

COUNTRY STUDY

EGYPT's booming beverages container glass industry

With a population that currently exceeds 110 million people, EGYPT stands as the Middle East's most densely-inhabited nation. That demographic dynamism has played no small role in fostering the prosperity of its container glass industry. Here's why this issue of Glass Machinery Plants & Accessories provides a comprehensive overview of the country's thriving container glass industry for the beverages sector.

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EGYPT'S BEVERAGES LANDSCAPE

Egypt's beverage sector ranks among the region's swiftest advancing markets. Carbonated beverage sales, particularly within the younger demographic, have thrived. Indeed discerning consumers, increasingly attuned to brand identity and responsive to novel product launches targeting health-conscious trends, are reshaping the landscape. Notably, global giants like The Coca-Cola





Company and PepsiCo exert dominance through extensive marketing campaigns. Furthermore, Gulf-based enterprises are progressively engaging with Egypt's vibrant market. Noteworthy local contributors include Faragello and Juhayna Food Industries. Over recent years, fruit and vegetable juice consumption has witnessed robust growth. These premium beverages, although pricier than conventional carbonates and bottled water, are predicted to experience substantial per capita consumption growth. Such expansion, both in volume and value, stems from growing disposable incomes, essential for broader adoption of higher-priced beverages. The bottled water sector is also favourably positioned for growth. Rising incomes and heightened demand for potable water are augmenting production capacity and competition within the segment. The influx of investments from Gulf-based producers will likely further diversify the already fragmented potable water industry. Despite Egypt's predominantly Muslim population, nearly ten percent of its

inhabitants are non-Muslim. This significant minority, in conjunction with tourism sector recovery, anticipates robust growth in alcohol sales, albeit from a modest base. Conversely, the non-alcoholic beverage segment, especially that of soft drinks, is projected to outpace the growth of alcohol categories. Egypt's majority Muslim population will confine alcohol consumption growth. An ongoing resurgence in tourist arrivals may provide some uplift to alcohol spending, although inflation and conservative religious beliefs will

continue to restrict demand from the domestic population, with any growth originating from a minimal base.

Recent years have witnessed substantial investments in Egypt's beverage sector. For instance, France-based dairy producer Lactalis, which already maintains a subsidiary in Egypt, acquired the Greenland Group entirely, even if the transaction sum remains undisclosed. Founded in 1995, Greenland operates eight factories in Egypt, producing cheese, ghee, milk, juices and other fresh dairy products, with exports to 50 countries worldwide. PepsiCo Egypt declared investments exceeding USD 515M over the next four years while additionally earmarking over USD 16M for beverage sector production line enhancements to bolster operations in Egypt.

NAVIGATING ECONOMIC CHALLENGES

Egypt has grappled with a slew of economic hurdles in recent years. These encompass lower-than-anticipated GDP growth, currency devaluation and soaring inflation - rendering times especially challenging for the nation's economy.

In its June 2023 Global Economic Prospects Report, the World Bank adjusted Egypt's projected real gross





domestic product (GDP) for the current and forthcoming fiscal years. The figure was revised downward from 4.8 percent to four percent. Previously, the bank had estimated real GDP growth at 4.5 percent for FY 2022/2023 and 4.8 percent for FY 2023/2024. The revised outlook can be attributed to Egypt's sustained economic tribulations.

Rising costs, impediments in securing imported inputs and a deceleration in global demand have contributed to diminished eco-

nomie activity - all marked by a 6.0 percent contraction in industrial production (excluding oil) in the previous year. Responding to escalating inflation, dwindling reserves and diminishing net foreign assets, the central bank has more than doubled policy rates since the onset of 2022. The report further foresees persistent challenges stemming from elevated interest rates, currency devaluation, inflation, restricted foreign currency access and burgeoning production expenses.

A FLOURISHING CONTAINER GLASS INDUSTRY

The container glass industry in Egypt, led by four major producers, currently stands as one of the largest in the Middle East region. Despite the formidable economic challenges facing the nation, this industry boasts several compelling advantages. Egypt enjoys a competitive edge in terms of production costs, boasts a burgeoning and expanding labour force and benefits from a growing domestic market. Its strategic geographical location, nestled as a close neighbour to Europe, the Gulf and Africa, positions it as a pivotal export hub. The devalued exchange rate further enhances its competitive standing, a sentiment echoed by Nestlé's market director, who recently remarked on the unprecedented growth potential once Egypt emerges from its current crisis.

