

# GLASS

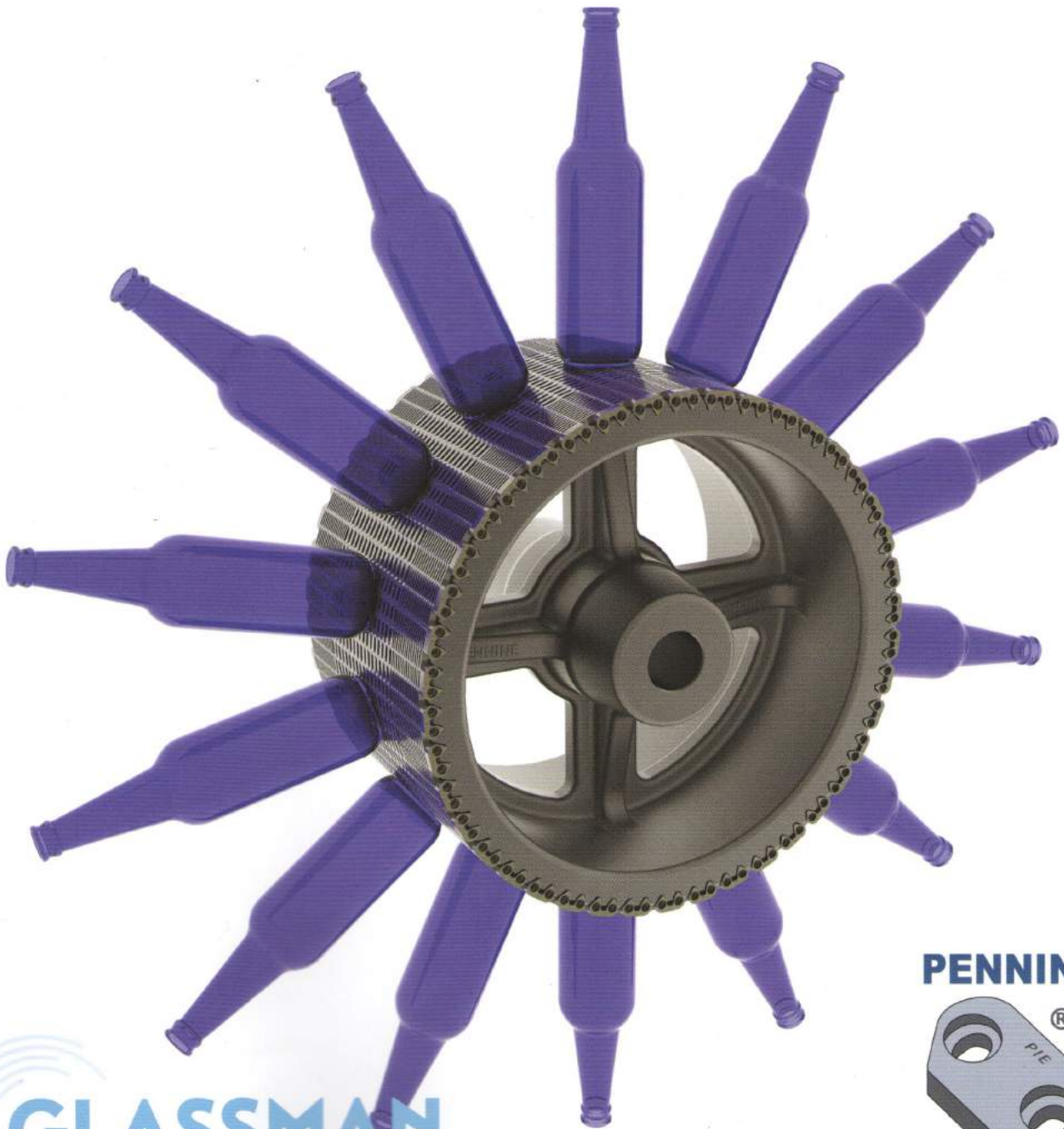
COMPANY PROFILE: CP GLASS

PERSONALITY PROFILE: SGT PRESIDENT

COUNTRY OVERVIEW: BRAZIL

I N T E R N A T I O N A L

A GLOBAL REVIEW OF GLASSMAKING



**GLASSMAN**  
SOUTH AMERICA 2019

**PENNINE**



**INDUSTRIAL  
EQUIPMENT**

# Brazilian container glass sector is back on track

A number of acquisitions and greenfield container glass plants has made Brazil one of the most attractive countries. After a lull between 2015 and 2017, above-anticipated growth in 2018 has put the sector back on track. Seema Gahault analyses the Brazilian container glass industry.



