PRODUCT REPORT

SIDF | SAUDI INDUSTRIAL DEVELOPMENT FUND

**PRODUCT REPORT – Duplex Carton**

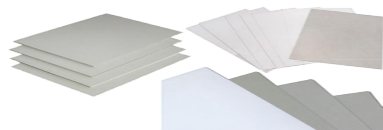
Khuzama Almagthawi

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1. **Product Information**
   1. **Definition**

Grey Back Duplex Board is a kind of Paperboard with one side Coated white and Smooth and the other side with grey color on the back. Duplex board is sold in either 'sheets' or 'rolls' as required by the customers. The duplex board is a blend of about 90% recycled paper and 10% Kraft pulp. Coated gray bottom whiteboard paper is widely used for tissue paper boxes, detergent cartons, biscuits cartons, dates cartons, spare parts cartons, frozen food cartons, pharmaceuticals, postcards, book covers, gift cartons, etc.

* 1. **Picture**



1. **Market Dynamics**

**2.1** **Historical Supply and Demand**

The following table shows the current installed capacities for local manufacturers of duplex cartons and their historical local demand:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Factory | Installed Capacity\* | 2021 | 2022 | 2023 | 2024 |
| Obeikan Paper Industries Co. | 220,000 | 95,518 | 117,128 | 88,316 | 102,617 |
| Total Sales | **220,000** | **95,518** | **117,128** | **88,316** | **102,617** |
| Growth Rate (%) | | | **23%** | **-25%** | **16%** |
| Export | | 51,580 | 63,249 | 47,691 | 55,413 |
| Growth Rate (%) | | | 23% | -25% | 16% |
| Imports | | 43,858 | 54,000 | 41,000 | 47,500 |
| Growth rate (%) | | | 23% | -24% | 16% |
| Historical Demand | | **87,796** | **107,879** | **81,625** | **94,704** |
| Growth rate (%) | | | **23%** | **-24%** | **16%** |

\*Based on 1 shift of 24 hours per 340 days.

The supply chain for raw material procurement and demand chain could not work properly as the lockdown was implemented across the globe. In general, the effect of the pandemic on this market was medium and has significantly improved by the end of 2021. In 2023, there was a drastic drop in sales. According to OPI representative, the drop was caused by quality issues, and the situation in the Egyptian market as their currency changed. Obeikan Paper Industries is the kingdom's sole Grey Back Duplex Board manufacturer. However, almost 50% of the local demand is fulfilled by imports while OPI exports 50% of its production. Nearly half of OPI production is exported to neighboring nations such as Egypt, Kuwait, the United Arab Emirates, and other MENA countries. Egypt received most of the export volumes (65%), followed by other MENA countries and Italy (5%).

Imports satisfy nearly half of local demand. The major exporting country to the Saudi market is India followed by China, Korea, and Europe. Europe however is currently experiencing a market shortage and most European manufacturers are focusing on filling that gap in their local markets making India the highest importer in Saudi.

**2.2 Future Demand/Balance**

Demand for greyback duplex boards is driven by the growth in the food and beverage industry, e-commerce, household care products, and personal care products. The food and beverage industry is likely to account for a significant portion of the market in the future. A variety of restaurant take-out packages and snack boxes are made of grey back duplex board. According to the Ministry of Investment of Saudi Arabia (MISA) forecasts, the spending on food service is expected to grow by 6% per annum over the next five years, with food consumption reaching SAR 221 billion by the end of 2021.

Globally, the paper packaging market is growing enormously due to the gradual ban on plastic packaging by several governments owing to environmental concerns. The increase in demand for biodegradable packaging across the globe has increased the demand for duplex paper, specifically grey back since it uses 90% wastepaper as a raw material. Accordingly, the following table shows the future supply and demand balance for the following years by ton:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Duplex Carton (Tons)** | **2025** | **2026** | **2027** | **2028** | **2029** |
| Supply | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 |
| Demand (4.7%) | 99,155 | 103,815 | 108,695 | 113,803 | 119,152 |
| **Balance** | **120,845** | **116,185** | **111,305** | **106,197** | **100,848** |
| Export | 55,468 | 55,524 | 55,579 | 55,635 | 55,691 |
| **Net Balance** | **65,377** | **60,661** | **55,726** | **50,562** | **45,157** |

As can be seen above, the market is expected to witness an oversupply situation in 2029 with a surplus that is predicted to reach 45,157 tons.

1. **Porter’s Five Forces**

Barrier to Entry

**HIGH**

There is a limited number of supplier and shortage of raw materials.

Competitive Rivalry

**HIGH**

The market is dominated by imports and one major local producer.

Supplier’s Bargaining Power

**HIGH**

The industry requires high capital investment and raw material are not readily available.

Buyer’s Bargaining Power

**MEDIUM**

Buyers have multiple options to purchase the product from different sellers.

**MEDIUM**

There are two major substitutes: plastic and virgin paper.

Threat of Substitutes

1. **Prices**

The scarcity of raw materials, shipping expenses, and the availability of imported items are the key factors that influence greyback duplex board pricing. A few paper mills around the world have been catching on fire lately, creating a shortage of duplex paper consequently increasing the prices of the end-product. The following table shows the selling price (SR/Ton):

|  |  |
| --- | --- |
| **Product** | **Market range** |
| Duplex Carton | 3,000 - 4,125 |

1. **Product/ Market Card**

* Virgin paper
* Plastic

Substitute Product

* Food and beverage sector.
* E-commerce.
* Personal and household products.
* Pharmaceuticals.
* Food and beverage sector.
* Personal care.
* There are two major substitutes: plastic and virgin paper.

Customer Segmentation

Power of Customer

Demand Drive

Product Market Card

1. **Success Factors**
   1. Sustainable supply chain.
   2. Quality.
   3. Competitive prices.