

Sack Kraft Paper Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

Key Highlights

The sack kraft paper market is expected to register a CAGR of 4.04% over the forecast period. The main factor driving the market's expansion is the building and construction industry's significant growth. Other major drivers of the sack kraft paper market growth are strict regulations and bans on plastic use in numerous regions of the packaging industry and improvements in packaging and wrapping applications.

The growing awareness among environmentalists and governments about the hazards of using plastic is forcing them to focus on greener alternatives, favoring the adoption of sack kraft paper. Due to infrastructure projects, a steady rise in demand in the construction industry has increased the use of sack kraft paper. Also, increasing demand for eco-friendly and bio-degradable packaging material will promote growth. Additionally, according to the Bureau of International Recycling (BIR), around 420 million tonnes of paper and cardboard are produced yearly, with well over half of the raw material coming from recovered sources.

Further, accepting the demand for biodegradable packaging as an alternative to plastic will increase market growth. For instance, in Canada, Plastic is polluting rivers, lakes, and oceans, harming wildlife, and generating microplastics in the water. Every year, Canadians throw away 3 million tons of plastic waste, only 9% of which is recycled, meaning the vast majority of plastic ends up in landfills, and about 29,000 tons find their way into the natural environment, according to Borden Ladner Gervais.

Sacks filled with powdered materials, such as gypsum, cement, fine-grained sugar, clays, etc., which are necessary for high-quality papers, also exponentially aid market growth. The sack is also exposed to less strain during filling, leading to a lower sack breakage and increasing its adoption in the construction (cement) industry.

The increasing popularity of e-commerce and related developments have led to the premiumization of kraft packaging. It includes the demand for kraft material that can take high-quality graphics on short print runs. Companies like Mondi have kept up with such developments and developed new products targeting premium creative print and packaging applications, including shopping bags. Moreover, players initiated many innovations that have improved and accelerated the production of sack kraft paper and

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paper sacks and enhanced product protection along with real-time calculations and selection of paper grade. However, the emergence of alternatives, such as plastic materials and flexible intermediate bulk containers and bulk bags, and the rise in the prices of sack kraft paper may hinder the market's growth. After the onset of COVID-19, global demand declined sharply in the wake of closures of non-essential businesses and lockdowns in many parts of North America, Europe, and Asia which pushed the companies to take a series of measures to mitigate the financial impacts. It includes extensive production curtailment, reduced capital spending, and disciplined cost management initiatives. However, by mid-year, a return to more normalized operation, lean inventories, and increased demand helped the major player operating in the market mitigate the impact of the pandemic. The overall packaging ecosystem across the globe has been impacted owing to the Russia-Ukraine war.

Sack Kraft Paper Market Trends

Food is Estimated to Have Significant Share in the Market

The food sector is a large user of sack kraft paper among the many end-user verticals and is motivated by the additional need of the food industry. It is seen from the packaged food industry's transition to environmentally friendly packaging, which subsequently increased demand for sack kraft paper. For instance, according to the Bureau of Labor Statistics, a US household's average food at-home expenditure amounted to USD 5,259 in 2021.

Transporting food items like flour, sugar, starch, food additives, processed or dried fruit, eggs, or milk typically involves using sack kraft paper. All of these factors are increasing the demand for open-mouth bags. Youth's preference for quick-service eateries is also meeting sack kraft paper demand. The US Census Bureau reports that from USD 328.4 billion in 2020, the country's yearly quick-service restaurant sales increased to USD 389.5 billion in 2021. Sales growth will support the expansion of sack kraft paper. Furthermore, department stores and supermarket stores frequently use kraft paper bags. According to the US Census Bureau, supermarkets and other departmental and grocery stores achieved total sales of USD 765.98 billion in 2021, up from USD 741.57 billion in 2020. Chain supermarkets dominate the US food retail sector. Walmart and Kroger Company, which own and run several smaller supermarkets around the country, are two top American grocery companies.

Moreover, the consumer's preference, along with the green regulations from the FDA across the regions, also promotes sack kraft packaging in the food industry. The European paper sack and sack kraft paper industry have contributed many developments that make paper sacks the perfect packaging for food. According to Paper Shipping Sack Manufacturers' Association (PSSMA), paper shipping sacks and consumer bags used in the food industry have emerged into a billion-dollar industry with shipments of over three billion sacks annually.

Europe has Significant Share in the Market

The demand for sack kraft paper drives the region as a primary packaging format for transporting various products in bulk to lower the total packaging expenditure. Sack kraft paper is used mainly for large quantities of pet food packaging in the region and supports the growing demand for pet food.

Additionally, the UK region is marked by various major global key players offering sack kraft paper with production units. Companies like Mondi Group, operating throughout Europe with a significant presence and headquartered in the UK, offer brown, white, and PE-coated paper grades for sack kraft papers used in valve and open-mouth industrial bags. The market players in the region are also focusing on expanding their footprint in other areas. For instance, in April 2022, Mondi Paper Bags acquired the paper bag converting lines from National Bag and Egypt Sack, two subsidiaries of Lafarge Cement Egypt, a major cement producer in the country. The acquired production lines will increase Mondi's capacity by around 150-180 million bags annually and

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strengthen Mondi's position in the Egyptian paper bag market.

Also, according to the Confederation of Paper Industries (CPI), the UK region has 47 mills operating throughout England, Scotland, Wales, and Northern Ireland, which produce 4 million tons of paper, with exports of 1 million tons. Furthermore, the country has a consumption nearing 10 million tons, which results in heavy exports of the material.

Additionally, the European paper sack business will demonstrate its dedication to client demands in the food sector in the forecast timeframe. The regional merchants are driven to this platform by problems in the dairy and cocoa industries. Major global corporations are extensively investing in sack paper kraft R&D operations and setting up new warehouses to meet the rising demand for customized packaging solutions.

Moreover, regional companies are involved in capacity expansion to improve their business opportunity strategically. Mariinsky Pulp and Paper Mill, a prominent Russian supplier of sack paper, including other paper products, is investing in modernizing the existing refining process (two-stage, low-consistency). Segezha Group similarly invests in modernization and has increased sack kraft paper production to 450,000 tons annually by 2021.

Sack Kraft Paper Market Competitor Analysis

The sack kraft paper market is relatively fragmented, with a large volume of players, including Mondi, Nordic Paper, and Segezha, among others, which can cut out co-packers in the market. Further, the players' distribution channels and raw materials impact the regional market competition. Vertical integration, which means raw material suppliers acquired by converters/packaging companies, has been a trend for the past couple of years.

August 2022: French paper and sacks manufacturer Gascogne signed a syndicated loan contract worth EUR 126.8 million (USD 126.4 million) with a banking pool and an agreement worth EUR 50 million (USD 49.8 million) with the European Investment Bank (EIB) to finance its Capital Expenditure program for the 2022-2026 period.

The investment program mainly includes the installation of a new paper machine at the company's Mimizan mill in Southern France. Gascogne said that it entered into exclusive negotiations with a paper machine manufacturer to finalize the purchase agreement before the end of the year. The company intends to invest a total of EUR 300 million (USD 299.1 million) in 2022-2026. To finance the investment program, it has set up a financing plan which includes the investment loans mentioned above and a future increase in capital of at least EUR 10 million (USD 9.9 million), amongst others.

According to Gascogne, the installation of the paper machine, including the building and the technical environment, will cost EUR 220 million (USD 219.4 million). In addition, the reinforcement of the existing industrial assets will be pursued for EUR 80 million (USD 79.7 million).

Additional Benefits:

The market estimate (ME) sheet in Excel format
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