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BRAZIL

GENERAL COMMENTS ON CURRENT MAIN PROBLEMS OF THE
BRAZILIAN PACKAGING INDUSTRY^{1/}

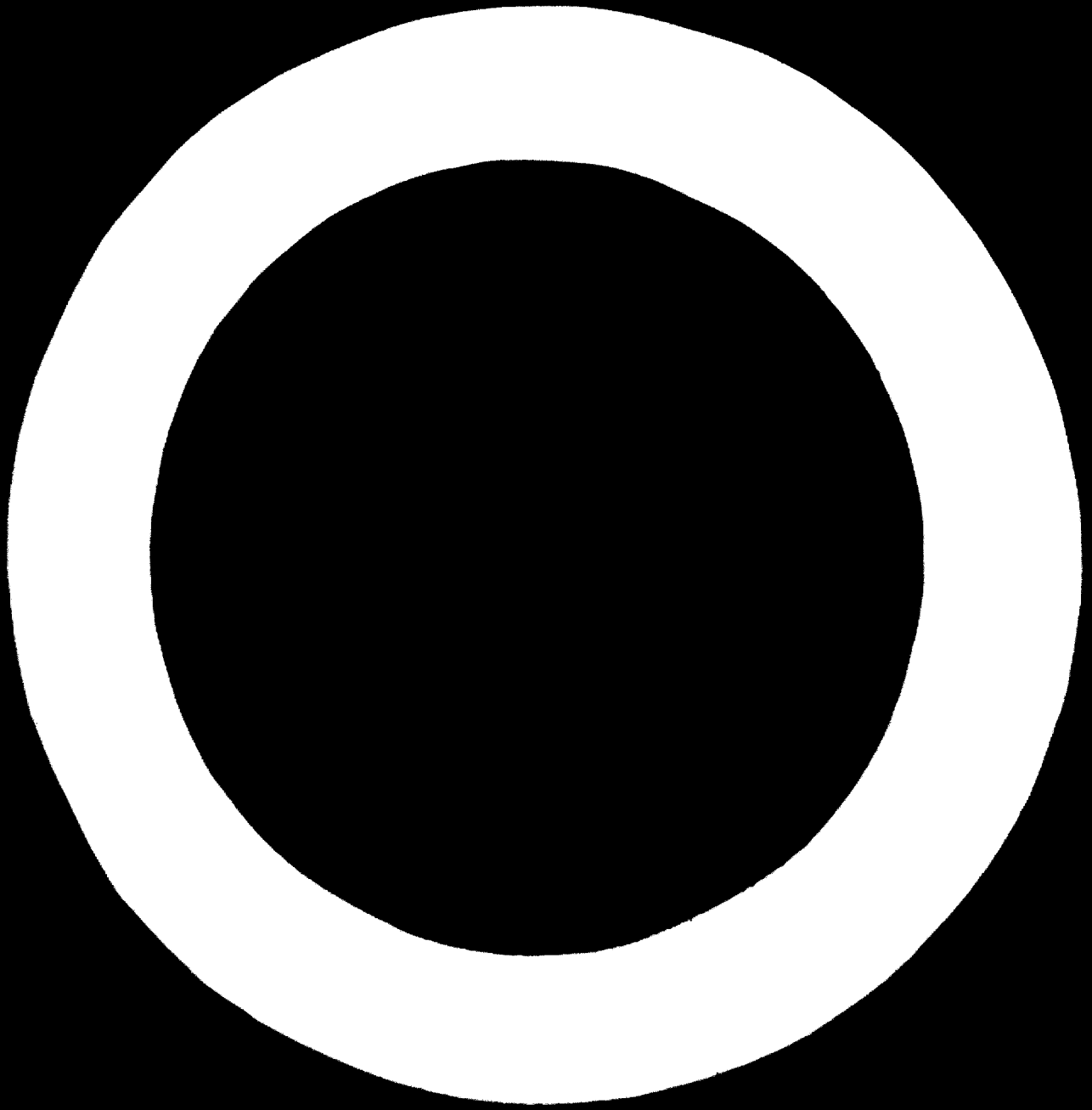
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BRAZIL

GENERAL COMMENTS ON CURRENT MAIN PROBLEMS OF THE BRAZILIAN PACKAGING INDUSTRY

October 1971

Although the packaging industry in Brazil seems to be developing satisfactorily it should in reality develop at a faster pace considering the potentiality of the market. Even taking into account the current relatively low purchasing power of the population (approximately US\$400 per capita year) the estimated consumption of US\$9.80 of packaging per capita/year is low (2.4 per cent of income), considering the large number of products that are marketed to the consumer in bulk or in returnable packaging and the great distances which many goods have to be transported in inadequate conditions.

