EUROPEAN FLEXIBLE PACKAGING UPDATE

Jan Homan (Honorary FPE Chairman)
FPA’s Annual Conference 2019, Arizona
Who is Flexible Packaging Europe (FPE)

- 80+ member companies
- More than 400 production facilities
- 6 national associations also FPE members
- 9 FPE members listed in Europe’s Top 10
- 5 FPE members in World’s top 10
- About 80% of European flexible packaging turnover

... and many more in Western, Central and Eastern Europe
Objectives and Key Activities

Compliance

- Market Analysis
- Communication
- Sustainability
- Public Affairs
- Food Contact
- Networking & Conferences
- Global Issues
POLITICAL AND ECONOMIC SITUATION
Political and Economic Situation

- Brexit (scheduled for 29 March 2019)
Brexit: Consequences for UK and EU

- Negative economic effects both in UK and EU
- Infrastructure not in place: customs, legislation, …
- Border to Ireland?

- Will EU be as united after Brexit?
- Potential dominance by southern European member states which might cause less budget discipline
Political and Economic Situation

- Brexit (scheduled for 29 March 2019)
- War in Ukraine (still ongoing)
- Immigrants from Africa and Middle East
- European Union moving to the right?
Political Situation in Europe

More populistic parties (both left and right) with less support for Europe

Movement(s) without any political party
Political and Economic Situation

- Brexit (scheduled for 29 March 2019)
- War in Ukraine (still ongoing)
- Immigrants from Africa and Middle East
- European Union moving to the right?
- International trade relationships (USA, China and Europe)
Political and Economic Situation

- Brexit (scheduled for 29 March 2019)
- War in Ukraine (still ongoing)
- Immigrants from Africa and Middle East
- European Union moving to the right?
- International trade relationships (USA, China and Europe)
- Climate change impacts
Climate change: Weather conditions becoming more extreme
Expected GDP growth rates in %

**World:**
- 2019: 3.6
- 2020: 3.6

**USA**
- 2019: 2.6
- 2020: 1.9

**Eurozone**
- 2019: 1.8
- 2020: 1.7

**CIS**
- 2019: 1.8
- 2020: 1.8

**China**
- 2019: 6.2
- 2020: 6.1

**Latin America**
- 2019: 2.3
- 2020: 2.7

**EMEA**
- 2019: 3.2
- 2020: 3.4

**Japan**
- 2019: 1.0
- 2020: 1.0

**Asia (other)**
- 2019: 6.0
- 2020: 6.1

Source: OECD / IMF January 2019
European economic outlook
“Growth moderates amid global uncertainties”

- GDP forecast reduced to 1.3% in 2019 and 1.6% 2020 (expected growth across all member states)
- Growth continues and is supported by improved labour market
- But development in some Member States was adversely affected by temporary domestic factors (e.g. disruptions in car production, social tensions and fiscal policy uncertainty)
- Inflation on moderate level around 1.5% (also revised downwards)
- Main risks remain from external factors: e.g. increased trade tensions and slowdown in emerging markets – possibility of a disruptive Brexit creates additional uncertainty

Sources: European Commission (Winter 2019 Economic Forecast) and others
Economy in Europe: real GDP growth rates

- **EU (28):** 2020: +1.7%
  - UK: 2020: +1.3%
  - Germany: 2020: +1.7%
  - France: 2020: +1.5%
  - Spain: 2020: +1.9%
  - Sweden: 2020: +1.7%
  - Poland: 2020: +3.2%
  - Italy: 2020: +0.8%

Sources: European Commission (Winter 2019 Economic Forecast)
GLOBAL AND EUROPEAN FLEXIBLE PACKAGING MARKETS
Flexible Packaging is produced through adding value to a wide variety of substrate materials including plastic films, paper and aluminium foil – either separately or in combination – mainly for primary retail food packaging and non-food packaging applications.

This specifically excludes shrink and stretch films used for secondary packaging, carrier bags, supermarket and self-service counter bags, etc.
Global Flexible Packaging Market by Region 2018e

Total Market = $90.3 billion (+4.5% vs. 2017)

- North America: 29%
- Central & East Asia: 25%
- Middle East & Africa: 5%
- Central & South America: 6%
- South East Asia & Oceania: 18%
- Eastern Europe: 3%
- Western Europe: 14%
- South East Asia & Oceania: 18%

Estimated global market in 2023:
$113 billion

Source: Wood Mackenzie Chemicals / Industry estimates
Global Consumption of Flexible Packaging

Global flexible packaging demand by region

CAGR 4.6% (2018 – 2023)


