

Small units in packaging sector can become export-oriented units with right policy intervention

India's packaging industry is one of the high growth sectors of the economy and its market size is estimated to have more than doubled from USD 31.7 billion in 2015 to USD 72.6 billion in 2020. Demand for packaging products come from processed food, pharmaceuticals, cosmetics & personal care products and industrial goods. The changing lifestyle and increasing size of the organized retail & e-commerce sectors are the major drivers of demand for packaging. Increase in sales through e-commerce boosts demand for transit packaging using corrugated boxes, plastic crates, plastic containers, laminated pouches etc. Food and personal care products are packaged using laminated pouches, plastic and tin containers, bubble wraps, and shrink wraps, to name a few. On the other hand, for transport and storage of bulk materials such as food grains, fertilizers, sand, cement and other products, industrial containers made of flexible fabric is used. Raw materials such as plastic films, paper, paperboard, wood, jute, glass, rubber and other materials are used for manufacturing packaging materials.

India has a trade surplus in packaging materials as it exports USD 853 million, while importing USD 310 million worth of packaging products in 2019-20. Exports have grown at a CAGR of 10%, while imports have expanded at an annual rate of 5% since 2015-16. Faster growth in exports suggests that India is an emerging global player in the packaging materials sector. However, the industry suffers from many challenges, which require coordinated action among policymakers, research institutions, financial institutions and chambers of commerce.

Small enterprises, including unorganized players account for 50% of the industry revenue, while there are a few large players that meet sizeable market demand, according to a report by EXIM Bank. The report points out that cost of raw material accounts for 48% of the operating cost of packaging companies in India. Some segments of the packaging industry depend heavily on imports to meet their demand for containerboard, paperboard and krafts paper, which are used as inputs for manufacturing packaging materials. Lack of skilled manpower for innovating cost effective designs is also cited as a challenge faced by the industry. As many units in this industry belong to the small and unorganized category, availability of institutional credit at affordable interest rate is also a major challenge for the industry.

Policy measures to support packaging sector

There is a need for adoption of cost-effective and cutting edge packaging technology by firms to increase their global competitiveness. Government and the Indian Institute of Packaging (IIP) can play a facilitate role in adoption of cutting edge technologies by the industry. Specifically, India should set up Technology Trackers in prominent countries such as Germany, Taiwan, Japan and the USA, to identify and follow latest technology development in key packaging segments.

India is dependent on imports of machine tools used in certain segments of the packaging industry. It is suggested that the laboratories and research institutions should develop indigenous machinery and technologies for cost effective production of packaging materials.

There is huge scope to transform small and micro enterprises into export-oriented units through targeted intervention such as facilitating capital investments, technology adoption, adoption of quality standards etc. The government and industry may jointly set up packaging parks or clusters with common facility centres to enable large number of small enterprises to produce cost effectively.

Finally, the report calls for creating a vibrant recycling industry to recover plastics and other raw materials from discarded packaging materials. The government and research institutions should work together in evolving recycling technologies, developing standards and ensuring adoption of these standards by industry players.

Notifications

PIB

Chemical sector can contribute USD 300 billion to the GDP by 2025

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1660058>

Launch of Defence India Start-up Challenge – 4

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1660033>

NHAI accepts suggestions from industry body CEAI

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1660092>

Daily Bulletin on COVID 19

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1660073>

DGFT

Submission of ICLCs eligible as per provisions of Foreign Trade Policy

<https://content.dgft.gov.in/Website/dgftprod/9b2cabb1-344d-43f3-844b-4beed0cea145/TN28.pdf>

Extension of validity of pre-shipment inspection agencies

<https://content.dgft.gov.in/Website/dgftprod/ec0070ca-4064-4678-9e16-ef0bdd32b91b/Public%20Notice-20%20%20dt.%2029.09.2020-English.pdf>