing energy costs."

CEO of the American Forest & Paper Association (AF&PA), Heidi Brock commented in a February 1 statement, "It is imperative we return to normal free and fair trade soon to avoid longer term disruption to US pulp, paper and packaging manufacturing operations."

Tariffs are not only about increased costs. They introduce uncertainty into supply chains that have long been optimized around global sourcing strategies. Many packaging companies source materials from multiple countries to balance cost and efficiency. The announcement of tariffs creates a ripple effect that can force manufacturers to rethink their entire procurement strategy. With tariffs potentially leading to supply delays and increased logistical challenges, the overall competitiveness of US manufacturers is at risk. Companies might be compelled to increase domestic sourcing or re-engineer products to use alternative materials – both strategies that involve significant time and capital investment.

FPA Response

Amid this turbulent landscape, industry leaders are voicing their concerns. Dan Felton, president and CEO of the Flexible Packaging Association (FPA), has been particularly vocal about the uncertainty these tariffs bring. In a February 12, 2025, statement, Felton noted, "We are actively engaged with the US Chamber of Commerce, the National Association of Manufacturers (NAM), and the National Foreign Trade Council's Tariff Reform Coalition to assist us with understanding possible tariff regimes and help guide any engagement strategies we may develop and implement to potentially respond on behalf of FPA members and the US flexible packaging industry. The tariff landscape remains extremely dynamic and fluid, and what we know today could be completely different or obsolete in the coming days, weeks, and months."

Felton's comments capture the essence of the challenge: the regulatory environment is in constant flux, making it nearly impossible for companies to plan for the long term. His statement also emphasizes the need for a coordinated response among industry stakeholders to mitigate the potential disruptions caused by these tariffs. Now, with the latest executive order extending tariffs to virtually all steel and aluminum imports, the pressure is on for the packaging industry to adapt quickly.

Broader Impacts and Industry Concerns

Beyond immediate cost increases, the new tariffs are expected to disrupt global supply chains. Packaging companies often operate on thin margins, and even a slight increase in input costs can have a cascading effect on production expenses and pricing structures.

Tariffs on China will also reverberate in the flexible packaging supply chain. "Every one of our customers has got a war room set up," Graphic Packaging International CEO Michael Doss said on Tuesday.

"Looking further out, the government has announced plans to implement an additional $200 billion in duties on Chinese goods with a targeted date of November 1, 2018. This means that Chinese bags and pouches will be swept up as well. China plans a $60 billion tariff response (to the $200 billion move) but is limited by the fact that China imports far less from the US than the US does from China."

As companies scramble to mitigate these impacts, many are rethinking their sourcing strategies, with some considering reshoring production or diversifying suppliers to reduce reliance on tariff-prone imports. Ultimately, these tariffs not only threaten to drive up consumer prices but also force packaging manufacturers to innovate, streamline operations, and adopt more flexible supply chain strategies to remain competitive in an increasingly volatile trade environment.

Proxima Group, a supply chain consulting business' Philip Hong, comments, "There will be pain in transition and other hurdles such as tightening sustainability regulations in other parts of the world, which may impact the cost of imports from the US (as higher standards of packaging must be met or compensated for). Further pains will extend far beyond packaging as a category such as facing into cost and logistics challenges while maintaining quality and monitoring consumer demands."

Is reshoring the answer?

The potential for prolonged tariffs has also sparked discussions around reshoring production or moving operations. While shifting operations to the US might seem like a viable long-term solution, the costs and challenges associated with re-establishing domestic supply chains are significant. Moreover, companies must contend with regulatory hurdles, labor market uncertainties, and the ever-present risk of further trade policy shifts.

For many, the short-term relief of importing materials before tariffs take full effect is overshadowed by the long-term strategic recalibrations required to remain competitive.

It will be challenging for many companies across the flexible packaging vertical markets to consider moving operations to the US. One example: cosmetic packaging. Sunderesh S. Heragu, in Beauty Packaging magazine notes, "First, it is not easy to dismantle existing supply chains and move the entire production to the US. The costs will go up. Such reshoring may make sense for high-margin items, but is it efficient for companies to reshore only a subset of their production."

