

Packaging Industry Outlook in Indonesia: Market Size, Key Trends, Drivers, and Challenges to 2016

Industry Forecast Report

Reference code: PK0035MR
Published: December 2011

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1 Executive Summary

The Indonesian packaging industry growth will be driven by the country's expanding population and high demand for low-cost flexible packaging

The Indonesian packaging industry has the potential to undertake rapid expansion activities during the forecast period, which will be driven by the country's expanding population. The Indonesian packaging industry registered a compound annual growth rate (CAGR) of X.X% during the review period (2007–2011), and valued US\$X.X billion in 2011. It is expected to register a higher CAGR of X.X% during the forecast period (2012–2016), to reach a value of US\$X.X billion in 2016. This strong growth will be generated by the higher demand for low-cost flexible plastic packaging.

Indonesian packaging industry to register increased demand following the rise in domestic consumption of packaged food and beverages

Packaging is important for protecting products as they are transported across Indonesia

Indonesia is made up of 17,000 islands. Due to this, the country faces a major challenge ensuring that food products which are transported across the country arrive in the intended state, without any wastage or spoilage. While the country's Jakarta island has a large demand for Indonesian food products, the country's main food processing activity is concentrated around Java. Due to the difficulty involved in distribution, packaging plays an important role in guaranteeing the quality of products remains throughout the supply chain.

Companies using small packaging formats to target the country's low-income group

In order to generate increased product sales from the country's low-income consumer groups, manufacturers in Indonesia have started adopting a micro-selling strategy. Micro-selling involves offering products in smaller quantities at lower prices, which will require small packaging formats such as sachets. This has raised the demand for inexpensive packaging material, such as flexible plastic packaging, which has not only increased the turnover for packaging manufacturers but also generated larger profit margins.

Imports of packaged food lower the expected demand for Indonesian packaging

The food and beverage end-user market accounted for XX% of the total Indonesian packaging industry value in 2011, making it the largest end user of packaging in Indonesia. However, Indonesia has traditionally imported a large amount of basic food materials and processed food products. With the reduction of import duties on products imported from ASEAN (Association of Southeast Asian Nations) in January 2010, prices of imports are expected to decrease. This will increase the level of competition for local food and beverage manufactures and reduce their demand. Indonesia's food and beverage packaging requirement is lower than its large population would suggest due to the domestic demand for food being met by foreign food imports which are packaged outside Indonesia.

New food contact packaging legislation

The Indonesian government introduced a new food contact packaging legislation in 2007 to update the domestic packaging standards and bring them in line with the international standards such as those used by the US FDA (Food and Drug Association) and EU food legislation. The revised regulation covers packaging of both domestic and imported food across the five packaging categories: paper and board, flexible plastic, rigid plastic, metal, and glass packaging. The legislation will result in international large food product companies adhering to one single standard instead of multiple standards. However, full implementation and widespread adoption of the new legislation is unlikely due to the country's high poverty levels and the low capital base of several domestic packaging manufacturers.

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2 Future Growth Potential of Packaging in Indonesia

This section provides a summary of the Indonesian packaging industry's market size and growth prospects. The section also discusses the current state and growth potential of the five categories in the packaging industry: paper and board, flexible plastic, rigid plastic, metal, and glass.

2.1 Indonesian Packaging Material Size

The Indonesian packaging industry valued US\$X.XX billion in 2011. It registered a moderate CAGR of X.X% during the review period, despite the country possessing a high growth potential due to its huge population. The Indonesian packaging industry is expected to record a stronger CAGR of X.XX% during the forecast period, to value US\$X.X billion in 2016.

The following tables and figures display the market allocation of the five packaging categories in the Indonesian packaging industry:

Flexible plastic packaging will grow considerably due to the demand for low-price consumer goods in Indonesia

