

THE PACKAGING INDUSTRY

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OVERVIEW OF THE PACKAGING SECTOR

Packaging is the way goods are wrapped either by the manufacturer or the distributor before being sold or handed over to the final consumer/end user. It is therefore the baseline for almost all industries in Uganda, for instance beverages need bottling, dairy products like milk need flex packets, and pharmaceutical products need paper cartons and plastic strips. The growth of the manufacturing and agricultural sectors, among others has seen the economy of Uganda growing at an average rate of 6.3% per annum in 2001. Preliminary figures for the manufacturing sector indicate a growth rate of 7.4% in 2001/02. Since packaging is a core production input in industry, the viability of investment in this sector is undisputed.

Overview of the Packaging Sector

- It is a new industry with few manufacturers. Table 1 outlines the packaging manufacturing firms as at 2002 and the packaging products currently produced in Uganda

Table 1: Packaging Products and Manufacturing firms as at 2002

Packaging Product	Manufacturing Firm
Corrugated Cases and Cardboard	MAKKS Packaging (U) Ltd Paper Packaging Industries (U) Ltd.
Low Value Flexible Packaging Products	Uganda Plastics Industries BMK (U) Ltd. Barkati Trading Co. Ltd. TIC Plastics (U) Ltd.
Cardboard & other packaging boxes & printing	Graphic Systems (U) Ltd Mulbox Ltd Print Pack Booth Manufacturing Ltd Packaging Solutions
Tin Cans/Boxes	Unibilt
Rigid Plastics	Rwenzori Beverages Co. Ltd
Woven polypropylene	Africa Polysack Industries Ltd Nice House of Plastics (U) Ltd. VISA Plastics Ltd Uganda Plastics Industries Ltd. Afroplast Enterprises Ltd Oxy Plastics
Styrofoam boxes	Hwan Sung Industries Ltd.

- The sector though strategic (supports many other growing industries), is import dependant. 90% of the inputs are imported. Table 2 shows the quantities and values of imported packaging material for the period 1999 to 2002

Table2: Imports of Packaging Materials 1999-2002

HSCode	item	1999		2000		2001		2002	
		Qty (Kg)	Value (US\$)	Qty (Kg)	Value (US\$)	Qty (Kg)	Value (Ug Shs)	Qty (Kg)	Value (Ug Shs)
4819.10.00	Cartons, boxes and Cases, of corrugated paper or paper board	1,255,141	1,444,935	972,956	1,490,300	573,388	1,331,611,221	1,179,524	3,107,203,631
4819.20.00	Folding Cartons, boxes and cases, of non-corrugated paper or paperboard	1,982,342	517,488	928,772	1,690,508	481,010	1,082,143,568	77,963	300,146,292
4819.30.00	Sacks and bags, having a base of a width of >=48 cm of paper, paperboard	2,028,034	1,039,288	969,671	1,008,628	2,190,669	2,946,390,725	1,484,432	3,041,263,511
4819.40.00	Sacks and bags, including cones of paper, paperboard, nes	226,892	382,155	145,424	185,531	619,246	612,069,607	373,063	674,545,493
4819.50.00	Packing containers, including record sleeves, of paper..., nes	38,211	85,440	18,289	33,771	25,097	93,149,168	6,692,311	547,751,947
4819.60.00	Box files, letter trays, storage boxes, etc, of paper	110,730	256,847	103,256	241,373	122,940	311,200,560	255,551	761,761,158
Subtotal		5,641,350	3,726,153	3,138,368	4,650,111	4,012,350	6,376,564,849	10,062,844	8,432,672,032
B. Packaging Materials of Plastics									
3923.10.00	Boxes, cases, crates and similar articles of plastics	455,209	775,745	170,822	430,658	202,502	722,765,479	203,244	343,773,646
3923.21.00	Sacks, and bags of polymers of ethylene	1,311,673	1,122,416	931,983	847,836	603,628	783,241,006	478,058	615,388,675
3923.29.00	Sacks and bags of other plastics (excl. ethylene)	838,355	978,660	233,705	350,368	346,309	683,274,975	144,212	399,151,496
3923.30.00	Carboys, bottles, flasks and similar articles of plastics	1,081,818	1,216,904	938,667	1,097,548	617,964	1,654,430,928	534,777	1,276,040,762
3923.40.00	Spools, cops, bobbins and similar supports of plastics	492	1,222	886	3,895	3,167	2,710,490	6,332	42,608,177
3923.50.00	Stoppers, lids, caps and other closures of plastics	272,739	634,071	168,041	520,511	188,345	852,475,510	1,240,029	1,518,104,390
3923.90.10	empty gelatin capsules for pharmaceutical use	26,624	144,134	52,973	221,984	200,022	576,069,791	164,731	538,314,737
3923.90.90	Other empty gelatin n.e.s	10,612	62,370	15,232	79,865	17,312	84,935,710	52,787	217,037,229
	Sub-total	4,243,559	5,027,961	2,536,836	3,557,506	2,179,249	5,359,903,889	2,824,170	4,950,419,112
	Total	9,884,909	8,754,113	5,675,204	8,207,616	6,191,599	11,736,468,738	12,887,014	13,383,091,144

