Dairy Packaging

US Industry Study with Forecasts to 2010 & 2015

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# Dairy Packaging

US Industry Study with Forecasts to 2010 & 2015

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US demand to grow 4.1% annually through 2010

Demand for dairy packaging is projected to expand 4.1 percent annually to $4.3 billion in 2010. Demand will benefit from trends such as expanded offerings of dairy items in smaller convenience-oriented container sizes and favorable growth in spending on food eaten or prepared away from home. Healthy prospects in the foodservice market will bode well for dairy packaging based on the significance of products such as cheese, cream and butter in restaurant menu ingredients. Moreover, the widespread usage of dairy products such as cheese, butter, sour cream and yogurt in the food processing industry will also drive opportunities for bulk dairy packaging.

Cultured dairy products, cream show best prospects

Among major applications, best gains are anticipated in cultured dairy products and cream. Above-average expansion for cultured dairy applications will be led by continued robust expansion in yogurt consumption and a plethora of new product introductions, including expanded varieties of drinkable yogurt, products targeted at children, and functional types offering health benefits beyond standard nutrients. Packaging demand will be further aided by the popularity of smaller multipacks (which use more packaging relative to their volume) and even faster growth for drinkable yogurt, which is packaged in bottles rather than less costly cups. Cream applications will be driven by continued solid growth in coffee houses and rapidly expanding sales of coffee in other away-from-home venues, such as convenience stores and quick service restaurants. Although other applications will advance more slowly, a variety of factors will support favorable opportunities in items such as single-serving plastic milk bottles.

Pouches, bottles, tubs, cups to lead gains

Pouches and bottles will present the strongest opportunities, with tubs and cups also expected to record above-average growth. Pouch demand will be fueled by continued opportunities with cheese, along with faster gains in frozen dairy and cultured dairy uses. Bottle prospects will be aided by robust expansion for single-serving plastic bottles with milk and drinkable yogurt, with the latter benefitting from growing popularity as a portable and nutritious snack and a meal replacement. Tub and cup demand will be driven by favorable expansion in cultured dairy applications, largely resulting from healthy per capita consumption growth for yogurt and the importance of single-serving cups in yogurt packaging. Slower expansion for cartons and boxes, and bags and wrap will result from the presence of mature applications as well as inroads by bottles and pouches. Demand for plastic will outpace that for paper and other materials.
Cultured Dairy Product Packaging Demand

Demand for cultured dairy product packaging is projected to expand 7.5 percent per annum through 2010, with unit demand exceeding 13 billion units on annual growth of 6.1 percent. Cultured dairy products account for nearly 3 percent of overall dairy packaging demand by 2015. Yogurt demand is expected to rise at an exceptional 8.0 percent per annum over the next decade, driven by rapid advances in yogurt consumption. A plethora of new product introductions, including expanded varieties of drinkable yogurt, products targeted at children, and functional types offering health benefits beyond standard nutrients, will sustain robust demand for yogurt, which will also drive solid gains for related packaging. Yogurt is by far the leading cultured dairy packaging application, representing 65 percent of segment demand in 2005. By 2010, yogurt will increase its share of cultured dairy packaging to 72 percent, up from below 50 percent in 1995.

Packaging demand in other cultured dairy applications is expected to increase more slowly through 2010 based on more limited production expansion in sour cream, cottage cheese and dips. Nonetheless, changing demographics and consumer spending trends will support upward consumption, which will bode well for related packaging. For example, rising demand for sour cream will be fueled by growth in the Hispanic population, as sour cream is a topping on many Mexican dishes. Additionally, increased spending on food eaten away from home will boost sour cream demand based on the continued popularity of Mexican restaurants and ongoing demand for sour cream with staple restaurant items such as baked potatoes.

Dairy dip packaging prospects will benefit from heightened use of dips with foods other than chips, especially with cut vegetables and in salads. The growing availability of lower fat dips based on yogurt rather than sour cream will also support packaging opportunities. Although

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**TABLE III-20**

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<td>mil $/Yo-yurt</td>
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<td></td>
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<td>Yogurt</td>
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<td>Sour Cream</td>
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<td>Cottage Cheese</td>
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<td>Total Dairy Pkg Demand</td>
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</table>
Sample Profile, Table & Forecast

COMPANY PROFILES

Applied Extrusion Technologies Incorporated
15 Read's Way
New Castle, DE 19720
302-326-5500
http://www.aetfilms.com

Sales: over $275 million (company would not verify, 8/06)
Employment: 975 (company would not verify, 8/06)

Key Products: oriented polypropylene films for packaging cheese and ice cream novelties

Applied Extrusion Technologies (AET) develops and manufactures highly specialized, multilayer oriented polypropylene (OPP) films. The privately held company's oriented polypropylene films are used primarily in consumer product labeling, flexible packaging, overwrap and industrial applications. In March 2005, the Company completed a recapitalization plan to emerge from Chapter 11 bankruptcy protection. Under the plan, AET's shares were purchased by a consortium led by the GE Commercial Finance subsidiary (Stamford, Connecticut) of General Electric Company (Fairfield, Connecticut).

