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Note by EIC



Changes in the plastic packaging trend and opportunities for Thai producers in the growing market

- Presently, the growth of the plastic packaging industry in Thailand has grown slowly, especially for the rigid plastic packaging segment. This is due to changes in the population structure, as well as lifestyle. Meanwhile, producers of fundamental plastic goods, such as plastic carrier bags and straws, are facing increasing risks from the rising trend of saving the planet backed by campaigns from both the public and private sectors. Consequently, the use of mentioned plastic products is likely to decrease. Thus, plastic packaging producers will need to adapt to cater to these changes.
- EIC views that plastic packaging producers should alter their strategy to suit the recent changes. One such strategy is to reduce investment in single-use plastic packaging while increasing investment in flexible plastic packaging, which has a higher added-value. In comparison, flexible plastic packaging has 20% gross-profit margin while fundamental plastic products are at 5-10%. Another possible strategy is to introduce an innovation to create additional value, such as an innovation to control moisture in the packaging, alongside adjusting design and production process. Businesses may also consider using bioplastic resin to create packaging that will help to lessen impacts on the environment.

Usage of plastic packaging in Thailand is showing signs of slowing down. Contrary to the strong growth experienced by the plastic packaging industry previously, the growth is showing signs of slowing down. Between 2008-2012 usage of plastic packaging grew 7% per year before falling to 3% per year between 2013-2017. When assessing the share of plastic packaging usage, it was found that the use of rigid plastic packaging that has experienced continuous growth has reduced in the past 5 years. The share was replaced by the use of flexible plastic packaging.

Unit: Billion Flexible plastic packaging Rigid plastic packaging 1,300 1,200 1,100 1,000 900 800 700 600 500 400 300 200 100 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Figure 1:The growth of using plastic packaging in Thailand is showing signs of slowing down.

Source: EIC Analysis of information from Trade Map

Changes in the population structure and Thai people's lifestyle resulted in an increase in demand for flexible plastic packaging that has special properties and is of higher value to fundamental plastics. Important changes include 1) The increased urbanisation and the increase in income per capita resulted in higher usage of packaging products especially plastic packaging to store food and beverages 2) The expansion of smaller household due to an increase in single and married without child couples that lead to an increase in demand for individual packaging products that are suitable for household consumption and for travelling and 3) The ageing population and the rise of consumers that are health conscious and are safety aware resulted in the need for plastic packaging that are able to preserve freshness and lengthen shelf life of contained products, as well as maintaining food and beverage temperature without contamination from the plastic packaging.

The three factors mentioned have resulted in the rising demand for flexible plastic packaging in Thailand. This is because such a packaging uses a multilayer film that has an advantage in resisting heat and high pressure. Furthermore, the labelling can also be printed directly on the product, while the package is also strong, convenient for packing goods, can be formed into smaller packaging shapes, and easy to use and to transport such as in the forms of stand-up pouches and re-closable packs.

Regulations and measures being introduced by the government agencies are important factors contributing to the reduction in usage of fundamental plastic and the increase in the plastic packaging re-use. The government has three important and integrative goals in reducing plastic waste which are 1)



reducing the volume of plastic to be destroyed 2) Design and produce plastic products that are more environmentally friendly and 3) Re-use plastic after consumption by 60% within 2021. In this vein, the government will revisit the concept of collecting taxes or introducing fees associated with the use of plastic packagings such as to introduce a plastic bag or packaging tax. Additionally, the Pollution Control Department of the Ministry of Natural Resources and Environment has signed an MOU with bottled water producers to stop using cap seal with the aim of reducing plastic waste of 520 tonnes per year, or 260,000 kilometres of waste that could circle the earth 6.5 times, from 1 April 2018.

Meanwhile, The Department of Medical Services, Ministry of Public Health, has also announced that they have stopped using a plastic bag for storing medicines in every unit from 1 October 2018. This measure will reduce the usage of plastic bags in hospitals under the department by more than 9 million bags per year. Similarly, the Thai private sector has their own initiatives to reduce plastic packaging such as Tops Daily who has been giving additional reward points to customers who refused plastic bag and SCB whose campaign is to reduce usage of single-use water bottles by handing out reusable bottles to employees.

EIC recognises that while measures being introduced by both the public and private sectors may not have serious consequences in the short-term since Thai people use more than 7 billion plastic bags per year. However, if the government is able to achieve the goal of re-using plastic bag by 60% after initial consumption and the trend of reducing usage of single-use plastic bag persists, producers of single-use plastic packaging such as carrier bags and water bottle will be affected through a significant reduction of usage in the future.

Furthermore, there is a demand in Thailand for the plastic film to produce flexible packaging that has a higher value. Currently, Thailand is importing plastic film packaging such as plastic bag with aseptic aluminium lining that has high value while exporting fundamental plastic goods including plastic carrier bag with low added value. Therefore, when comparing the value of plastic per tonne against plastic exporters in Asia, which are China, Korea, Vietnam, Taiwan, Indonesia, and Japan, Thailand is severely disadvantaged in the value of plastic packaging per tonne. Meanwhile, Japan has the highest value through exporting plastic film with several layers that can be used in flexible plastic packaging (Figure 2). In this vein, there is an opportunity for producers to develop the market for a plastic film that can be used for flexible plastic packing that has high demand both domestically and internationally.

Figure 2: Thailand is severely disadvantaged in the per weight value of plastic packaging when compared to other exporters in Asia in 2017.

Unit: USD 1,000 per tonne.







Innovation will have a positive impact in creating sustainability in the plastic packaging industry. By creating an innovation for plastic packaging, producers will be able to create a packaging product with a unique selling point that will contribute to the bottom line in the future. Example of such an innovation that cater for the rising trend of health consciousness includes Active Packaging that helps to preserve food quality and lengthen products' shelf-life through oxygen consumption, controlling moisture, and consume or produce carbon dioxide based on certain types of bacteria or moulds that are release during growth.

Beyond Thailand, other countries have focused on an innovation that is environmentally-friendly using bio-plastic. The biggest consumer of this packaging product is Western European Countries. In 2017, consumption of bio-plastic in these countries reached 500,000 tonnes, or half of the total world demand, with an average annual growth between 2012-2017 of 18%. The strong growth was attributed to the support of regulations by the states and the awareness of environmental impacts by the population. In this vein, Europe has announced that they will stop using single-use plastic within 2025. Based on this evidence, it is high-time for Thai producers to adapt by using innovation to improve products to satisfying consumers' demand for flexible plastic packaging and adopting bio-plastic, an important opportunity in the current trend of sustainable economic growth that is likely to continue.

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