

United States Contract Packaging Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The United States contract packaging market is expected to register a CAGR of 9.42% over the forecast period. Owing to the stability, rising demand, and changing preference of manufacturing firms toward contract packagers, the United States contract packaging market is expected to witness steady growth over the forecast period. To concentrate on their core businesses and decrease operational costs, companies in the country outsource packaging requirements to contract packaging companies, thus driving the market's growth.

Key Highlights

The United States government has placed various laws and regulations on labeling and packaging, especially for drugs. This could lead to an increase in the demand for contract packaging, owing to the inability of an in-house packaging facility for a few pharmaceutical companies in this country.

Technology is expected to play a vital role in the future, with the emergence of serialization, digital printing, and advanced robotics, thereby helping the companies. Sustainability and customization are expected to positively impact the contract packaging market, leading to growth in consumer-packaged goods, like personal care and food & beverages.

Also, many governments are mandating stringent laws and regulations on the labeling and packaging of drugs and food products, further expanding the scope of the contract packaging market. For instance, the United States witnessed an increase in demand for contract packaging in the food industries, owing to the inability of an in-house packaging facility for a few companies in the country.

Various contract packaging companies in the country are adapting to challenging business conditions. The companies are also getting awareness regarding the cost pressures, intense competition, and highly variable demand from OEMs. This environment is further supporting in the growth of contract packaging market in the country. Many European companies, such as Persson Innovation and Langen Group, have also invested in the United States.

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The presence of multiple logistics companies brings out a high demand for secondary and tertiary packaging, owing to their prominence in transportation, thus paving the way for the growth of the contract packaging market. However, the high recycling cost and stringent government regulations related to packaging materials are restraining market growth.

The COVID-19 pandemic has hampered the growth of the United States Contract Packaging Market due to restrictions on manufacturing activities and limited workforce availability in the production line. However, post-pandemic, the reopening of manufacturing industries at their maximum capacities and growing market demand for food and beverage, pharmaceuticals, personal care, consumer goods, and other industry reflect a positive market outlook. Further, the Russia-Ukraine war has an impact on the overall packaging ecosystem.

US Contract Packaging Market Trends

Rapidly Growing Pharmaceutical Industry is Driving the Market

The United States has emerged as the largest market for drugs and accounts for almost half of the R&D spending in pharmaceutical and biotechnology markets. Hence, contract packaging organizations play a critical role in this market and have invested in new facilities and technologies to cater to a wide range of outsourcers. For instance, According to the Pharmaceutical Research and Manufacturers of America (PhRMA) trade group that represents the leading biopharmaceutical research companies in the United States, in 2021, the research and development (R&D) expenditure of its member companies reached some USD 102 billion worldwide.

The escalating adoption of innovative packaging methods to satisfy rapidly changing consumer preferences and rising environmental concerns have stimulated the demand for contract packaging in the pharmaceutical industry in the United States. In addition, the increasing penetration of automation in pharmaceutical contract packaging has minimized the risks of human handling errors, thereby catalyzing market growth in the region.

The United States also dominates the pharmaceutical market, both in consumption and development. According to STAT, prescription drug spending in the nation is considered to add up to USD 600 billion by 2023, up from an estimated USD 500 billion in 2019, which is further expected to drive the United States contract packaging market.

The industry has been witnessing increasing investments in the country owing to profitable business and growing demand. For instance, in January 2022, Eli Lilly and Company planned to invest over USD 1 billion to create a new manufacturing site in Concord, North Carolina. The new facility would utilize the latest technology to manufacture parenteral (injectable) products and devices and increase the company's manufacturing capacity.

Food Industry is Expected to Hold Major Share

In the United States, with the rising demand and changing preference of food production firms toward contract packagers and the food companies increasingly focusing on cost optimization and their core business, most of them have been outsourcing their packaging services activities to third-party contract food packagers, owing to the demand in the market studied.?

Food manufacturing companies are increasingly focusing on cost reduction and core competencies. Furthermore, incorporating nanotechnology into the production of convenience foods has considerably improved critical processes such as preservation, package design, and finished goods processing. This technology is expected to significantly increase businesses' need to outsource their goods' packaging to organizations that provide contract packaging services in the United States.

With the increasing demand for contract packaging services for pouches, bags, boxes, clamshells, etc., many companies are ensuring that their products comply with FDA regulations in the United States. Any health or nutritional value claims printed on the contract packaging along with the packaging must also align with FDA regulations. For instance, ActionPak has its new

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175,000 sq ft packaging facility in Camden, New Jersey, to do both primary and secondary packaging of food and OTC products under strict SQF and FDA guidelines. ?

Also, with the outbreak of COVID-19, many working professionals and others have been depending on packaged food for safety purposes, which owed food manufacturing companies to outsource their packaging services to contract packagers for safety and health concerns. According to International Food Information Council, due to the COVID-19 pandemic, around 36% of Americans claimed to have purchased the same amount or more packaged foods during the coronavirus outbreak in the United States. ?

US Contract Packaging Market Competitor Analysis

The United States contract packaging market is fragmented, with the presence of many small and large vendors. Some of the key players include Aaron Thomas Company?, Multipack Solutions?, Pharma Tech Industries, Reed-Lane Inc., and Sharp Packaging Services. Companies are increasing their market presence by expanding their business footprint across various end-user markets by undergoing initiatives such as expansion, merger, acquisition, collaboration, and others.

February 2022 - GenNx360 Capital Partners, a New York-based private equity firm, announced its investment in Nutra-Med Packaging Inc., a New Jersey-based contract packaging organization focused on packaging for the pharmaceutical, health & wellness, and medical devices markets.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

Table of Contents:

1 INTRODUCTION

- 1.1 Study Assumptions and Market Definition
- 1.2 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET INSIGHTS

- 4.1 Market Overview
- 4.2 Industry Value Chain Analysis
- 4.3 Industry Attractiveness - Porter's Five Forces Analysis
 - 4.3.1 Bargaining Power of Suppliers
 - 4.3.2 Bargaining Power of Buyers
 - 4.3.3 Threat of New Entrants
 - 4.3.4 Threat of Substitute Products
 - 4.3.5 Intensity of Competitive Rivalry
- 4.4 Assessment of Impact of COVID-19 on the Market
- 4.5 Overview of the Global Contract Packaging Market

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5 MARKET DYNAMICS

5.1 Market Drivers

5.1.1 Rising Rapid Technological Advancements

5.1.2 Development in the Retail Chain

5.2 Market Restraints

5.2.1 In-house Packaging

5.2.2 Increasing Lead Time and Logistics Cost

6 MARKET SEGMENTATION

6.1 By Packaging Type

6.1.1 Primary

6.1.2 Secondary

6.1.3 Tertiary

6.2 By End-user Industry

6.2.1 Food

6.2.2 Beverage

6.2.3 Pharmaceutical

6.2.4 Home Care and Personal Care

6.2.5 Automotive

6.2.6 Other End-user Industry

7 COMPETITIVE LANDSCAPE

7.1 Company Profiles

7.1.1 Aaron Thomas Company

7.1.2 Multipack Solutions

7.1.3 Pharma Tech Industries

7.1.4 Reed-Lane Inc.

7.1.5 Sharp Packaging Services

7.1.6 UNICEP Packaging

7.1.7 Bell-Carter Packaging

7.1.8 Jones Packaging Inc.

7.1.9 Stamar Packaging

7.1.10 Genco (FedEx Supply Chain)

8 INVESTMENT ANALYSIS

9 FUTURE OUTLOOK OF THE MARKET

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