The Company is active in the US dairy packaging industry through the production of OPP films used to package cheese and ice cream novelties, among other foods. AET is the leading producer of OPP films in North America. The Company reports that Exxon Mobil Corporation (Irving, Texas) is AET's primary competitor in the OPP films market.

AET's cheese packaging films are sold through the CHZ, C2S, UBP and UBS-2 product lines. CHZ and C2S transparent OPP films are coextruded films used to shrink wrap cheese blocks. These films

TABLE IV-1
DAIRY PACKAGING DEMAND BY TYPE
(million dollars)

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<td>Dairy Shipments (bil $)</td>
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<td>47.4</td>
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<tr>
<td>$ pkg/000s dairy</td>
<td>2384</td>
<td>2148</td>
<td>2384</td>
<td>2384</td>
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<tr>
<td>Dairy Packaging Demand</td>
<td>520</td>
<td>520</td>
<td>520</td>
<td>520</td>
<td>520</td>
</tr>
<tr>
<td>Tubs &amp; Cups</td>
<td>419</td>
<td>419</td>
<td>419</td>
<td>419</td>
<td>419</td>
</tr>
<tr>
<td>Bottles</td>
<td>698</td>
<td>698</td>
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<tr>
<td>Cartons &amp; Boxes</td>
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<td>Bags &amp; Wraps</td>
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<tr>
<td>Pouches</td>
<td>119</td>
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<td>119</td>
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<tr>
<td>Other</td>
<td>119</td>
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<td>119</td>
</tr>
</tbody>
</table>

“Demand for bottles in dairy product packaging is forecast to climb 5.4 percent per annum to $1 billion in 2010, outpacing the dairy packaging average. Unit demand will expand 4.4 percent annually to 12.5 billion units in 2010. Milk applications accounted for 88 percent of bottle demand in 2005 in unit terms and will log healthy advances as a result of rapid growth for ...”

--Section IV, pg. 109-10
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Other Studies

Foodservice Disposables

Foodservice disposables demand in the US will grow 3.8% annually through 2011 as more food is eaten or prepared away from home. Packaging will lead gains and surpass serviceware as the largest category by 2011. The eating and drinking places market will remain dominant while the retail and vending segment grows the fastest. This study analyzes the $13.7 billion US foodservice disposables industry, with forecasts for 2011 and 2016 by type and market. It also details market share and profiles major players.

#2256 .......................... 10/2007 ....................... $4400

Active & Intelligent Packaging

US demand for active and intelligent packaging will grow 13% yearly through 2011. Intelligent packaging will grow the fastest, driven by the emergence of lower cost time-temperature indicator (TTI) labels. Active packaging will be paced by gas scavengers. Pharmaceuticals, beverages and food will offer the best market prospects. This study analyzes the US active and intelligent packaging industry, with forecasts for 2011 and 2016 by product and market. It also details market share and profiles major players.

#2236 .......................... 08/2007 ....................... $4400

Food Containers: Rigid & Flexible

US food container demand will reach $23.5 billion in 2011. Growth trends include heightened demand for more convenient foods and a shift toward value-added packaging. Plastic containers, and bags and pouches will log the fastest growth. Meat and dairy products and frozen specialties will lead gains by market. This study analyzes the 263 billion unit US food container industry, with forecasts given for 2011 and 2016 by product and market. It also evaluates company market share and profiles major players.

#2208 .......................... 07/2007 ....................... $4500

Beverage Containers in China

Demand for beverage containers in China will grow 8.9% per annum through 2010. Plastic will remain the dominant material in unit terms while paperboard will grow the fastest. Milk will stay the largest market and be one of the fastest growing, with fruit beverages posting the fastest gains. This study analyzes the $60.5 billion beverage container industry in China, with forecasts for 2010 and 2015 by market and material. The study also evaluates company market share and profiles leading industry participants.

#2183 .......................... 05/2007 ....................... $4900

Paper Versus Plastic in Packaging

In eighteen selected markets where plastic and paper compete as packaging materials, plastic will increase its market share to 53% by 2010. The fastest gains for plastic will occur in soy and other nondairy beverages and pet food applications, followed by frozen food, fruit beverages, detergents and single-serving milk bottles. This study analyzes the 24 billion pound competitive plastic and paper packaging industry for 2010 and 2015 by product and market. It also details company market share and profiles major players.

#2133 .......................... 12/2006 ....................... $4400

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