The increased demand in the last ten years for packaging materials in general and especially for pre-packed goods to the consumer has been met, to a good extent, by the ease with which Brazilians cope with emergency situations by getting more out of existing, and many times out-dated manufacturing facilities at the expense of quality and high costs. New plants have and are being installed but there are still quite a lot to be done to improve quality, productivity and make packaging materials available at lower prices to facilitate a much desired growth in consumption.

Some of the problems that currently afflict the Brazilian packaging are outlined below:

(1) Co-ordination of supply and demand of raw materials

Unless adequate planning, short and long-term, is instituted to co-ordinate the supply of raw materials in terms of both quantity and quality the growth of the market will suffer at the expense of higher costs to producers, converters and ultimate consumer.

The first step is a market investigation to assess the current position of the industry and forecast future requirements for at least the next ten years.

(2) Accelerated expansion of the market and productivity

All efforts should be made to accelerate the expansion of the market for packaging materials by modernizing production facilities and improved technology that will improve productivity. Higher productivity results in lower costs which yield better projects through higher sales at lower prices.

(3) Avoidance of undue plant obsolescence

Avoid plant obsolescence through proper planning of production capacities versus sales and market potentials.

In recent years the financial facilities offered by machinery suppliers and the government have encouraged many converters and printers to install production facilities with capacities in excess of market requirements or out of proportion with selling abilities of the firm and the result is that even before some plants have been amortized they are already out-dated and uneconomic.

(4) Lack packaging experts and necessity of up-dating existing ones

Brazil has to prepare packaging experts not only to cope with ordinary demand but also to handle the new materials that are flowing into the market but also the modern machines and equipment.

"Hit-or-miss" methods should give way to properly prepared experts by creating adequate educational facilities.

To avoid future serious environment pollution problems this subject should be compulsory in packaging educational programmes.

Efforts should be made to provide some degree of probation to students.

(5) Follow-up technical advice and assistance from foreign machinery suppliers and quality of such service

Brazilian companies, with few exceptions, complain about the lack or inadequate follow-up technical advice and assistance provided by foreign machinery suppliers. In many cases the quality of such services - when provided - is also below standards.

Suppliers should eliminate this undesirable situation by either having service stations in Brasil manned by properly trained people or by having good regional travelling experts making calls at regular intervals.

Technical literature should be in the local language and not only in so-called international languages.

(6) Interpretation of consumer packaging as a necessity and not as a luxury

Taxation and other authorities should put aside the out-dated concept that pre-packaged consumer goods is a luxury and not essential. They should understand that packaged consumer goods give at least the following advantages to the consumer:

- (a) better sanitary protection;
- (b) quality control through brand/manufacturer/packer identification;
- (c) weight and measure control;
- (d) better demand and supply control of perishables in off-season periods to avoid market speculative practices.

Thus pre-packed consumer goods should not be penalized with higher taxes just because of the packaging in addition to its cost which the consumer has to pay for anyhow.

Modern "self-service" shopping requires pre-packed consumer goods.

(7) Packaging norms and their proper interpretation by suppliers of packaging materials, converting machinery, packing machines and by manufacturers or packers of the ultimate product

Whenever packaging norms exist they should be duly interpreted by all those involved to avoid contamination or improper use of materials.

Leaching and adequacy of packaging for product (e.g. food and chemicals) should be constantly reviewed.

Modern marketing practices, however, require freedom as regards pack design, pack size and contents weights and measure to facilitate products identification at point-of-sale.

(8) Standard packaging norms for exports


To reduce costs and avoid undue troubles, attempts should be made by as many countries as possible to have common standard packaging norms for exports.