Source: Customs Strategic Planning Unit, Uganda Revenue Authority

- The packaging industrial sub-sector in general shows an increasing trend in all aspects. Table 3 below illustrates this. The national domestic demand versus domestic production remains substantially large.

Table 3: Production of Packaging Materials in Uganda: 1997– 2001

Material	Unit	1997	1998	1999	2000	2001
Gunny Bags & Hessian Cloth	Tonnes	120	na	Na	Na	Na
Corrugated Cardboard boxes	'000 sq. mts	1756	2471	3020	4,564	7,160
Paper Sacks	'000 pcs	435	na	na	Na	Na
Plastic Jerrycans	'000 units	5587	5197	6561	5,284	5,943

Source: The Republic of Uganda (1998): Background to the Budget 1998/99; & Statistical Abstract 2002 - Ministry of Finance, Planning and Economic Development.

- The sector is its infancy:
 - i. There is therefore need for knowledge of specific requirements of the manufacturers
 - ii. There is a need for national packing standards on quality and hygiene
 - iii. There is need for adequate trained and skilled personnel in the industry
 - iv. There is a limited choice of packing material locally

All the above points show the vast investment potential in the sector

INVESTMENT OPPORTUNITIES

OPPORTUNITIES

Linkages

Packaging is a strategic and important sector in the economy because it affects almost every sector. It has strong backward and forward linkages. Almost all manufacturing industries utilize packaging products. For instance, packaging has forward linkages with flower farming, grains, fish processing, fruits packaging and in a number of manufacturing enterprises

Supply Development

- i) There exists investment opportunity in the development of capacity to recycling of waste packaging materials from the existing plants to improve the paper recycling capacity in the country
- ii) The sector lacks standard packaging. There is a need for transfer of new technology to improve the quality of packaging products
- iii) Establishment of quality control laboratories which can check and confirm that the packaging material used conforms to the required standards

Energy Value

Except for glass and metals, all packaging material can be burnt. Calorific value of polythene is higher than that of fuel oil. Energy released by combustion of waste can be used for steam or electric production

Flexible Packaging: Low Value Added

There is limited access to a variety of sizes and shapes. Processors have considerable difficulty obtaining supplies. Low value added packaging products are simple to manufacture. 50% of the low value added products, like bags, wrapping and basic paper products are manufactured locally. There is a viable investment opportunity in the setting up of low cost packaging units that can produce varying package dimensions able to supply a wide range of requirements. For instance all dairy packaging is imported. The current demand for a wide range of bag-type products in the country is estimated at 30 million units per annum.

Other Sub Sectors

Specific sub sectors offer opportunities for locally produced packaging products particularly the export oriented sub sectors like dairy, cut flowers, fish, vegetables, and other food industries. Uganda enjoys a big export market of the goods shown in Table 4 below. The table shows the trends in Uganda's exports by quantity over the period 1990-1999. Overall, over the period, the quantities of exports of both the traditional and non-traditional exports have been increasing throughout the period.

