Executive Summary

- The overall economy is improving as recovery continues.
- Rigid plastic packaging continues to have solid growth, and outpaced that of flexible in 2011.
- Beverage sales are reflecting changes in consumer life styles—fewer carbonated soft drinks (CSD) and more healthy choices.
- Aseptic packaging will have double-digit growth and drive sales in the segment.
- Bioplastics will continue to expand into new markets.
- Priority Metrics Group’s updated packaging survey provides insight into the key challenges facing packagers. Sustainable packaging is receiving more emphasis than ever, based on consumer demands impacting throughout the supply chain.

There was modest recovery in the U.S. economy in 2013, as corporate profits strengthened, manufacturing continued to pick up, consumer spending rebounded, housing recovered, and stocks reached new record highs. For the year, GDP growth is expected to total about 2%, after a very sluggish first half and the impact of the government shutdown. For 2014, GDP growth is forecast to be 2.6%-3.0% as business and consumer confidence strengthens and Europe begins to emerge from its 18-month recession, brightening overseas sales prospects. However, consumer spending and confidence is still soft and below what would be considered normal levels by the standards of past economic expansions, due in part to continued high unemployment. Four years into the recovery, the economy remains 1.3 million jobs short of its 2008 peak. Nearly 11 million Americans remain out of work, and a greater number are underemployed.

As we look at 2014, the forecast is for continued growth but perhaps not without some stumbles. Expected battles in the first quarter over funding the government and raising the debt ceiling could throw the economy into another dip.

Rigid Plastic Packaging Industry

As of 2012, the North American rigid plastic packaging market was valued at about $35 billion, according to Freedonia. According to “The Future of Packaging in North America to 2017” by Smithers Pira, the rigid plastic packaging market is forecast to grow on average by 2.6% a year to sales of $40 billion and 11.9 million tons by 2017. Mexican rigid plastic packaging sales are expected to grow the fastest in the region, with an average annual growth rate of 4.8% and surpass Canadian packaging market consumption levels.

Globally, by 2017, rigid plastic packaging should comprise 15%-20% of the entire $989 billion packaging market, or about $150 billion-$200 billion, according to Freedonia.

Rigid plastic packaging is defined by its uses in products such as water and soda bottles, which are made from polyethylene terephthalate (PET), the most widely used resin, and to a lesser extent in jars, clamshells, tubs, and trays. The largest use is in beverages and food, but rigid plastic is also used in packaging of household, pharmaceutical and personal care products.

The use of polypropylene (PP) resin in plastic packaging is expanding more rapidly than other plastics, such as PET and PE (polyethylene). Priority Metrics Group (PMG) estimates that polypropylene’s share of the rigid packaging market will grow by 5.9% between 2011 and 2016.

In terms of usage, growth will be driven by the in-
creasing popularity of single-serve packaging for ready-to-eat foods and beverages, but also by ongoing advances in material properties allowing the substitution of plastic for glass. Its use in aseptic packaging is also a trend worth noting (see later comments). Overall growth is being held in check to some extent by the increasing conversions of rigid plastic packages to pouches.

**Market Applications**

**Beverages:**

Carbonated soda is the biggest end use for rigid plastic beverage bottles. While alcohol makes up just 3% of the market share, this category is experiencing the greatest uptake. Expanding uses include healthy and “good for you” beverages.

Based on recent sales trends, consumers are changing the way they consume and buy food and beverages. Shoppers are much more concerned with the ingredients—they want to know what is in their products, and how it may impact them. This has put a negative pressure on the diet beverage category, which has seen steeply again in 2013. Sales of zero and low-calorie sodas were down 7% in 2013, according to Nielsen data, compared to regular soda, which was down 2%. This trend has been evident for at least the past three years driven largely by health fears associated with the artificial sweeteners, and exacerbated by bloggers on the Internet.

Consumers are also interested in nutritional ingredients and benefits, as well as how the product tastes. Aseptic packaging plays directly into this. While consumers do not understand this processing technology, they are attracted to the ultimate product benefits that result. With aseptic packaging, you are able to maintain many of the benefits of fresh products, in terms of nutrients, vitamins and better flavor.

As we have been seeing in the beverage sector, the result of this “healthy” trend is reduced carbonated soft drink (CSD) consumption and continued expansion for water and the growing assortment of healthier beverages. What were once considered to be “alternative” beverages are now seen as mainstream. The choices available in the marketplace to meet this demand continue to expand, with new creative beverages being introduced constantly. TalkingRain’s Sparkling ICE, a product that has been around for decades, is now one of the hottest beverages on the market.

The “split” economy is having an impact on beverages also, as many of the premium beverages (priced at $3 or $4) are selling well, as is bottled water when it is discounted and can be purchased at so-called big box stores for less than 10 cents each. The efficiencies of fully integrated injection/blow/fill bottling operations, combined with lower weight bottles and closures contribute to ongoing cost reductions (as well as energy savings) to support this pricing.

Overall beverage sales are growing approximately 1% a year, which is not back to pre-recession levels. CSD sales were forecast to decline in 2013 by 2%-3%. Certainly driven in part by aggressive low pricing, bottled water consumption continues to gain momentum, and is forecast to continue to grow 5%-6%, led by sparkling and specialty waters.

Energy drinks continue to be the fastest-growing beverage segment (more than 6% for 2013), followed