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

Industry Forecast Report

Reference code: PK0045MR

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1 Executive Summary

The South African packaging industry offers significant growth opportunities over the forecast period

The South African packaging industry recorded significant growth during the review period due to an increase in consumer expenditure on food and a rising demand from end-user markets like food and beverages, pharmaceuticals and personal care products. During the review period, the industry posted a CAGR of X.X% to reach a market value of US$X.X billion in 2011. Of the end-user markets, the food and beverages market is expected to generate the most business for the industry. In addition, the rising demand for pharmaceuticals and personal care products is also aiding packaging industry growth. Other factors that will affect the South African packaging industry over the forecast period are the population’s changing lifestyles, cheaper imports due to low excise duty, technological advancements, recycling trends, and a structural shift from plastics to glass. Over the forecast period, the South African packaging industry is expected to grow at a CAGR of X.X% to reach a market value of US$X billion in 2016.

Paper and board packaging is expected to dominate the market, while plastics will register the highest annual growth

In terms of market size, paper and board packaging accounted for the largest share of the domestic packaging industry revenue of US$X.X billion in 2011, representing XX.X% of the total packaging industry. The category is expected to grow as a direct result of the rapidly expanding healthcare industry and the anticipated rise in consumer expenditure on durables and non-durables. The industry is expected to value US$X.X billion by 2016, at an anticipated CAGR of X.X% over the forecast period, and is projected to account for XX.X% of the total packaging industry. Both plastic categories, rigid and flexible, are expected to register the highest CAGR’s over the forecast period, outperforming the glass, metal and paper categories over the forecast period.

Increasing demand from the pharmaceutical industry to support the packaging industry

South Africa has one of the highest rates of HIV infection worldwide, with XX% of the population – X.X million people – known to be infected in 2009. Consequently, the domestic market for anti-retroviral (ARV) drugs offers strong investment opportunities in the pharmaceutical packaging category over the forecast period. Moreover, the growing preference for hygiene products among the middle-class population is also expected to drive demand for packaging. The most widely used pharmaceutical packaging forms are cartons, blisters, tubes, ampoules, envelopes and strips, and within the market, plastic and metal blister packaging is used more frequently than glass bottles.

Companies are offering active and smart packaging solutions for the food and beverages industry

Active and smart packaging has been gaining popularity in the South African food and beverages industry. Companies use active packaging to preserve the quality and extend the shelf life of packaged food. The packaging is used for dairy, meat, fruit, vegetable and beverage products. Smart packaging contains an external or internal indicator to provide information about the quality of the food contained within. Companies such as Tetra Pak, Nampak Ltd and Astrapak Ltd are offering new smart packaging solutions specifically designed for food items. Although the adoption of smart packaging is slow, it is expected that demand will increase over the forecast period.

Increasing merger and acquisition activity is expected to consolidate the South African packaging industry

The highly competitive South African packaging industry registered several mergers and acquisitions during the review period. Leading companies adopted this strategy in order to strengthen their position in the local market. In June 2011, Tetra Pak announced the acquisition of the South African-based company Chaswill Process Technology, which offers process engineering solutions in the beverage, prepared food and dairy markets. Similarly, in 2010, Transpaco announced its acquisition of a Cape-based retail plastic bag factory to expand its activities in the retail plastic bag market, and Gad-Tek Pty Ltd, a plastic converter was acquired by Bowler Metcalfon in July 2008. These mergers and acquisitions have resulted in a process of consolidation, which may present a challenge for small and medium-sized companies over the forecast period.

The FIFA 2010 World Cup generated extra growth for the South African packaging industry

Expenditure on consumer packaged goods increased considerably during the FIFA World Cup, and South Africa’s economy as a whole benefited from the event. During the tournament there was a sharp increase in beer and carbonated drink consumption, coupled with a rise in the demand for packaged food, which positively affected the packaging industry.
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2 Future Growth Potential of Packaging in South Africa

2.1 South African Packaging Material Size

The South African packaging industry grew from US$X.X billion in 2007 to US$X.X billion in 2011, registering a CAGR of X.X% during the review period. In 2011, the packaging industry contributed X.X% to the country’s GDP. Strong domestic demand and considerable exports supported the industry’s growth, despite global financial pressures. The key end-user markets driving the growth of the industry are food and beverages, pharmaceuticals, personal care and industrial goods.