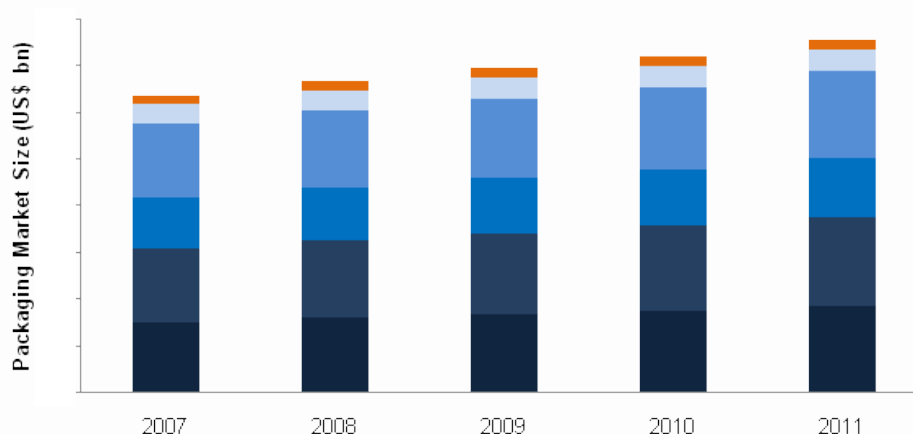
Table 1: Indonesian Packaging Industry Size by Category (US\$ Billion), 2007–2011

Category	2007	2008	2009	2010	2011	CAGR 2007–2011
Paper and board	X.X	X.X	X.X	X.X	X.X	X.XX%
Flexible plastic	X.X	X.X	X.X	X.X	X.X	X.XX%
Rigid plastic	X.X	X.X	X.X	X.X	X.X	X.XX%
Metal	X.X	X.X	X.X	X.X	X.X	X.XX%
Glass	X.X	X.X	X.X	X.X	X.X	X.XX%
Others	X.X	X.X	X.X	X.X	X.X	X.XX%
Total	X.X	X.X	X.X	X.X	X.X	X.XX%

Source: BRICdata analysis

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Figure 1: Indonesian Packaging Industry Size by Category (US\$ Billion), 2007–2011



Source: BRICdata analysis

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2.2 Indonesia Packaging Material Market Size by Category

2.2.1 Paper and board packaging

The Indonesian paper and board packaging category grew at a CAGR of X.X% during the review period, and valued US\$X.XX billion in 2011. It is expected to grow at a CAGR of X.X% during the forecast period, to value US\$X.XX billion in 2016. The paper and board category is growing strongly despite the strong competition from flexible plastic packaging. The category benefits from the high paper and paper-pulp production capacity in Indonesia which offers plenty of raw materials for paper and board packaging companies. The paper and board packaging category is also expected to benefit from increased demand during the forecast period due to the government's encouraging of green and recyclable packaging. The packaging industry is the largest consumer of paper in Indonesia, accounting for XX% of the country's total paper and paper-pulp production. Some of the common paper packaging types are folding carton boards, kraft liner for corrugated boxes and wrapping papers.

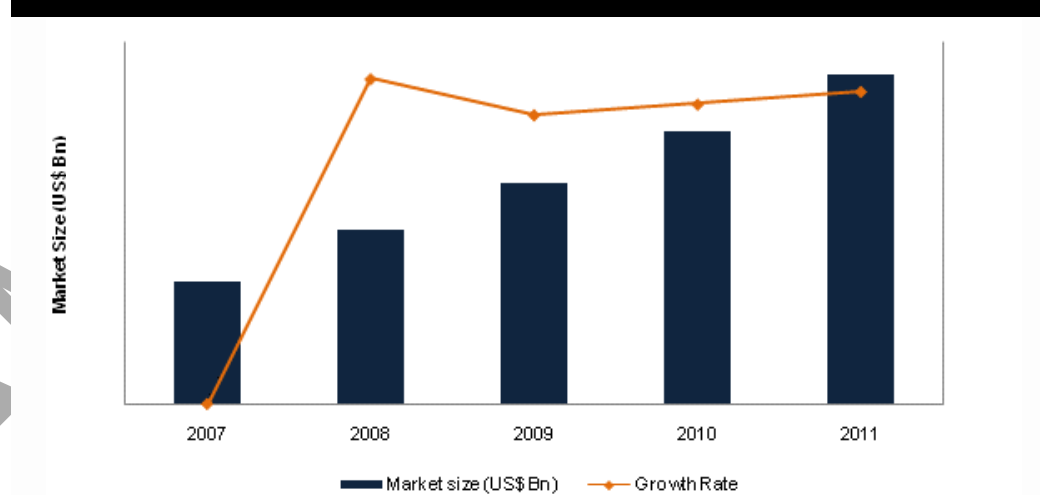
Table 3: Indonesian Paper and Board Packaging Market Size (US\$ Billion), 2007–2011