led by the largest global container glass producer, O-I, the Brazilian container glass industry also comprises of third largest global container producer Verallia, domestic producers Vidroporto, Ambev and five other mid-sized producers.

Brazil's container glass industry registered sharp growth during the first four years of the decade. But between mid 2014 and mid 2018 it was affected by the economic situation in the country. Container glass producers were forced to operate at low capacity utilisation due to sluggish demand

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Parameter	2013	2014	2015	2016	2017
Population ( million)	201	203	204	206	208
GDP per Capita ( USD)	12,278	12,106	8,785	8,720	9,896
GDP ( USD billion)	2,468	2,455	1,796	1,797	2,055
Economic Growth (GDP annual variation in %)	3.0	0.5	-3.5	-3.5	1.0
Consumption (annual variation in %)	3.5	2.3	-3.2	-4.3	1.0
Industrial Production (annual change in %)	2.1	-3.0	-8.3	-6.4	2.5
Retail sales (annual change in %)	4.3	2.2	-4.4	-6.3	2.1
Unemployment Rate (in %)	7.1	6.8	8.5	11.5	12.7

from the food and beverage industry. O-I was forced to idle a furnace for more than three years. Verallia's new joint venture container glass plant, which had commenced commercial operations in 2016 also stopped commercial production in 2017.

### Demand

The consumer environment in Brazil has been volatile in recent years, leading to erratic demand for container glass. A high unemployment rate and slow recovery of real disposable incomes led to less than expected demand. Last year witnessed some recovery in demand, aided by an improvement in economy and the FIFA World Cup in June.

More than 60% of container glass demand in Brazil comes from the alcoholic beverages segment. Beer and Cachaca are two of the largest components in this segment. Demand from other segments such as food and non-alcoholic beverages has remained stagnant in the past five years, due to the economic slowdown and replacement of container glass by other forms of packaging-notably PET packaging. Demand from the pharmaceutical segment, which accounts for nearly 6% of the total container glass demand in the country has been steady, despite the economic slowdown of recent years.

With production figures of 13.84 billion litres of beer in 2017, Brazil is the third largest beer producing nation globally. According to data from CervBrasil (Brazilian Beer Industry Association), beer production in 2018 stood at 13 billion litres, 8% less than the one recorded in 2014, a record year. The association's projection for this year is up 3% in volume should the government succeed in speeding up structural reforms in the economy.

Cachaca liquor, which is made from sugar cane juice that is fermented and distilled, is among the largest consumers of container glass. Cachaca is now widely adopted by the upper class, with a premium bottle costing as much as US\$750. Brazil produces more than 5,000 different Cachaca brands, ranging from artisan to the industrial. With production of around 1.5 billion litres per year, Cachaca is the third most produced liquor in the world.

### Economic slowdown

From mid-2014 to 2016, Brazil experienced one

▲ Table 1. Factors having a direct or indirect effect on container glass consumption in Brazil.

of the worst crisis in its economic history. The economic crisis was coupled with a political crisis that resulted in the impeachment of President Dilma Roussef and in widespread dissatisfaction with the political system.

In 2015, Brazil's gross domestic product (GDP) fell by 3.5% due to a drop in salaries, restrictions on credit and a rise in the basic interest rate. In 2016, Brazil's GDP fell by another 3.5% with reductions across all sectors of the economy. It was the first time since 1931 that the GDP had fallen in two consecutive years.

A 10-day nationwide protest by Brazilian truckers in May 2018 had an adverse impact on the container glass industry. The strike, which brought the largest South American economy to a screeching halt, was by self-employed truck drivers. The protesters demanded a decrease of the price of diesel, exemption from certain tolls, as well as a legal and tax reform related to truck driving. Oil prices increased in Brazil after a 2016 policy change that made oil prices float with international prices. The nationwide paralysis of roads caused a shortage of food, beverages, medicines and oil across Brazil, with long queues of vehicles to petrol stations.