The following tables and figures show the sizes of the key categories in the South African packaging market:

| Table 1: South African Packaging Market Size by Category (US$ Million), 2007–2011 |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| Flexible plastic                | XXX.X   | XXX.X   | XXX.X   | XXX.X   | XXX.X   | X.X%       |
| Rigid plastic                   | X,XXX.X | X,XXX.X | X,XXX.X | X,XXX.X | X,XXX.X | X.X%       |
| Metal                           | XXX.X   | XXX.X   | XXX.X   | XXX.X   | XXX.X   | X.X%       |
| Paper and board                 | X,XXX.X | X,XXX.X | X,XXX.X | X,XXX.X | X,XXX.X | X.X%       |
| Glass                           | XXX.X   | XXX.X   | XXX.X   | XXX.X   | XXX.X   | X.X%       |
| Others                          | XX.X    | XX.X    | XX.X    | XX.X    | XX.X    | X.X%       |
| Total                           | X,XXX.X | X,XXX.X | X,XXX.X | X,XXX.X | X,XXX.X | X.X%       |

Source: BRICdata analysis © BRICdata

Figure 1: South African Packaging Market Size by Category (US$ Million), 2007–2011

Source: BRICdata analysis © BRICdata
The growth in the end-user markets is expected to drive the South African packaging industry over the forecast period, which is anticipated to grow from US$X billion in 2012 to US$X billion in 2016, and post a CAGR of X.XX%.

**Table 2: South African Packaging Market Size by Category (US$ Million), 2012–2016**

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</thead>
<tbody>
<tr>
<td>Flexible plastic</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Rigid plastic</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Metal</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Paper and board</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Glass</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Others</td>
<td>XX.X</td>
<td>XX.X</td>
<td>XX.X</td>
<td>XX.X</td>
<td>XX.X</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Total</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X,XXX.X</td>
<td>X.XX%</td>
</tr>
</tbody>
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Source: BRICdata analysis © BRICdata

**Figure 2: South African Packaging Market Size by Category (US$ Million), 2012–2016**

Source: BRICdata analysis © BRICdata
3 South African Packaging Industry Benchmarking

This section details the ranking of the South African packaging industry in comparison with other key packaging markets as well as comparing the market shares of different categories.

3.1 Key End-User Market Drivers

3.1.1 Market growth

In 2011, the food and beverages market accounted for XX.X% of the domestic packaging industry in value terms, while the pharmaceuticals market accounted for X.X%, and the personal care market had a X% share. The food and beverage and pharmaceuticals markets are expected to generate the most growth in the domestic packaging industry over the forecast period.

The table and figure below display the percentage shares of key end-user markets in the packaging industry:

<table>
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<th>End-user Markets</th>
<th>Consumption (US$ Billion)</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>X.X</td>
<td>XXX%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Personal care</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Other</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Total</td>
<td>X.X</td>
<td>XXX.X%</td>
</tr>
</tbody>
</table>

Source: BRICdata analysis

Figure 25: South African Packaging Market by End-User Markets (%), 2011
The following tables and figures display the market size trend across key end-user packaging markets in value terms:

### Table 19: South African Packaging Market Size by End-User Market (US$ Billion), 2007–2011

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</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Personal care</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Other</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Total</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
</tbody>
</table>

Source: BRICdata analysis

### Figure 26: South African Packaging Market Size by End-User Market (US$ Billion), 2007–2011

Source: BRICdata analysis
Table 20: South African Packaging Market Size by End-User Market (US$ Billion), 2012–2016

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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Personal care</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Other</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
<tr>
<td>Total</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X</td>
<td>X.X%</td>
</tr>
</tbody>
</table>

Source: BRICdata analysis

Figure 27: South African Packaging Market Size by End-User Market (US$ Billion), 2012–2016

Source: BRICdata analysis
4 Appendix

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

BRICdata is a comprehensive source of insights and analysis, and publishes a broad range of reports across a number of different industry sectors, including consumer, 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 Asia-Pacific. Its global research footprint is supported by a network of external associates, data partners and industry experts to give the clearest possible perspective on emerging markets.