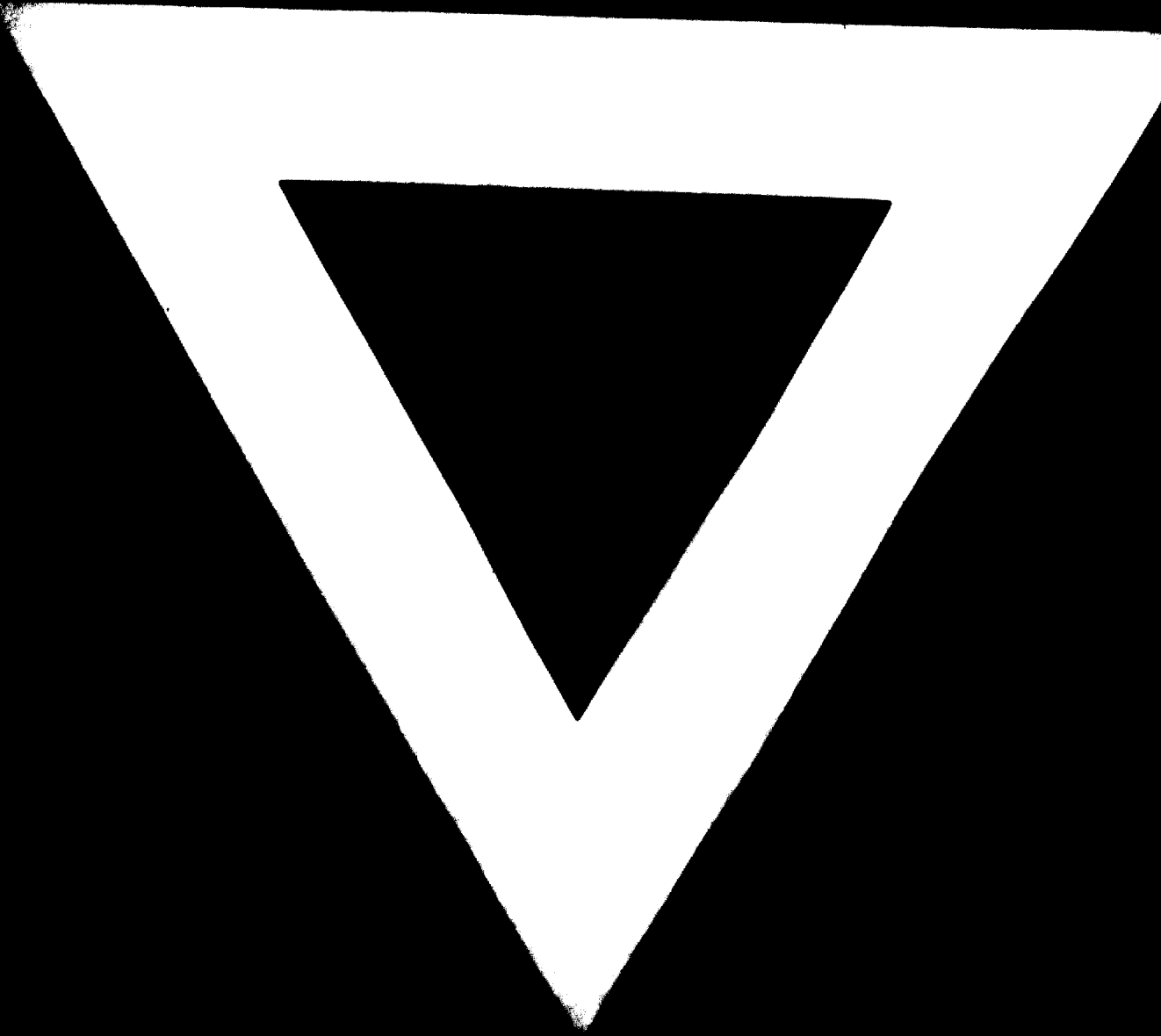
Brasil and Portugal have recently given a good example by agreeing to accept each others norms.

(9) Laboratory facilities and quality control of raw materials and finished packaging

Quality control is hampered to a large extent by the lack or insufficiency of laboratories and quality control equipment.

Consciousness of quality control should be induced by the installation of pilot units in São Paulo, Rio and main industrial centres. Due to the current shortage of finance we are not prepared to install such pilot units and train the necessary staff.





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