

Saudi Arabia Paper and Paperboard Packaging Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Saudi Arabia Paper and Paperboard Packaging Market is valued at USD 2,044.8 million in 2021 and is expected to reach USD 2,625.2 million by 2027, registering a CAGR of 4.31% over the forecast period of 2022-2027. The adoption of carton packaging in Saudi Arabia is experiencing growth owing to expanding e-commerce industry, driving the paper and paperboard packaging demand in the region.

Key Highlights

The market's growth is attributed to a rising focus on sustainability and an increasing ban on single-use plastic packaging over other packaging solutions. As a result, the increasing demand for customer-friendly packages and heightened product protection is expected to encourage paper and paperboard packaging as a viable and cost-effective solution in Saudi Arabia. Further, Saudi Arabia is one of the largest markets for the packaging industry in the Middle Eastern region. The country has a vast consumer base and a wide range of industrial activities (apart from the oil and gas sector), adding to the country's rapid growth in demand for paper and paperboard packaging. However, the growing reliance of manufacturers on other countries for raw materials and their fluctuating prices is likely to hamper the studied market growth.

The retail market in the country is witnessing significant growth, thus driving Retail ready packaging (RRP). According to the United States Department of Agriculture (USDA), Saudi packaged food retail sales in 2021 were more than USD 20 billion. In addition, the RRP has become one of the significant areas of change in retailing as retailers are constantly looking for ways of improving efficiency and on-shelf availability. While corrugated packaging had previously dominated the retail-ready packaging (RRP), the need for a reduction in the size may offer more significant opportunities to the folding carton packaging format, driving the market growth.

Moreover, the growing demand for milk-based products also augments the studied market growth as most of them are packaged in liquid beverage cartons in the KSA region. According to AHDB reports published in May 2021, Saudi Arabia is the largest Dairy

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consumption market in GCC, benching more than 62 dairy farms milking around 100,000 cows daily. Its major players, namely Almarai and Al Safi Danone, control more than 60% of the dairy market, while Nadec and Nada control nearly 25% of the market while the others must fight for a share of the remaining 10-15%.

The outbreak of COVID-19 infused the shutting down of most of the manufacturing plants due to lockdowns, resulting in the Saudi Arabian paper and paperboard packaging market witnessing a decline in growth during the initial months of the outbreak. The pandemic had also disrupted the global trade and supply chains of non-essential essential services and goods.

Saudi Arabia Paper & Paperboard Packaging Market Trends

Folding Cartons to Grow Significantly

With the focus of shifting toward eco-friendly and sustainability, folding carton demand has been increasing across various industries like food and beverage, healthcare, personal care, homecare, retail, and others in Saudi Arabia. Consumer consciousness of sustainable packaging preference, availability of raw material, lightweight, biodegradable, and recyclable nature of paper, and deforestation have driven the demand for this packaging type in the region.

The region has a high rate of packaged food and beverage consumption due to rapid urbanization and an increasing number of tourists who often prefer safer processed foods. Furthermore, with the rising number of single households requiring more takeaway and delivery food services, the market requirement in the foodservice sector has been reshaped, driving the growth of the studied market in the country.

Also, recycling demand will further push paper use as a packaging material, with consumers and businesses looking for solutions that help reduce cost reduction and keep the environment safe while keeping government regulations intact. In February 2021, a new initiative launched by packaging giant Tetra Pak was expected to raise awareness to understand the importance of recycling by collecting used folding carton packages and recycling them. Such initiatives pave the way for Saudi Arabia's community to better use recyclable materials such as cartons, thereby providing significant scope for growth.

Many software suppliers for the label and packaging in the region extend their MIS with a complete and scalable end-to-end option for converters in the folding carton. For instance, in September 2021, Cerm, a global software supplier for the label and packaging market, extended its MIS with a complete and scalable end-to-end option for converters in the folding carton and rigid boxes space in the region. According to the company, Cerm's MIS increases the productivity of packaging converters to focus on the technical packaging production process and the specific interfaces to partners within this branch of the printing industry.

Also, several regional cosmetic products are being packed in folding cartons. The rising consumer awareness toward eco-friendly and cost-effective options increased the demand for folding cartons for face creams, lipsticks, perfumes, deodorants, moisturizers, etc.

Food and Beverages Vertical to Hold the Major Share

Saudi Arabian consumers are increasingly becoming aware of choosing food and beverages, as their demand for new products is growing with a strong focus on health. Online shopping of foods, combined with the growing proliferation of food delivery services, is expected to drive the demand for sacks, kraft papers, folding cartons, and liquid cartons. According to the Saudi Arabian General Authority for Investment (SAGIA) forecasts, the spending on food services was expected to grow by 6% per annum by 2021.

In addition to this, the country's beverage industry is also growing fast. Liquid carton packaging deals with dairy products and other products, including juice and water. For instance, Al Rabie, one of the most prominent beverage vendors in the country, has about 97% of its cartons that come from Tetra Pak.

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As a result, the nation's need for corrugated packaging for food and drinks has soared. Flutes, or wavy layers of paper in the center of a board that provides strength, stiffness, and stackability, are available in corrugated boxes. The range of these flutes is from A to F. The C type is the most commonly used type of flute, as it provides superior crush resistance, printing surface, and compression qualities to protect objects such as glassware and food products. To satisfy these needs, Gulf Carton Factory offers corrugated boxes in sizes ranging from A to F and flute combinations, like BC and EB.?

Furthermore, the well known players from the food and beverage manufacturing industry are expanding their operations in the country. For instance, in December 2021, Danish dairy company Arla Foods, which owns brands such as Lurpak, Puck, Kraft and The Three Cows, invested more than SAR 64 million in new production lines in Saudi Arabia. This investment is expected to increase Arla Foods' production capacity in Saudi Arabia by 10%.

Along with the government, consumers are looking to opt for products from home-grown brands, and such companies are doing significantly well in the country. For instance, in April 2021, Almunajem Foods, one of the largest private food companies in the country, reported a successful 2020, and it maintained a positive outlook for 2021, despite the effects of the pandemic. The company serves over 22,000 customer outlets, including retail, food services, and wholesale.

Saudi Arabia Paper & Paperboard Packaging Market Competitor Analysis

The Saudi Arabia Paper and Paperboard Packaging Market is semi-consolidated with moderate competitive rivalry, which is expected to increase in the forecasted period. Significant players include Obeikan Investment Group, Gulf Carton Factory Company, and Eastern Pak Limited.

August 2022 - Jeddah-based Middle East Paper Co. plans to increase its capital to SAR 666 million (USD 177 million), a 33% hike from current capital, to support its financial position and growth plans. Further, the capital increase is subjected to obtaining the necessary regulatory approvals.

Additional Benefits:

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

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