Years	Market Size (US\$ Billion)
2007	X.XX
2008	X.XX
2009	X.XX
2010	X.XX
2011	X.XX

Source: BRICdata analysis

© BRICdata

Figure 3: Indonesian Paper and Board Packaging Market Size (US\$ Billion), 2007–2011



Source: BRICdata analysis

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2.3 Indonesia Packaging Machinery Market Size

The Indonesian packaging machinery industry valued US\$XXX.X million in 2011, and grew at a CAGR of X.X% during the review period. Indonesia produces packaging machinery domestically, although it also imports machinery from other countries such as Italy, Germany, China, Taiwan and Japan. Packaging machinery has an average productive life of 8–10 years. Since a significant number of machines were purchased during the review period, these machines will not need to be replaced until after 2016. Due to this, the projected growth of the Indonesian packaging equipment industry, at CAGR of X.X% during the forecast period, is expected to be lower than during the review period. The packaging machinery industry is expected to value US\$XXX.X million in 2016.

The food and beverages end-user market will continue to be the major consumer of packaging machinery during the forecast period, with demand growing from Indonesia's instant noodles, baked goods, dairy products, vegetables and meat manufacturers. As a result, the demand is high for machinery that produces filling, closing and sealing containers. It is also high for machinery that can pack, wrap and sort food.

The following tables and figures display the Indonesian packaging machinery market size during 2007–2016:

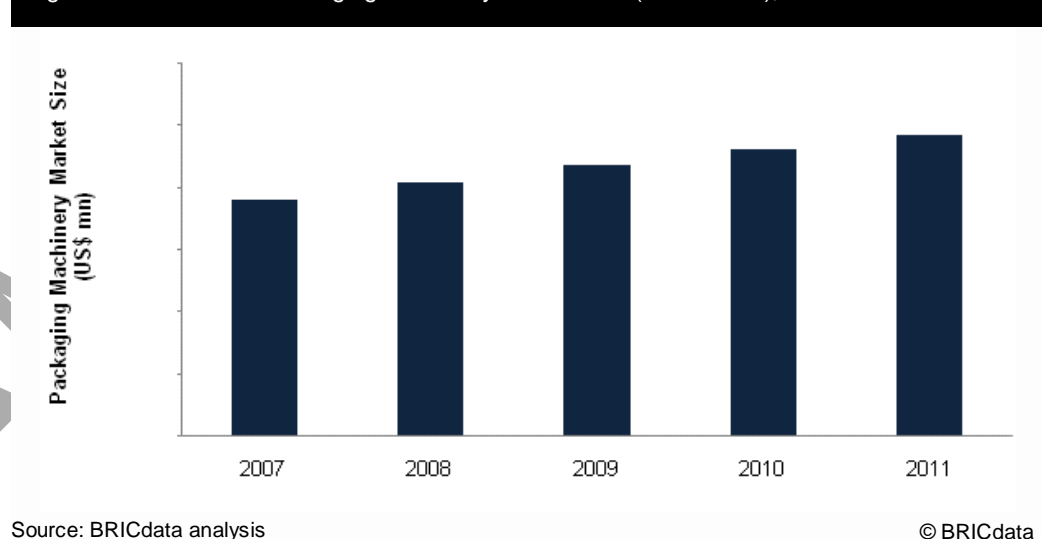
Table 13: Indonesian Packaging Machinery Market Size (US\$ Million), 2007–2011

Packaging Equipment (US\$ Million)	2007	2008	2009	2010	2011	CAGR 2007–2011
Market Size	XXX.X	XXX.X	XXX.X	XXX.X	XXX.X	X.XX%

Source: BRICdata analysis

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Figure 13: Indonesian Packaging Machinery Market Size (US\$ Million), 2007–2011



Source: BRICdata analysis

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3 Indonesian Packaging Industry Benchmarking