Market demand for flexible packaging is estimated to be growing at a rate of 10% per annum.

Table 4 Uganda: Domestic Exports by Quantity; 1995 – 2001

Commodity	Unit	1995	1996	1997	1998	1999	2000	2001
Coffee	Ton.	168860	278711	210123	197143	230466	150891	183277
Cotton	Ton.	5580	9756	18975	4915	14482	21290	12479
Tea	Ton.	10681	14610	18260	22893	22102	26388	30447
Tobacco	Ton.	3525	3118	4809	8109	4714	14128	14589
Maize	Ton.	86149	86552	52835	33164	23163	8741	61603
Beans /other legumes	Ton.	38758	40308	27760	5875	15829	25013	6756
Fish & Fish Products	Ton.	16046	14075	11819	14688	9628	14894	28119
Cattle Hides	Ton.	5090	5017	6619	6487	4666	12246	20386
Sesame Seeds	Ton.	9314	11462	1485	43	2325	1438	20386
Soya beans	Ton.	3972	8493	418	76	Na	42	1854
Soap	Ton.	4420	3657	3655	3482	3193	3777	5656
Electric Current	*000KWh	195500	151117	169508	158998	174331	250993	142507
Cocoa Beans	Ton.	552	1414	1341	1137	1542	1662	2466
Cobalt	Ton.	-	-	-	-	-	416	636
Goat & Sheep skins	Ton.	16	na	Na	na	Na	Na	Na
Hoes & Hand Tools	*000 pcs	793	267	223	171	180	105	108
Pepper	Ton.	80	74	56	50	987	144	517
Vanilla	Ton.	176	14868	96	18	Na	10	49
Live animals	*000	160	45	7	5	19	27	130
Fruits	Ton.	324	48	429	46	138	1637	92
Ground nuts	Ton.	391	75	112	87	167	15	40
Bananas	Ton.	1187	2557	78	765	763	1622	1336
Rose & Cut Flowers	Ton	133	380	537	1522	1563	2207	3687
Ginger	Ton.	52	113	35	11	Na	75	16
Gold and gold compounds	kgs	2448	1394	1381	665	4,231	5927	6161

Source: Republic of Uganda (1998) & (2000): Statistical Abstract; Ministry of Finance, Planning and Economic Development / Uganda Bureau of Statistics: Statistical Abstract 2002

Diversification

The local industry can expand its market through diversifying the current product lines, which include: Glass containers, Tin cans/boxes, Corrugated cases (shuffle), Cartons and Total packs for milk and juices, Design & printing of labels, Flexible low value added packaging products i.e. bags and wrappings, Flexible high value packaging products ie multi layer plastics, Simple plastics, Rigid plastics products such as bottles, cans, & plastic jars, and Thin walled plastics packaging products.

OTHER PACKAGING PRODUCTS DETAILS

Corrugated Cases (Shuffle)

Corrugated cases are used for both primary and secondary packaging. Most corrugated cases are to-date imported. To a lesser extent, raw materials are imported and manufactured into corrugated sheets, which are in turn converted into corrugated cases. Presently, over half the market is supplied by imports.

Cartons/Labels

Cartons are a form of primary packaging where high quality manufacturing with high quality print finishing is critical. The availability of cartons and labels is particularly critical to the development of higher value-added industries such as pharmaceuticals, fish and floricultural sectors. These are major growth sectors in Uganda.

Flexible Packaging: High Value Added

This covers a wide range of products from simple plastics with a print contact to more elaborate multi-layer plastics with or without print. Presently, both the demand for and supply of this family of products is limited. By its very nature, high value added flexible packaging tends to be associated with the packaging of high value added products.

Rigid Plastics

Rigid Plastics are solid plastic containers of various types including bottles, cans and plastic jars. These products are often products of low value added. Local manufacturers have only emerged in recent years.