### O-I Brazil

O-I is the largest container glass producer in the country. The company initially entered the Brazilian market through a joint venture and subsequently expanded its presence through a mixture of organic growth and acquisitions. Today, the company operates four container glass plants, two tableware glass production plants and mining operations.

O-I Brazil's management said: "We started our operations in Brazil in 1917, with the creation of Companhia Industrial São Paulo and Rio - Cisper. In 2010, we acquired Companhia Industrial de Vidros (CIV), to strengthen our operations in the country. Today, we have 2,200 employees and four

Pic Source: O-I

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factories, located in the cities of São Paulo (SP), Rio de Janeiro (RJ), Recife (PE) and Vitória de Santo Antão (PE), as well as a central office in the city of São Paulo and a mining unit in Descalvado (SP).

“Currently, our Brazilian operation represents the largest share of O-I’s business in Latin America, responding for 50% of sales in the region, in which we have subsidiaries in Colombia, Ecuador, Peru and Argentina. Ambev, Campari, Coca-Cola, CRS Brands, Diageo, Grupo Petrópolis, Heineken, Heinz, Nestlé and Pernod are some of our customers.”

In March 2019, O-I resumed production at the Vitoria de Santo Antao plant, Pernambuco. Production at this plant was deactivated in March 2016 and since then only decoration exercise was carried out at this site. The investment has increased the site’s production capacity to 65,000 tons, equivalent to 300 million glass containers per year.

Commenting on the occasion, Rildo Lima, president of O-I South America, said, “The Vitória de Santo Antão unit adds to the other O-I plants and will be an important manufacturing hub for the north and northeast, as well as providing packaging to other regions.”

### Verallia

Verallia operates three container glass plants at Sao Paulo (Fabrica Da Agua Branca), Porto Ferreira (Fabrica Da Porto Ferreira) and Campo Bom (Fabrica Da Campo Bom). Located in the South Western part of the country, these three plants are equipped with four furnaces with an aggregate installed capacity to produce 730 million glass bottles for food and beverage industries.

Verallia Brasil is a major supplier to the beer, still and sparkling wines producers in the country. The company also supplies to the spirits segment – Cachaca, food and soft drinks market.

In 2013, the company also invested in its fourth container glass facility at Sergipe, which was acquired by rival container glass maker Vidroporto in January 2019.

In 2018, Verallia started construction of a new container glass plant in the municipality of Jacutinga. This container glass plant will replace the company’s Sao Paulo facility in the first half of 2019. Jacutinga lies in the state of Minas Gerais, about 200km away from Sao Paulo. This plant will have an installed capacity of 165,000 (452 TPD) tonnes of container glass.

### Vidroporto

Operating four furnaces at two manufacturing sites (including the latest acquisition of Verallia’s plant in Sergipe), Vidroporto is among the three largest container glass producers in the country with an installed capacity of 270,000 tonnes per year. Vidroporto’s manufacturing plant is located at Porto Ferreira in Sao Paulo.

In the company’s last major expansion in 2012,



Company	Technology suppliers
O-I	In-house
Vidroporto	X-Par Vision ( 2018), Zippe, Horn, Bacher Emhart Glass and MSK Verpackungssysteme 2013).
Verallia	Zippe, Lizmontogenes Thermal Technologies, Eime Maschinenfabrik Clasen GmbH, Shanghai Precision Dosing & Weighing System.
Ambev	Emhart, Heye International , Lizmontogenes Thermal Technologies, Tama, Pneumofore.

▲ Table 2. Technology suppliers to leading Brazilian container glass producers.

Vidroporto invested about €60 million for the construction of its third furnace. With an installed capacity to produce 510 million glass containers a year, this furnace commenced commercial production in the second half of 2014. This expansion took the company’s installed capacity to 210,000 tonnes per annum. In January 2019, Vidroporto acquired the container glass plant of Glass Industria Vidreira do Nordeste (IVN). Located at Estancia (Sergipe), this container glass plant was previously owned by Verallia in a joint venture with Brazilian company Ipiaram Empreendimentos e Participacoes. This container glass plant commenced commercial production in April 2016, but it was closed in 2017.