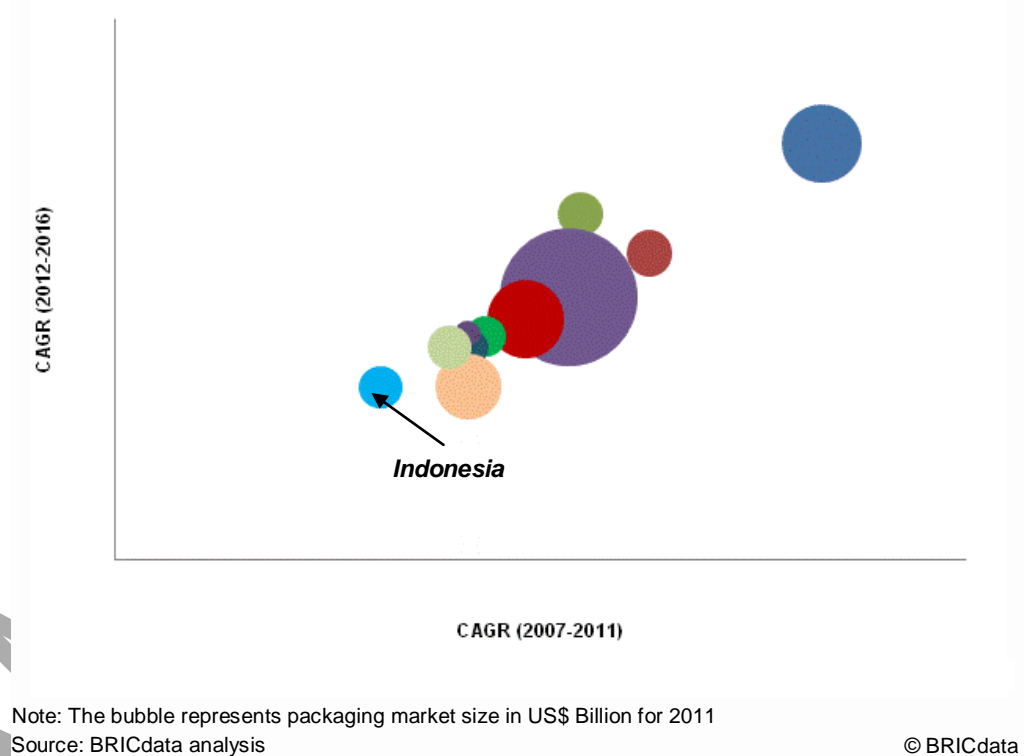
This section depicts the ranking of Indonesian packaging industry in comparison with other major packaging markets. This section also covers the market share of different categories in the packaging industry: paper and board, flexible plastic, rigid plastic, metal and glass packaging, in comparison with other major packaging markets.

3.1 Global Packaging Market Growth Potential

Indonesia had the fifteenth-fastest-growing packaging industry in the world in 2011 due to it registering a CAGR of X.X% during the review period. Furthermore, the Indonesian packaging industry is expected to grow at a faster CAGR of X.X% during the forecast period. The Indian packaging industry was the fastest growing in the world during the review period, and will retain this position during the forecast period.

The following figure displays the expected growth rate of the world's fastest-growing packaging industries:

Figure 16: Top Global Markets by Future Packaging Industry Growth (%), 2012–2016



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4 Indonesian Packaging Trade Dynamics

This section analyzes the export and import figures for key categories in the packaging industry: paper and board, rigid plastic, flexible plastic, metal and glass. The section also covers the notable trends relating to trade in these categories.

4.1 Packaging Import-Export: Segment Analysis

4.1.1 Paper and board packaging

There are more than 80 paper and paper-pulp manufacturers in Indonesia, making the country the ninth-largest producer of paper-pulp in the world. The top five integrated paper mills are major exporters of kraft paper, kraft liner and coated and uncoated paperboard for packaging.

The Indonesian rupiah depreciated against the US dollar following the 1997 Asian financial crisis, which significantly reduced the price of Indonesian paper products in the global market place. This increased the demand for paper and board packaging exports from the country. In 2010, the export value of finished paper packing containers and cardboard reached US\$XX.X million, while imports was valued US\$XXX.X million. In the paper and board category, Indonesia imports a significant amount of non-corrugated carton boxes from the US, Taiwan and South Korea. However, the amount of paper and paperboard packaging exports is considerably larger than the amount of containers exports due to the greater space requirement of containers in transit compared to paper. The main export destinations for Indonesian carton boxes are China, Japan, the Philippines and Malaysia.