Demand for rigid plastics is estimated to be growing at 20% per annum. Many of the local producers are involved in the production of jerry cans and buckets. However, there is increased demand for plastic bottles given the growing number of pharmaceutical and fruit juice processing industries plus the absence of glass bottle manufacture.

Thin Walled Plastic Packaging

The term “thin wall plastic packaging” embodies a wide range of semi-rigid plastic containers. Typical applications include part of the packaging process for biscuits, processed foods or fruits. The plastic wrap is also used to package chicken and other meat products. A distinguishing factor of these products is that they are thermo formed rather than injection or blow molded. There exists an opportunity for new investors to take care of the packaging of the growing poultry, food and horticultural industry.

Tin cans

The market for tin cans is fast expanding given the growth in production in a number of sectors. Unibilt Ltd., a subsidiary of a Kenyan tin manufacturer and printer is the only investor in the production of tin in Uganda. Its main market today is the vibrant construction industry (paint and related products)

Glass Containers

Glass containers have a low value to weight ratio, which is preferable in domestic production. There is no producer of glass containers in the country despite having suitable raw materials by way of silica sand and felspar. The major local users are the beverages sub sector, for instance soda and beer.

RESOURCE AVAILABILITY AND INFRASTRUCTURAL SERVICES

Labor

Uganda is re-known for the abundance of trainable and skilled labor. Wage rates are perhaps among the most competitive in the region. Trade Unions are available but not very effective yet due to an abundance of labor. Uganda has 8 Universities and 70 Vocational Institutions together availing over 9000 graduates annually.

Raw materials

Uganda has large deposits of silica sand and felspar used in the manufacture of glass bottles. Silica sand is available along the shores of Lake Victoria. Most prominent locations include Nalumuli bay, Nyimu bay, Diimu Island and Bukakata Island. Felspar occurs in several beryl-bearing pegmatites at Mutaka, Rwenzori, Bushenyi and Lunya. According to chemical analyses by the geological survey of Finland in 1994, the felspar at Mutaka was found to be of very high purity and suitable for glass making.

Uganda also has plenty of planted forests where softwoods for the manufacture of pulp can be obtained. Pulp is a raw material for the production of paper

Additionally, Uganda uses thousands of tons of paper, which can be recycled for the production of clean packaging paper

The basic raw materials for plastic manufacturing are not available locally.

Utilities & Infrastructure

Energy: Installed electricity generation capacity increased from 180 MW to 260 MW in the year 2000. This capacity is adequate to meet current industrial need. Electricity generation is bound to double in another two years given a new electricity generation project now under way along River Nile.

Rail: Uganda has a railway network of 1240km. The line also links Uganda to the major supply seaports of Mombasa and Dar es Salaam.

Roads/Air: Much of the tarmac road network (2000km) has been rehabilitated. The international airport has been fully refurbished and several international and regional airlines are now operational.

Telecommunications: The telecommunications sector is fully liberalized. Both the land and Mobile phone services are adequately available on a competitive basis. These are further supplemented by an effective internet service network.

Industrial land: The Uganda Investment Authority has embarked on a programme to develop a range of industrial sites in various parts of the country. Namanve, currently being developed has 1000 hectares. Various districts in the country have earmarked industrial land for investors.

UGANDA'S COMPETITIVE ADVANTAGE

- Uganda is strategically positioned within East and Central Africa. This strategic location gives Uganda an easier access to a wide market within the Great Lakes region.
- Stable Macroeconomic and political environment.
- Availability of affordable unskilled and skilled labor
- Availability of raw materials such as the sand deposits and forests.
- Availability of import substitution opportunities.
- A fast growing industrial sector
- Investment Incentives:
- Uganda's fiscal incentive package provides for generous capital recovery terms, particularly for investors whose projects entail significant investment in plant and machinery and whose investments are medium or long terms. The incentive package includes: -

Category 1 – Initial Investment Allowances. These are deductible once from the company's income. Initial allowances are based on the value of plant and machinery: -