MIDDLE EAST GLASS MANUFACTURING COMPANY

Popularly known by its acronym MEG, Middle East Glass Manufacturing Company takes the lead as Egypt's preeminent container glass producer. Operating six furnaces and 17 production lines across three locations, namely Cairo, Sadat City and Mostorod, MEG boasts an impressive total daily capacity of 1,050 tons of container glass. Established in 1979 as the country's first privately owned glass manufacturer, with the primary goal of meeting local demand for carbonated soft drinks, MEG embarked on production in 1983, initially yielding 160 tons per day (TPD). A significant milestone was achieved in 2009 when the company doubled its installed capacity.

In 2014, MEG strategically acquired rival container glass producer Wadi Glass, fortifying its presence in the food and juice



segments and elevating its overall installed capacity to 670 tons per day. In 2016, MEG's acquisition of Misr Glass Manufacturing (MGM) further solidified its local market position, capturing a dominant share exceeding 60 percent. This acquisition not only expanded its influence but also marked an entrance into the pharmaceutical segment. With flexible production capabilities and the ability to serve local and select export markets, MEG became a prominent player in the MENA region's glass container landscape, with an overall installed capacity of 940 tons per day. In a significant expansion effort in 2018, MEG introduced a new furnace at its Sadat City-based container glass plant. This furnace, boasting an installed capacity of 110 tons per day, elevated the company's overall installed capacity to 1,050 tons per day.



KANDIL GLASS

Founded in 2005 as Kama Glass, Kandil Glass has rapidly gained prominence in the Egyptian glass industry. Commencing operations with a capacity of 60 tons per day, equivalent to producing 100 million glass containers annually, the company later introduced a second furnace. This addition increased its installed capacity to 360 tons per day.

Currently, Kandil Glass caters to the container glass requirements of leading multinationals such as Heinz, Schweppes and Americana, in addition to serving as a key supplier to local industry leaders like Faragalla, Best and El Masreein. The company has secured its position as the second-largest container glass producer in Egypt, boasting an installed capacity of 420 tons per day.

ARAB PHARMACEUTICAL GLASS

Arab Pharmaceutical Glass is currently emerging as one of Egypt's two major pharmaceutical container glass producers, serving

the needs of prominent pharmaceutical companies such as GSK, Novartis, Aventis Pharma, Arab Company for Pharmaceuticals and Medicinal Plants, EIPCO and numerous others. With the Egyptian Ministry of Health as a significant stakeholder, the company specializes in producing an extensive range of standard and customized container glass products, spanning categories like ovals, verals, vials and drops.

Situated in Suez, Arab Pharmaceutical Glass operates with three furnaces and six production lines, which affords it an installed capacity of 300 tons per day of container glass. The majority of the company's production comprises Type 3 glass in an amber hue. Arab Pharmaceutical Glass proudly showcases its commitment to state-of-the-art technology, exemplified by its electronically controlled batch house, glass melting furnaces, six automated production lines, electronically controlled state-of-the-art forming machines and precision inspec-

tion equipment. With an installed capacity enabling the production of 1.25 million glass containers daily, Arab Pharmaceutical Glass significantly contributes to meeting the domestic pharmaceutical industry's container glass demand.

NATIONAL COMPANY FOR GLASS & CRYSTAL

The National Company for Glass & Crystal S.A.E. specializes in the manufacturing and supply of diverse glass containers for the food and beverage industries. Moreover, the company extends its services to encompass designing, drawing documentation and packaging solutions for its customers. Established in 1984, its manufacturing facility is located at tenth of Ramadan city and operates as a subsidiary of Abu Dhabi Islamic Bank.

With an installed capacity of 150 tons per day of container glass, the National Company for Glass & Crystal adeptly meets the packaging needs of several food and beverage companies within Egypt. ■