The Role of AI-driven Technology

As it has offered in past when supply chains were disrupted, technology can mitigate challenging market conditions, and one beacon of hope for packaging manufacturers is the advent of AI-enhanced ERP systems. As tariffs tighten margins by increasing material costs and creating supply chain uncertainties, manufacturers must find ways to optimize operations and drive efficiency.

Modern ERP systems equipped with AI capabilities offer significant advantages over legacy systems. They provide real-time data analysis, enabling manufacturers to quickly identify production bottlenecks and inefficiencies that could otherwise exacerbate cost pressures. For example, AI-driven scheduling and predictive maintenance can ensure that production processes run smoothly, reducing downtime and maximizing machine utilization. By automating routine tasks and providing actionable insights, these systems help companies respond swiftly to the dynamic challenges posed by tariffs.

For instance, manufacturers using **HiFlow's ERP/MIS** system can access real-time analytics that pinpoint inefficiencies, forecast potential supply chain disruptions, and optimize inventory levels – all critical in an era where every dollar counts. These advanced capabilities ensure that despite rising costs due to tariffs, businesses can maintain competitive margins and even capitalize on new efficiencies.

Strategies for the Packaging Industry

The impact of tariffs on the packaging industry requires proactive measures to maintain profitability and competitiveness. Here's how solutions like HiFlow and other strategic approaches can help manufacturers navigate these challenges:

Diversify Supply Chains

Over-reliance on suppliers in high-tariff regions can create vulnerabilities. By diversifying supply chains to include materials from multiple countries or domestic sources, packaging companies can mitigate risk. This strategy ensures a steady supply of raw materials and reduces the potential financial impact of tariff fluctuations. Tools like HiFlow's supply chain management modules can streamline sourcing decisions, optimize logistics, and track supplier performance in real time.

Invest in Automation

Automation offers a critical advantage by reducing dependency on labor and improving operational efficiency. Integrating AI-powered ERP systems like HiFlow provides additional benefits, such as predictive analytics, automated workflows, and enhanced production tracking. These capabilities not only reduce costs but also enhance flexibility, enabling businesses to adapt to market shifts with greater ease. Future-proofing your organization through automation creates a resilient operation capable of thriving even in volatile economic conditions.

Monitor Policy Changes

Tariffs and trade policies evolve quickly, and staying informed is vital. Businesses should actively monitor updates through reliable sources and industry-specific newsletters. By keeping up with policy changes, manufacturers can anticipate and adapt to new regulations, ensuring minimal disruption to operations. HiFlow's real-time reporting and analytics tools also help track compliance and respond to external economic pressures efficiently.

Leverage Data and Analytics

Advanced ERP systems with robust data collection and analytics capabilities are essential in today's tariff-impacted landscape. Solutions like HiFlow allow companies to track costs at a granular level, identify profitable orders, and make informed pricing decisions. By harnessing the power of analytics, businesses can uncover inefficiencies, adjust their strategies, and focus on high-margin products, even as material costs rise due to tariffs.

Focus on Value-Added Offerings

To mitigate the financial strain of tariffs, packaging manufacturers should prioritize value-added products and services. Offering innovative solutions – such as sustainable materials, smart packaging, or customized designs – allows companies to differentiate themselves, enhance customer loyalty, and secure premium pricing.

HiFlow's advanced AI-powered tools amplify these efforts by streamlining product lifecycle management. From concept to production, HiFlow's technology enhances design precision, optimizes production workflows, and accelerates time-to-market. Additionally, its data-driven insights enable manufacturers to identify market trends and adapt quickly, ensuring their offerings remain competitive and aligned with customer demands.

This story originally appeared on the HiFlow Solutions website.