4.1.1 Areas of expertise

BRICdata operates a dedicated, multilingual team of in-house industry analysts with significant experience of global and country-level research. BRICdata also maintains data and research partnerships with other research companies, industry experts and trade associations, along with a network of independent industry consultants and former industry participants contributing research and reports to bring 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. It also covers the main value sectors of construction activity: commercial, infrastructure, industrial, institutional and residential.

This comprehensive view of the market enables BRICdata to detail key growth sectors and countries and identify the most attractive industry opportunities.

Consumer goods
Covering a broad range of areas across the consumer goods market, from interior products to fast-moving consumer goods (FMCG), ingredients, and packaging, BRICdata offers a comprehensive insight into key consumer sectors across fast-growing markets, identifying key trends, future innovations and growth opportunities.

Comprehensive data sets including unique primary survey-driven research creates accurate market forecasts and 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 provide unique data combined with local examples of best practice and expert insights into the market.

Retail
BRICdata maintains a comprehensive database of forecasts of retail spending, along with a series of unique indicators enabling a forward view of retailers’ prospects in emerging markets. The reports identify emerging concepts in retail, including the nascent online and mobile retail sector in the BRIC countries and other emerging markets.

Technology
BRICdata tracks key trends and innovations, emerging technologies and markets, and the key operators in both emerging markets and technologies. Covering a range of emerging and disruptive technologies including telecoms, social media, online and mobile retailing, and telemedicine, BRICdata examines strategies for success, the state of the competitive landscape and the inherent threats and opportunities in the emerging technological economy.
4.2 Methodology

All BRICdata 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 company strategy and asset management trends

1) Research

A. Sources
   - Collection of the latest market-specific data from a wide 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:
     - 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 geographies

2) Research Analysis

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

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 used to ensure forecast methodologies are consistently applied
  - 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 company filings

4.3 Definitions

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

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

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

The packaging industry in this report covers five broad industry categories:

- **Paper and board packaging** includes kraft paper, sulfite paper, glassine paper, greaseproof paper and oil-resistant and waxed paper and corrugated boxes. The paperboard packaging category also comprises laminated paperboard packs and corrugated boards, also called cartons.
- **Flexible plastic packaging** consists of multilayered laminated sheets of plastic such as polyvinyl chloride (PVC), low-density polyethylene (LDPE), high-density polyethylene (HDPE), biaxially oriented polypropylene (BOPP) and biaxially oriented polyethylene terephthalate BOPET.
- **Rigid plastic packaging** includes jars and containers made from single or coextruded polymers. Materials used for rigid plastic packaging include PVC, polystyrene (PS), polypropylene (PP), HDPE and polyethylene terephthalate (PET).
- **Metal packaging** constitutes metal cans made of steel, tin and aluminum, aerosol cans, battery cell cans, aluminum collapsible tubes and aluminum foils.
- **Glass packaging** refers to glass containers such as bottles and jars.
- **Polypropylene (PP)** is a thermoplastic polymer used in a wide variety of applications including packaging and labeling, textiles (e.g., ropes, thermal underwear and carpets), stationery, plastic parts and reusable containers of various types, laboratory equipment, loudspeakers, automotive components, and polymer banknotes.
- **High-density polyethylene (HDPE)** or is a polyethylene thermoplastic made from petroleum. One of the largest uses for HDPE is wood plastic composites and composite wood, with recycled polymers leading the way.
- **Low-density polyethylene (LDPE)** is a thermoplastic made from the monomer ethylene. LDPE is widely used for manufacturing various containers, dispensing bottles, wash bottles, tubing, plastic bags for computer components, and various molded laboratory equipment.
4.4 Disclaimer

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The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that BRICdata delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy BRICdata is not always in a position to guarantee. As such, BRICdata can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.