

Consumer packaging trends in the Indian processed food industry

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Overview of processed food industry in India

India is the second largest producer of food in the world. Food processing sector accounts for over 30% of the total Indian food market and contributed around 1.5% to the country's GDP (2012-13). Growing at around 7.5% per annum, market for food processing sector was valued at around US\$150 billion in 2013, at retail prices. Of this, processed fruits & vegetables and meat & fish accounted for a major share of 40% followed by beverages and grain mill products at 20% and 11% respectively. Dairy products accounted for a small share of 5% and offer immense potential for growth.

Indian processed food companies are increasingly foraying into international markets. Total export of processed food from India was valued at US\$ 15.6 billion in 2013-14 of which marine products, meat and poultry accounted for leading share of 62%. Middle East and South East Asia are the major destinations for export of processed food from India. Import of processed foods is gaining prominence backed by demand from the urban populace in the country and several new products are being imported.

Foreign Direct Investment in the food processing sector has increased phenomenally in the recent years. Between April to October 2013, multinational food processing companies invested over US \$ 2 billion in Indian operations. These MNCs include Hindustan Unilever, PepsiCo, Cadbury and Nestle. PepsiCo plans to invest US \$ 5.5 billion in India by 2020 while Cadbury plans to spend US \$ 160 million in setting up their largest manufacturing plant in the Asia Pacific region to be located in Andhra Pradesh.

Retail market in India is valued at around US\$ 510 billion in 2013 and is expected to grow at about 10% to 12% per annum for the next five years. Organized food retailing is an emerging niche market within the retail sector in India and offers immense potential for growth.

Developments in consumer packaging - processed food sector

India is one of the major consumers of packaged foods and beverages in the world. The Indian consumer packaging market for food & beverages was estimated at US \$ 4.8 billion (Rs. 280 billion) in 2013-14 and the demand for next 5 years is forecast to grow at 11% per annum.

The food sector uses a wide range of package material in various shapes and sizes. Flexible packaging accounted for 29% of the total food & beverage packaging sector, followed by rigid plastics at 26%. Globally, the industry has witnessed considerable new trends moving from simple pre-packaging to vacuumisation & gas-flushing, retort and aseptic systems, CAP/MAP, smart and intelligent packaging,

and barcoding. However, in India value added packaging of food and beverage is relatively small and is yet to make deep inroads.

The consumer packaging industry in the country is highly fragmented with a large number of small converters who largely serve the packaging needs of local / regional brands. There are a few large converters who produce sophisticated packaging to international standards and cater to the needs of large food processors and multinationals. The packaging industry faces challenges from the ever-growing demands of consumers, ranging from longer shelf life for packaged food & beverages, ease of handling, safe, healthy as well as packaged in environment-friendly materials.

Packaging plays a vital role in the growth of the processed food and beverages industry. Owing to increased consumer awareness and growth in organised retailing, the country is witnessing a major shift from unpackaged vending to packaged forms of sale. Increasing competition in the market, changing consumer preferences, exposure to new and improved packaging methods, increasing modern retail outlets, relaxation in food and beverage import norms have all resulted in brand owners recognising the need for advanced packaging solutions at economical cost. Factors that are driving the demand for innovative and advanced packaging solutions in the Indian processed food market include :

- Changing lifestyle leading to increased demand for RTE & RTC foods
- Growing health awareness among consumers leading to preference for branded packed products over unpacked formats
- Higher preference for package convenience (easy to open, close, store & destroy)
- Shrinking family size leading to escalating demand for unit packaging
- Brand owners keen on introducing innovative packaging as a tool for brand enhancement/ differentiation in the highly competitive market
- Rapid urbanization and emergence of organized retailing
- Rural India gradually changing to urban lifestyle
- Consumers becoming aware of environmental issues and package recycling
- Government's impetus on packaging regulations for processed food

Over the last decade, packaging market in India has evolved with increasing emphasis on technological innovations including light weighting, better barrier properties, and extended shelf life at a reduced cost. Notable shifts in packaging media has also been witnessed with select packaging substrates such as glass and metal giving way to flexibles, liquid packaging cartons, plastics, etc. Introduction of liquid cartons (tetrapak) way back in late 1990s opened up several new markets and a range of products are now being packed in tetrapaks.

Technology development in flexible packaging has made notable progress over the last decade in India and several innovative products including bag-in-box, breathable films, flexible bottles, zipper bags, large liner bags, reclosable pouches, spouted pouches, laser cut pouches, stand up pouches, cold seal film/ pouches and retort/ aseptic pouches are now extensively used across wide range of food products. Further, flexible pouches with nitrogen flush are widely used for packing select products such as coffee beans, nuts, wafers and crisps.

Rigid plastic packaging has improved its market share with the introduction of improved raw materials that are stronger, cost-effective and have better barrier properties. In addition, usage of bio-plastics based packaging is increasing across food products.

Unique to the Indian market, demand for unit packaging (single use) continues to grow across the various food products including biscuits, chocolates, confectionary, pickle, jam, and so on. The demand for unit packaging products is so huge in the country that even multinational brands such as Cadbury and Pepsi have introduced their products at low price points in unit packaging.