Flexpack Europe
European Consumption of Flexible Packaging

in billion €

# European Consumption of Flexible Packaging

Source: Wood Mackenzie Chemicals / Industry estimates

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
<th>2018e</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>11,220</td>
<td>11,445</td>
<td>2,0</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>2,845</td>
<td>2,935</td>
<td>3,2</td>
</tr>
<tr>
<td><strong>TOTAL EUROPE</strong></td>
<td>14,065</td>
<td>14,380</td>
<td>2,2</td>
</tr>
</tbody>
</table>

Production: 15,5 billion EUR
European Converted Flexible Packaging Demand, Production & Trade (2018e)

- **European Consumption** (€14,380m)
- **European Production** (€15,530m)
- **Exports** (€1,490m)
- **Imports** (€340m)

Source: Wood Mackenzie Chemicals / Industry estimates
Western Europe

- Market value growth continuing at around 2% for the region as a whole
- Germany believed to be slowing to just below 2%
- Italian market growing at under 2% by value, broadly in line with the previous year.
- Turkish market up by around 3%. Currency devaluation creating more export opportunities
- UK demand growth of 2%+ but continuing Brexit uncertainty causing concerns over security of supply (imports account for more than one-third of the market). Some import substitution likely from H2 2019
- France and Spain 2%+ growth
- On-going broadly static demand in the Nordic countries
- Imports into Western Europe relatively small but growing, sourced primarily from Eastern Europe, especially Poland. Other imports from Asia (especially India) and the Middle East (especially Israel)
- Exports outside the region around 10% of production, mostly high specification materials to Eastern Europe, the Americas, Middle East & Africa, and Asia
- Above average flexible packaging growth by value in applications such as coffee, fresh produce, chilled foods/ready meals, pet food, and pharmaceuticals. Confectionery, one of the largest categories, continuing broadly static in value terms

Source: Wood Mackenzie Chemicals / Industry estimates
Eastern Europe

- Market value growth of 3.2% in 2018, compared with around 5% five years earlier.
- Growth around 3% in Russia. Ongoing import substitution in Russia has seen production continuing to grow faster than national consumption during the year.
- Poland continues to have relatively strong growth although slowing to under 4% in 2018. Exports account for around one-third of production.
- Regional imports are sourced mostly from Western Europe and also growing from Asia and Middle East.
- Exports out of the region continue to grow, especially into Western Europe. More converters, especially in Poland, increasingly active e.g. Alupol as well as multinational players with local plants in Poland and elsewhere in Eastern Europe. More East European based converters, such as Immer Group/Ukrplastic (Ukraine), Chemosvit (Slovak Rep.), and Lietpak (Lithuania) targeting customers in Western Europe.
The Leading European Flexible Packaging Players

Source: Wood Mackenzie Chemicals / Industry estimates
## Flexible Packaging Mergers & Acquisitions

<table>
<thead>
<tr>
<th>Purchasing Company</th>
<th>Company Acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amcor</td>
<td>Bemis (planned to complete Q2 2019)</td>
</tr>
<tr>
<td>Schur Flexibles</td>
<td>Uni Packaging (France)</td>
</tr>
<tr>
<td>Constantia Flexibles</td>
<td>TT-Print (Russia)</td>
</tr>
<tr>
<td>Emsur (Spain)</td>
<td>Eximpack (Russia)</td>
</tr>
<tr>
<td>Rollprint (US)</td>
<td>Merging with Eurofoil TEO (Ireland) and Alliantz Flexible Packaging (Singapore) to form Paxxus</td>
</tr>
<tr>
<td>Tekni-Plex (US)</td>
<td>Beyers Plastics (Belgium)</td>
</tr>
<tr>
<td>Reflex (UK)</td>
<td>Fusion Flexibles and its subsidiary Mercury Packaging bought out of administration</td>
</tr>
<tr>
<td>Westrock (US)</td>
<td>Schlüter Print Pharma Packaging (Germany)</td>
</tr>
<tr>
<td>TPBI (Thailand)</td>
<td>Intelipac Paper Manufacturing (IPM) (UK)</td>
</tr>
<tr>
<td>Bemis</td>
<td>Evadix Labels and Evadix MPI (Romanian subsis. of Belgian polymer printing group Evadix</td>
</tr>
<tr>
<td>Sirane Group (UK)</td>
<td>B&amp;G Products (UK)</td>
</tr>
<tr>
<td>Schur Flexibles</td>
<td>Condalkin’s Cats, Haensel and Dimax businesses in Netherlands and Germany</td>
</tr>
<tr>
<td>Visionscape (UK)</td>
<td>Gelpack (UK) acquired out of administration</td>
</tr>
<tr>
<td>Berry Global, Inc.</td>
<td>RPC Group (UK) (Berry Global considering a bid?)</td>
</tr>
</tbody>
</table>