Construction of this plant was initiated by Verallia in 2013 to meet the glass bottle demand of breweries in the neighbouring states of Bahia and Pernambuco. The company also aimed to supply to Bahia’s wine industry and Alagoas’ coconut milk industry from this plant.

According to Edson Rosi, CEO of Vidroporto: “Production from this site will be 60,000 tonnes per year but could rise to 90,000 tonnes after future expansion. Acquiring the site would be a great opportunity to increase our market share in

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Pic source: O-I

the Brazilian container glass market. Before the decision to acquire this plant, we have analysed the container glass market and spoke to key customers. This acquisition means that Vidroporto is a player that believes in the Brazilian market and invest all the time to improve its participation in the market and improve its technology processes and service.”

The company expects to increase its share of the domestic container glass market to 25%, post this acquisition.

### Ambev

Brazil's largest beer producer is Ambev (the Latin American unit of Anheuser Busch InBev). It operates a container glassmaking plant in Rio-de-Janeiro. In addition to Brazil, Ambev distributes and sells beer and non-alcoholic beverages in other countries of South America, Central America and Canada. It holds more than a 50% share of the Brazilian beer market and about an 80% share in the Argentinean beer market.

Its glass production has operated since 2008 with an installed capacity of 350 tonnes per day of container bottles for its parent company's beer business. In 2018, it invested €30 million to install another furnace with an installed capacity of 350 tonnes per day, taking the overall installed capacity to 700 tonnes per day.

### Wheaton Brasil

Present in Brazil since 1952, Wheaton Brasil is one of the largest glass producers of speciality container glass in the country, supplying glass packaging to the perfume, cosmetic and pharmaceutical industries. The production of glass, the decoration and the making of moulds and equipment in its Sao Bernardo do Campo plant (Sao Paulo), enables the company to offer overall solutions to beauty

and cosmetic producers. The production plant extends to 86,000m<sup>2</sup>. Four continuously running glass furnaces feed the 24 production lines, which are designed for 2,100 units per minute, corresponding to a daily production of 300 tons of container glass products.

In 2018, Wheaton Brasil acquired the container glass business of the rival container glass producer Verescence (formerly SGD) for \$13.6 million. The units was located at Agua Branca in Sao Paulo. Post-acquisition, Verescence production equipments and all the machinery, including the bottle painting line and the Verescence moulds were transferred to the Wheaton plant in Sao Bernardo do Campo. The Verescence plant had been in operation since 1896 but was shuttered shortly after the acquisition.

### Vidraria Anchieta

Established in 1955, Vidraria Anchieta produces glass for perfume, cosmetics and food industries from its one furnace based plant in Sao Paulo. The company has an installed capacity of 85 tonnes per day of container glass products. Fragrances and cosmetics represent 75% of Anchieta's business, which also provides services to the food industry.

Its commercial manager, Luiz Marcelo Genzerico says: “Vidraria Anchieta has been focusing on new technologies to establish a new positioning in Brazil. We have realised we need to be more aggressive in the market for premium products, which has traditionally been served by Wheaton and Verescence.”

### Stevanato Group

Italian specialist pharmaceutical glass producer, Stevanato Group commenced commercial production from its new plant in late 2017. Located at Sete Lagoas (Minas Gerais) in Brazil, the production plant cost about €30 million. Located on a 40,000m<sup>2</sup> site, the plant has 15 last generation production lines (developed and produced by the group itself) for cartridges and ampoules production.

“The decision to realise a production plant in this country was taken after detailed market analysis. Brazil is the sixth most important pharmaceutical market in the world and it is expected that it will continue to grow with a double-digit growth,” said Marco Stevanato, Vice President of Stevanato Group.

“The expansion of this market in the future will be linked to a general improvement of socio-economic conditions and to an increase of public and private health expenditure. The construction of the new plant will allow us to strengthen the partnership with the pharmaceutical companies operating in Brazil that are already our customers but also to increase our presence providing our products to the new players that are now facing this market.” ■