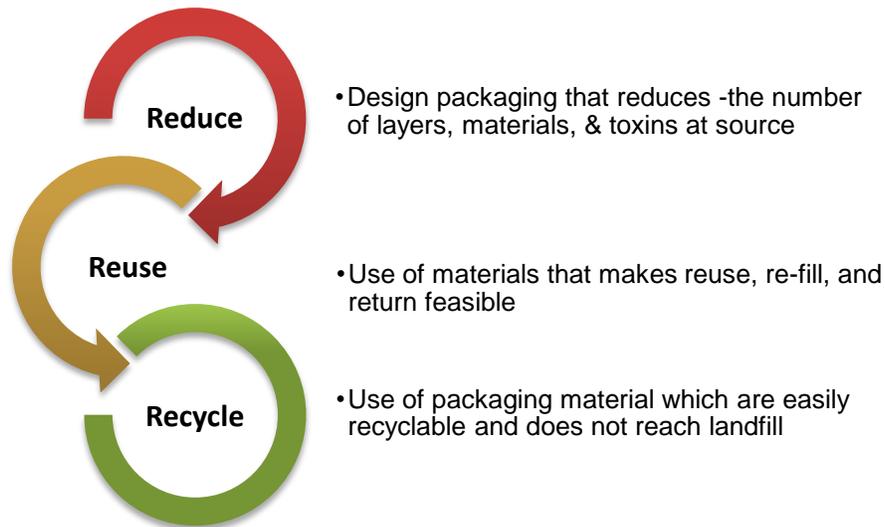
Broadly, in India, advanced packaging technology is largely imported from developed countries leading to higher costs compared to traditional packaging. Hence, the usage of advanced packaging solutions in the food and beverage industry is relatively small and is mostly driven by the large brand owners and MNCs, who use advanced packaging solutions as a tool to differentiate their products in the retail shelf.

Sustainable packaging

With increased awareness amongst all stakeholders, sustainable packaging technologies are now receiving due recognition.

- Reduction in material usage without compromising on product protection is among the thrust areas in the cotemporary packaging industry. Material reduction aims at optimal usage of material as well as reduce resultant wastage of packaging material for recycling as well as land-fills.
- Re-use of packaging is gaining prominence worldwide and has witnessed some success in the area of glass packaging. The trend towards returnable packaging is also being encouraged and is gaining momentum. Eg. Returnable / re-usable corrugated cartons, plastic crates & containers and pallets.
- Many packaging material companies are actively involved in participating in the recycling programmes adopted across the world. Widely recycled packaging materials include paperboard, PET, glass, aluminium, etc.

Sustainable packaging: key success factors



India being a price-sensitive market, FMCG companies focus on reduction in packaging costs. Light weighting of materials has been made possible through the development of new technologies with focus on improving barrier properties. One such example is the nano technology which is gaining importance in the Indian food packaging industry. In addition to advancing the shelf life of the packaged product, nano composite materials improve mechanical strength, reduces weight, increases resistance to heat and enhances barrier properties.

In 2011, ITC Ltd. tied up with Harita NTC to develop bio-degradable/ compostable products for packaging of a range of FMCG products including food and personal care. FMCG companies are now widely adopting sustainable packaging technologies to reduce the cost of packaging as well as taking steps to ensure recycling of packaging material thereby protecting the environment. Some initiatives in sustainable packaging taken by FMCG companies in India include:

- Marico reduced its Parachute oil bottle to be 7% lighter and its cap to be 2% lighter compared to the nearest benchmark.
- Coco Cola has switched to 10% sugar-based ethanol to create plastic bottles which increases the use of renewable sources and reduces the carbon footprint

- HUL has achieved 100% zero non-hazardous waste to landfill sites across 30 factories in India; HUL is also trying to create market value for discarded sachets and lighter plastic packaging so ragpickers find incentive to collect them off the streets
- Hindustan Unilever and Bharati Retail have launched the “Go Recycle” initiative in the NCR region which promotes plastic recycling among consumers.
- Dabur and Tetra-Pak India have come together to mobilize ragpickers to collect discarded packaging of food products.

Food grade coatings

For hygienic, environment friendly and sustainable solutions in the field of food and beverage packaging, it is necessary that the right coating technology is adopted. Food grade coating is an area where lot of research is being done in the global markets. Recently many companies have shifted to coating which is BPA free (BPA NI) to avoid the possibility of contamination of food / beverage packaged, which might have an adverse effect. France, Sweden, and Belgium have restricted the use of BPA in infant food packaging containers. France has further plans to ban BPA use in food cans from Jan 1, 2015. This trend will have an impact on the export of canned beverages from India as well and the Indian beverage can manufacturers have to upgrade their operations accordingly.

Future outlook

Strong economic growth, increase in per capita income, expansion of organized retailing will all drive the demand for processed food and beverages exponentially in turn fuelling the demand for packaging. Advanced packaging and sustainable packaging will gain importance in the coming years and Indian packaging converters need to gear up to address the huge demand.

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