

FICCI Report on Plastic Packaging

- **Organized retail and boom in e-commerce to fuel growth of plastic packaging, per capita consumption to be doubled in five years**
- **Myth regarding the polluting characteristic of plastic needs to be addressed in a scientific manner**

New Delhi, 19 January 2016: Today plastics are the material of choice in packaging for the sectors such as FMCG, food and beverages, pharmaceuticals etc. . Plastics are used heavily for packaging due to innovative visual appeal for customer attraction and convenience. Additionally, they improve the hygiene quotient and shelf-life of the products especially in food and beverages segment.

A report prepared by FICCI and Tata Strategic Management Group (TSMG) on plastic industry titled '*Plastic Packaging - The Sustainable Choice*' was released by FICCI today at the conference on the plastic packaging industry in New Delhi.

Packaging is one of the fastest growing industries and stands at USD 700 billion globally. Globally, Plastics comprise of 42% of packaging with the combination of rigid and flexible plastics in packaging.

It has grown higher than GDP in most of the countries. In developing country like India, it grew at a CAGR of 16% in the last five years and touched ~USD 32 Bn in FY 15. The Indian packaging industry constitutes ~4% of the global packaging industry. The per capita packaging consumption in India is quite low at 4.3 kgs, compared to countries like Germany and Taiwan where it is 42 kgs and 19 kgs respectively.

Overall, the Indian packaging industry is valued at over USD 32 Bn and offers employment to more than 10 lakh people across the country through ~10,000 firms approx. In the coming years it is expected to grow at 18% p.a. wherein, the flexible packaging is expected to grow at 25 % p.a. and rigid packaging to grow at 15 % p.a. The overall packaging industry in India has a huge growth potential and is expected to reach ~USD 73 Bn in the year 2020.

In India, the industry is driven by key factors like rising population, increase in income levels and changing lifestyles. Growth prospects of end-user segments are leading to rise in the demand of the plastic packaging industry. Demand from rural sector for packaged products is being fuelled by the increasing media penetration through the means of internet and television.

Out of 30,000 processing units, about 75% are in the small-scale sector. The small-scale sector, however, accounts for only about 25% of polymer consumption. The industry also consumes recycled plastic, which constitutes about 30% of total consumption.

Challenges & Risks:

However, there are quite a few challenges and risks. High inflation rate and rising prices, lack of skilled workforce, difficulty in procuring raw material due to weak infrastructure, growing environmental concern, effective recycling of mixed plastic waste and plastic recovery are some of the issues plaguing the industry.

Going ahead recycling & reuse of plastics will be an important step towards fostering innovation and sustainability. Also increased awareness through help of industry groups and Government could help address some of these challenges.

Plastic Packaging - Benefits and Reduced Environmental Impact:

As plastics possess versatile properties it can help us do more with less. One such property is light weight. As plastics are light in weight, they have a high product to package ratio which results in lighter weighed end product. For example: Only 1.5 pounds of flexible plastics can deliver ~60 pounds of beverage; compared to three pounds of aluminium or 50 pounds of glass. Thus, plastic packaging enables in shipping more products with less packaging material. And also brings down the fuel consumption and the overall transportation cost.

Besides this, plastics can be reused and recycled. They have low energy requirements during production, hence considered to be energy efficient. They consume ~25 percent less energy in production compared to other alternatives. They result in lower emission of CO₂ gas. Thus when compared to glass or aluminium plastics results in lighter environmental footprint.

Plastic Packaging in India - The Future:

India is a growing market for plastics and consumes about 12.8 Million Metric Tonnes (MMT) of plastics annually against global consumption of 285 MMT per year. The plastics and polymer consumption is growing at an average rate of 10%. About 30,000 processing units with 113,000 processing machines have created manufacturing capacity of 30 MMT per annum in India. This has been achieved with a 13% CAGR of processing capacity during last 5 years. The industry has invested \$5 billion in the machinery and it is expected to make further investment of \$10 billion for further increase in capacities during the next 5 years.

The per capita consumption of polymers in India during 2014-15 was just 10.5 kg as compared to 109 kg in USA, 45 kg in China and 32 kg in Brazil. India is expected to be among the top ten packaging consumers in the world by 2016. The low level of per capita plastics consumption in India is indicative of the massive growth potential of the plastic industry. Given the rising consumerism and modern lifestyles, it is expected that per capita consumption will be doubled in the next five years.

While the usage and benefits of plastics are manifold, it invariably gets branded as a polluting material. The facts or myth regarding the polluting characteristic of plastic are needed to be addressed in a scientific manner. Plastics are chemically inert substances and they do not cause either environmental or health hazards. If plastics can be collected and disposed off or recycled

as per laid down guidelines/rules then the issue of plastic waste can be suitably addressed. In fact there is wide scope for industries based on re-cycling of plastics waste.

Further, India is emerging as the most favoured destination for organized retail destination in the world. And also the presence of E-commerce is expanding rapidly and is bringing around a revolution in the retail industry. Retailers are now leveraging digital retail channels thereby enabling wider reach out to customers with less amount of money spent on real estate. Therefore, organized retail and boom in e-commerce offers huge potential for future growth of retailing in India which in turn is pushing the growth of packaging sector.

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