Keep Up With Our Content. Subscribe To Label and Narrow Web Newsletters
Sign Up

Topics

Packaging

Related Content

EXPERT'S OPINION
Bridging the disciplines – labels to flexible packaging

BLOG
Hybrid label printing: Cost, appearance, and performance considerations

EXPERT'S OPINION
The packaging blind spot that's costing brands money

EXPERT'S OPINION
Why PLA must have a place in the Global Plastics Treaty

SLIDESHOWS
MCC Label hosts 2025 Packaging Summit in Italy

EXPERT'S OPINION
Digitalization key to EPR regulation success

VIEW ALL →

Related Exclusives

EXPERT'S OPINION
Bridging the disciplines – labels to flexible packaging
By Chris Ellison, Managing Director, OPM Labels and Packaging Group Ltd.
By: **Steve Katz**

EXPERT'S OPINION
The packaging blind spot that's costing brands money
Retired Reckitt packaging director Arno Melchior discusses why digitalization is the key to surviving the next wave of EPR regulation.
By: **Steve Katz**

EXPERT'S OPINION
Heidelberg sees paper as future of packaging
Heidelberg and DHBW collaborated on a survey that addresses the European trend, which is projected by 2030.
By: **Greg Hrinya**

EXPERT'S OPINION
Beyond labels: why folding cartons are the natural next step for converters
By Will Parker, Senior Packaging Executive and Labelexpo ambassador.
By: **Steve Katz**

EXPERT'S OPINION
Packaging, Packaging Waste, and Printing Inks: The impact of the PPWR
By Natasha Jeremic, Ink Development Manager, Domino Printing Sciences
By: **Steve Katz**

EXPERT'S OPINION
Paper's next chapter: innovation, sustainability, and growth
By Erwin Busselot, Director Business Innovation & Solutions, Ricoh Graphic Communications, Ricoh Europe
By: **Steve Katz**

EXPERT'S OPINION
Luxury packaging becoming smart, sustainable
Amy Nelson-Bennett explains how the definitions and parameters of luxury labels and packaging are shifting.
By: **Greg Hrinya**

EXPERT'S OPINION
Why supply chain contingencies are the most precious resource for luxury brands
Claire Leake, Head of Product and Operations at Hunter Luxury Packaging, writes about the resilience needed to bring products to market.

EXPERT'S OPINION
Innovation is nothing new: the timeless evolution of packaging
Paul Botje of the Museum of Brands reveals how packaging innovation is a continuous journey shaped by history, materials and consumer needs.
By: **Steve Katz**

EXPERT'S OPINION
From function to feeling: the new language of sustainable beauty packaging
Kim Ridgway of Trinny London shares her insights on sustainable innovation and cross-industry inspiration, featured at London Packaging Week 2025, where the future of beauty packaging takes center stage.
By: **Steve Katz**

EXPERT'S OPINION
The power of innovation in pharma secondary packaging
By Tiffany Overstreet, Innovation Director at MM Pharma & Healthcare Packaging
By: **Steve Katz**

EXPERT'S OPINION
Unlocking new revenue streams with 2D codes
Nigel Allen, marketing manager 2D Codes, Domino Printing Sciences, writes about the benefits associated with connected packaging.
By: **Greg Hrinya**

EXPERT'S OPINION
Navigating complexities of sustainable packaging
Diageo's William Connolly emphasizes collaboration, transparency, and progress in sustainable packaging innovation.
By: **Greg Hrinya**

EXPERT'S OPINION
Designing desire: Frank Stephenson on the emotional power of luxury
Speaking at London Packaging Week, the visionary behind iconic road cars for Ferrari, McLaren and Maserati, explores how emotionally intelligent design is redefining modern luxury.
By: **Steve Katz**

EXPERT'S OPINION
Minimalism, materiality, and the future of flexible packaging
By Julia O'Loughlin, Group Marketing Manager at Parkside Flexibles
By: **Steve Katz**

Solution Centers
Ashe Converting Equipment
Delta ModTech
HEIDELBERG USA
VIEW ALL →

Copyright © 2025 Rodman Media. All rights reserved. Use of this constitutes acceptance of our privacy policy.
The material on this site may not be reproduced, distributed, transmitted, or otherwise used, except with the prior written permission of Rodman Media.