Kampala, Entebbe, Namanve, Jinja & Njeru areas	50%
Outside Kampala, Entebbe, Namanve & Jinja area	75%
Start-up costs	25%
Scientific Research expenditure	100%
Training expenditure	100%
Industrial buildings	20%

Category 2 – Deductible Annual Allowances

Depreciable assets specified in 4 classes under declining balance method: -

Class 1	Computers & Data handling equipment	45%
Class 2	Automobiles, Construction and Earth moving equipment	35%
Class 3	Buses, Goods Vehicles, Tractors, Trailers, Plant & Machinery for farming, manufacturing and mining	30%
Class 4	Cars, Locomotives, Vessels, Office furniture, fixtures etc.	20%

Category 3 – Other Annual Depreciation Allowances

Industrial Buildings, Hotels & Hospitals	5%
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- Uganda's corporation tax rate of 30% is one of the lowest in Africa.
- All plant and machinery is imported duty and tax-free
- Investors who register as VAT Traders are allowed VAT refunds on all construction materials used on their projects within a period not exceeding 4 years of project implementation
- There are no taxes on all exports from Uganda.
- Exporters are also allowed duty draw back facilities on all taxes paid on raw materials used for the manufacture of exports.
- Uganda also has a fully liberalized foreign exchange regime with no restrictions on the movement of capital in and out of the country. 100% ownership of projects by foreign investors is allowed.

Some Useful Contacts in Uganda

Uganda Investment Authority
 Plot 28, Kampala Road
 P.O. Box 7418, Kampala. Tel: 251562/5, 234109 Fax: 256-41-342903

Uganda Manufacturer's Association
 Lugogo Show Grounds
 P.O. Box 6966, Kampala Tel:256-41-221034/220831 Fax: 256-41-220285

Some Addresses of Firms Producing Packaging Materials in Uganda

Associated Paper Industries Ltd Plot 11/15 Miro Road Box 1375 Jinja Tel 121307/120078 Fax 121306	Ugathings Packaging Supplies Plot 122/124 7 th Street Industrial Area Tel 344081 Fax 259957
Mulbox Ltd Plot 3 Kampala Road Box 1189 Jinja Tel 120432/120134/21623 Fax 120360	BMK Industries Ltd Plot 2-4 Wampewo Av. Kololo Hotel Africana Building Box 5234 Kampala Tel 255845/344461 Fax 242675
Nile Plastics Ltd Plot 390/391 Masaka Road Box 3700 Kampala Tel 270085/259859 Fax 259859	Visa Plastics Plot M244 Nakawa Industrial Area Box 21150 Kampala Tel 220084 Fax 222625
Printpak (U) Ltd Plot 22/24 Eden Road Box 9264 Jinja Tel 120948/121549	Walco Industries Ltd Plot 2930 Bombo Road Box 10838 Kampala Tel 567574/567980 Fax 567980
Booth Manufacturing Uganda Ltd Plot 77/79 6 th Street Industrial Area Box 12133 Kampala Tel 342891/342893 Fax 254242	Bugisu Industries Ltd Plot 157 Bombo Road Kawempe Box 30663 Kampala Tel 567083/567495 Fax 567482
Makss Packaging Plot 126/128 7 th Street Industrial Area Box 20141 Kampala Tel 254105/344081 Fax 259957	Tororo Jute Bags & Hessian Mills Plot 80/92 Nagongera Road Box 465 Tororo Tel 44633/45101 Fax 45100
Packaging Products Ltd Plot 258 Kyambogo Road, Ntinda Box 22763 Kampala Tel 286116 Fax 222914	Poly Pack Ltd Plot 14 Mackenzie Vale Box 7136 Kampala Tel 222877/222876
Quality Services Ltd Plot 181 Bombo Road, Lucky House Box 11099 Kampala Tel 540291 Fax 540292	

REFERENCES AND SOURCES OF FURTHER INFORMATION

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- The rehabilitation and Development Plan 1991/92-1994/95
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