*Source: Wood Mackenzie Chemicals / Industry estimates*
## Flexible Packaging sales in European retail (FMCG)

**Unit growth rates in %**

<table>
<thead>
<tr>
<th>Category</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Spain</th>
<th>UK</th>
<th>Turkey</th>
<th>Poland</th>
<th>Russia</th>
<th>Total Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,1%</td>
<td>0,8%</td>
<td>0,9%</td>
<td>1,4%</td>
<td>0,9%</td>
<td>3,9%</td>
<td>2,5%</td>
<td>1,5%</td>
<td>1,5%</td>
</tr>
<tr>
<td>Confectionery</td>
<td>-1,2%</td>
<td>0,6%</td>
<td>-1,8%</td>
<td>1,9%</td>
<td>0,4%</td>
<td>1,3%</td>
<td>0,2%</td>
<td>0,8%</td>
<td>0,6%</td>
</tr>
<tr>
<td>Snacks</td>
<td>2,4%</td>
<td>3,2%</td>
<td>2,2%</td>
<td>3,5%</td>
<td>1,1%</td>
<td>4,3%</td>
<td>4,2%</td>
<td>1,8%</td>
<td>2,4%</td>
</tr>
<tr>
<td>Pet food</td>
<td>10,2%</td>
<td>3,1%</td>
<td>7,4%</td>
<td>4,6%</td>
<td>1,2%</td>
<td>19,5%</td>
<td>8,5%</td>
<td>5,4%</td>
<td>4,5%</td>
</tr>
<tr>
<td>Coffee</td>
<td>0,3%</td>
<td>0,4%</td>
<td>-1,2%</td>
<td>-0,9%</td>
<td>3,1%</td>
<td>5,2%</td>
<td>1,1%</td>
<td>0,5%</td>
<td>1,1%</td>
</tr>
<tr>
<td>Dairy</td>
<td>1,4%</td>
<td>1,1%</td>
<td>0,2%</td>
<td>0,4%</td>
<td>0,1%</td>
<td>8,9%</td>
<td>2,2%</td>
<td>5,4%</td>
<td>0,9%</td>
</tr>
<tr>
<td>Ready meals</td>
<td>1,0%</td>
<td>1,5%</td>
<td>0,5%</td>
<td>4,1%</td>
<td>2,7%</td>
<td>4,3%</td>
<td>4,2%</td>
<td>1,8%</td>
<td>1,9%</td>
</tr>
</tbody>
</table>

*Forecast: 2019 vs 2018*

*Source: Euromonitor International*
CIRCULAR ECONOMY
Political Actions/Initiatives by the EU Commission

- EU Plastics Bags Directive
- EU Circular Economy Package (CEP)
- Packaging and Packaging Waste Directive
- EU Plastics Strategy
- Single-Use Plastics Directive (SUP)
- Green Public Procurement Guidelines
- Multi Annual Financial Framework
- ...
EU Plastics Strategy

Official publication by Commission in Jan 18
Generally supported by EP resolution in Sep 18

Key objectives

1. Make recycling profitable for business
2. Curb plastic waste & Stop littering at sea
3. Drive investment and innovation
4. Spur change across the world

“By 2030, all plastics packaging placed on the EU market is either reusable or can be recycled in a cost-effective manner”
Single-Use Plastics (SUP) Directive

- Part of EU Plastics Strategy
- Targeting the 10 most found SUP products on EU beaches
- Includes:
  - “Crisp packets & sweet wrappers”
  - Beverage pouches also impacted (under SUP “beverage containers”)

Table 2. Sampling numbers of top ten SUP items

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Item</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Drinks bottles, caps and lids</td>
<td>24,541</td>
</tr>
<tr>
<td>2</td>
<td>Cigarette butts</td>
<td>21,854</td>
</tr>
<tr>
<td>3</td>
<td>Cotton buds, sticks</td>
<td>13,816</td>
</tr>
<tr>
<td>4</td>
<td>Crisp packets / sweet wrappers</td>
<td>10,952</td>
</tr>
<tr>
<td>5</td>
<td>Sanitary applications</td>
<td>9,493</td>
</tr>
<tr>
<td>6</td>
<td>Plastic bags</td>
<td>6,410</td>
</tr>
<tr>
<td>7</td>
<td>Cutlery, straws and stirrers</td>
<td>4,769</td>
</tr>
<tr>
<td>8</td>
<td>Drinks cups and cup lids</td>
<td>3,232</td>
</tr>
<tr>
<td>9</td>
<td>Balloons and balloon sticks</td>
<td>2,706</td>
</tr>
<tr>
<td>10</td>
<td>Food containers including fast food packaging</td>
<td>2,602</td>
</tr>
</tbody>
</table>
Single-Use Plastics (SUP) Directive