Indonesia's paper and paperboard packaging category could be threatened by deforestation, illegal logging and countervailing duties by major importing countries.

The following table and figure display the Indonesian trade data for paper and board packaging during 2006–2010:

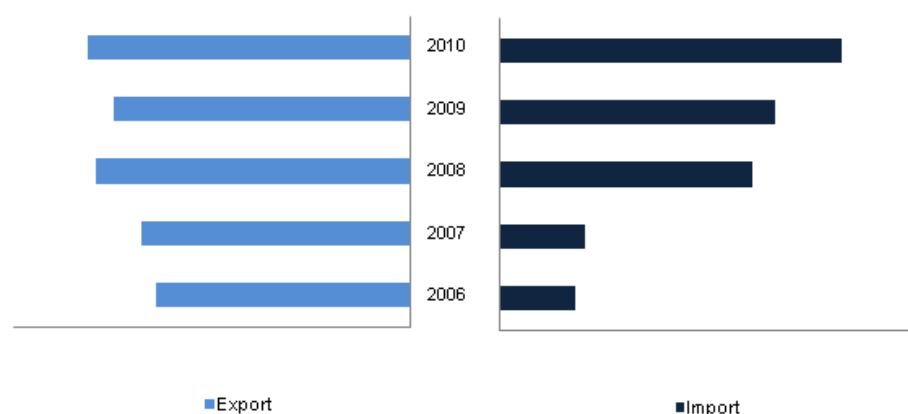
Table 23: Indonesian Paper and Board Packaging Import and Export Trends (US\$ Million), 2006–2010

Paper and Board Packaging	Import	Export
2006	XX.X	XX.X
2007	XX.X	XX.X
2008	XX.X	XX.X
2009	XX.X	XX.X
2010	XXX.X	XX.X

Source: International Trade Centre and BRICdata analysis

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Figure 29: Indonesian Paper and Board Packaging Import and Export Trends (US\$ Million), 2006–2010



Source: International Trade Centre and BRICdata analysis

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5 Appendix

5.1 About BRICdata

BRICdata publishes in-depth strategic intelligence reports that enable its customers to better understand opportunities in emerging markets and industry sectors. These reports provide an independent, expert view which is supported by primary research and access to leading data and intelligence sources.

BRICdata is a comprehensive source of insights and analysis. It publishes a broad spectrum of reports across a number of different industries, including consumer goods, retail, financial services, technology, telecoms and construction.

BRICdata is headquartered in London with research, analysis, and account management teams based across Europe, the US and the Asia-Pacific region. BRICdata's global research footprint is supported by a network of external associates, data partners and industry experts to give us the clearest perspective on emerging markets.

Areas of expertise

BRICdata operates a dedicated, multi-lingual team of in-house industry analysts with significant experience in global and country level research. BRICdata also maintains data and research partnerships with other research companies, industry experts and trade associations. Added to this, there is a network of independent industry consultants and former industry participants who contribute to the research and reports, providing additional insight and expertise in more specialist areas.

BRICdata's research offering spans the following industry areas:

Construction

BRICdata publishes reports covering the entire construction value chain: construction materials, equipment, construction services, architectural services and interior design. These reports also cover the main construction markets: commercial, infrastructure, industrial, institutional and residential construction. Within this holistic view of the market, the reports aim to identify the key growth areas and countries to provide a view of the most attractive market opportunities.

Consumer goods

Covering a broad spectrum of areas across the consumer goods space, from interior products to fast-moving consumer goods (FMCG), ingredients and packaging, BRICdata offers a comprehensive insight into key consumer goods sectors across fast-growing markets, identifying key trends, future innovations and growth opportunities. BRICdata's comprehensive data sets, with unique primary survey-driven research, create accurate market forecasts and an understanding of the factors driving consumption behavior.

Financial services

Providing detailed insights into insurance and banking markets, BRICdata's financial services reports identify key market opportunities, emerging technologies and channel strategies. The reports aim to provide unique data combined with local examples of best practice and expert insight into the market.