- A set of restricting/constraining measures
  - Ban / Consumption reduction targets / Litter clean-up costs / Collection targets / Labelling requirements / Design requirements / Awareness raising measures …
- Accelerated legislative process (under one year)
- Main impact/threat for flexible packaging applications
  - Litter clean-up costs for brands and retailers in addition to normal waste management costs (collection, sorting and recycling) as per EU Packaging regulation
- Threat of going beyond by individual member states
New Plastics Economy (NPEC)
Global Commitment (GC)

- FPE endorsed Global Vision of a circular economy for plastics, where plastics never become waste
  - Eliminate all problematic and unnecessary plastic items
  - Innovate to ensure that plastics we do need are reusable, recyclable, or compostable.
  - Circulate all plastic items to keep them in the economy and out of the environment.

- Provide flex pack industry with image of responsible actor for a circular economy.

- In line with our sustainably strategy to improve performances & perception

- Co-signed by over 250 organisations

*NPEC: Global project initiated by Ellen MacArthur Foundation (EMF)
Flexible packaging is one of the most resource efficient packaging formats due to its basic concept. […] Material waste is avoided by using no more than necessary to develop the packaging solution in the first place.

The CEFLEX collaborative project will make flexible packaging fully relevant in a circular economy.

FPE welcomes the Global Commitments to consider “the full-life cycle and systems perspective, aiming for better economic and environmental outcomes overall”.

October 2018

Flexible Packaging Europe endorses Common Vision of the New Plastics Economy Global Commitment

Flexible Packaging industry takes active lead towards development of a circular economy

New Plastics Economy (NPEC)
Global Commitment (GC)
CEFLEX is the industry initiative to improve recycling of Flexible Packaging

**Circular economy**
CEFLEX was launched to improve the end-of-life-performance of Flexible Packaging to make it even more relevant in the circular economy.

**Collection, sorting and recycling**
This will be achieved by combining optimized packaging design and improved infrastructure for collection, sorting and recycling.

**Entire value chain**
CEFLEX involves the leading companies along the entire value chain material producers, converters, fillers, brand owners, recyclers and many others (www.ceflex.eu).

**Across Europe**
The objective is to increase collection, sorting and recycling of Flexible Packaging across Europe and to develop end markets for the recycled materials.
CEFLEX (initiated by FPE)

- CEFLEX started in January 2017
- 120+ companies and associations
- Representing the WHOLE flexible packaging value chain (material producers, film producers, flexible packaging converter, brand owners, retail, waste management and others)
- Combined global turnover of 800+ Bn €
- 80+% of the producers/converters of flexible packaging in Europe
- 4 of the top 5 Global Consumer Goods companies (2018)
By 2025 there will be an established collection, sorting and reprocessing infrastructure/economy across Europe for flexible packaging

– based on end-of-life technologies and processes which deliver the best economic and environmental outcome for a circular economy
Flexible Packaging supports sustainable production and consumption

**Part of food chain**
Flexible Packaging is an essential part of the food chain.

**Food preservation**
It helps to contain and preserve food throughout the chain and enables proper and safe delivery to the consumer.

**Resource efficient**
Flexible Packaging is generally more resource efficient than alternative solutions due to its very lightweight.

**Preventing food waste**
Flexible Packaging is part of the solution to prevent food waste which is a major environmental and economic problem globally.
FPE’s Key Sustainability Messages

Multilingual
- Infographics
- Poster
- Fact sheet
- Pocket guide
- Website

www.sustainability.flexpack-europe.org
THE (EUROPEAN) OUTLOOK OF FLEXIBLE PACKAGING
Conclusions

- European industry in dynamic development
- Flexible packaging with steady market growth
- Flexible packaging is the most resource efficient packaging format
- The industry has challenges to communicate the advantages of flexible packaging
Global Flexible Packaging Executive Forum 2020

- At the location of Interpack 2020
- Friday, 8 May 2020 (8.30-10.30am)

Hosted by:

Organized by:

2017:
- 130 delegates
- 55+ converters
- 5 continents

Co-sponsored by:
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