Retail

BRICdata maintains a comprehensive database of forecasts of retail spending plus a series of unique indicators that enable a forward view on retailers' prospects in emerging markets. The retail reports identify emerging concepts in retailing including the emerging online and mobile retail in BRIC (Brazil, Russia, India and China) countries and other emerging markets.

Technology

BRICdata readers abreast of key trends and innovations, emerging technologies and markets, and key operators across both emerging markets and technologies. Covering a range of

emerging and disruptive technologies, including telecoms deregulation, the growth of social media, telemedicine, online and mobile retailing, BRICdata examines strategies for success, the state of the competitive landscape and the inherent threats and opportunities across the emerging technology economy.

5.2 Methodology

This report offers insights into market opportunities and entry strategies adopted to gain market share in the Indonesian packaging industry. It provides in-depth analysis of the following:

- **The future growth potential for packaging in Indonesia:** The report highlights key drivers to help understand growth dynamics, and includes a detailed analysis of current market sizes and growth expectations. It also benchmarks the industry against key global markets and provides detailed understanding of emerging opportunities in specific areas.
- **Trade dynamics:** The report provides trend analysis of exports and imports along with their implications and impact on the Indonesian packaging industry.
- **Industry dynamics:** The report uses Porter's five forces analysis to help understand various power centers in the industry across a range of packaging materials, and how these are likely to develop in future.
- **Industry structure and competitive landscape:** The report analyzes the competitive landscape of the packaging industry in Indonesia.

All packaging reports are rigorously sourced and created according to a comprehensive, two-stage methodology. This includes internal audit and primary research.

A) Internal audit

- Review of in-house databases to gather existing data:
 - Historic market databases and reports
 - Company database
 - projects database

B) Primary research

- Review of the latest interiors company and asset management trends

1) Research

A. Sources

- Collection of the latest market-specific data from a variety of industry sources:
 - Government statistics
 - Industry associations
 - Company filings
 - Broker reports
 - International organizations

B. Expert opinion

- Collation of opinion taken from leading industry experts
- Analysis of third-party opinion and forecasts, including:
 - Broker reports
 - Industry associations
 - Official government sources

C. Data consolidation and verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors and regions

2) Research Analysis

C) Market forecasts

- Feed of forecast data into market models, including:
 - Macroeconomic indicators
 - Industry-specific drivers
- Analysis of Market Databases to identify trends by sector, including:
 - Latest trends
 - Key market drivers

3) Report Writing

- Analysis of market data
- Discussion of company and industry trends and issues
- Integration of survey results
- Annual review of trends
- Standardization of market definitions using recognized industry classifications

4) Quality Control

A. Templates

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Complex forecasting tool to ensure that methodologies are applied consistently
- QC checklists

B. QC process

- Peer review
- Senior-level QC
- Random spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency with accumulated data from:
 - Interiors projects database
- Company filings

5.3 Definitions

For the purposes of this report, the following timeframes apply:

- **Review period:** 2007–2011*
- **Forecast period:** 2012–2016

**Note for import-export, the review period is 2006–2010*

All data is collected in local currency. To avoid distortions due to currency fluctuations, all conversions into US dollar, of current, historical and forecast data, are made with a yearly average exchange rate. Most values in tables, with the exception of compound annual growth rate (CAGR) are displayed to one decimal place. As such, growth rates may appear inconsistent with absolute values due to this rounding method.

The key market categories featured in the report are defined below:

- **Paper and board packaging** comprises the following sub-categories: kraft paper, sulfite paper, glassine paper, grease proof paper, waxed paper, corrugated boxes, laminated paperboard packs, and cartons.
- **Flexible plastic packaging** comprises sub-categories of plastic made from polyvinyl chloride (PVC), low-density polyethylene (LDPE), high-density polyethylene (HDPE), biaxially oriented polypropylene (BOPP) and biaxially oriented polyethylene terephthalate (BOPET).

- **Rigid plastic packaging** comprises sub-categories of jars and containers made from single or co-extruded polymers such as PVC, polystyrene (PS), polypropylene (PP), HDPE and polyethylene terephthalate (PET).
- **Metal packaging** comprises sub-categories of steel cans, tin cans, aluminum cans, aerosol cans, battery cell cans, aluminum collapsible tubes and aluminum foils.
- **Glass packaging** comprises sub-categories of glass bottles and glass jars.

5.4 Disclaimer

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