

FEDERATION OF CORRUGATED BOX MFRS. OF INDIA

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STEEP AND CONTINUOUS RISE IN KRAFT PAPER PRICES

The Corrugated Box Industry has done yeoman service during the peak of the Covid pandemic by ensuring uninterrupted supply of Essentials and Pharmaceutical and sanitisers to the public by keeping the wheels of the Indian economy churning while uninterruptedly. Our industry has well-adjusted to the new normal in the Post Covid Scenario and offered wholehearted support to the Atmanirbhar Bharat initiative of the government.

Corrugated Box manufacturers are largely in the MSME sector with large numbers in the micro and small sector and have no leeway with either the paper Mills or the end users/ customers who are all much larger than Box plants. Although we are a valued partner in manufacturing and service sector, we have got sandwiched between the large paper mills on one hand and large consumers of Boxes on the other hand having no bargaining power with either. At a recent webinar conducted by IPPTA (Indian Pulp and Paper Technical Association), panellists from paper mills combined estimated Production capacity is working out to almost 14 Million Tons and whereas the Kraft consumption in India is between 7-8 Mi tons. Even adding Exports of Paper from India, a recent phenomenon, at about 1.5 Mi Tons the total will be just 9 Mi Tons or just 66% of the capacity.

However, the sudden spiralling increase in price of our major raw material “**Kraft Paper**” has caught us unaware. The quantum and frequent increases in prices of “**Kraft Paper**” is a FACT which has knocked the wind out of our sails and left the corrugated packaging industry tottering. The kraft paper prices have already risen by 30-35% and the rise continues unabated. Coupled with erratic and uncertain supply this has dealt a crippling blow to the industry.

The reason for such drastic frequent increases, as given out by paper mills is, that there is acute shortage of pulp due to poor collection of waste paper in Europe and USA traditionally the major source of waste paper (OCC) and the resultant increases in landed cost of Waste paper. The mills have not quantified the increases by providing the import data over a medium term. The import and export data is open to public and FCBM has sourced the import data of waste paper over last 4 years and the same does not show any fall in imports except during the lockdown period from May- July 2020 and inspite of that the imports are

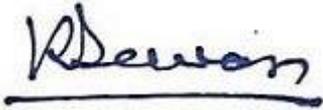
on way to exceed 2019 imports.

On Imported Waste Price front also, the prices are within the medium term band and have not gone over the same till Oct 2020. We the box manufacturers sell our wastepaper to mills directly or indirectly and the prices of Domestic waste too has increased only by Rs 2-3 per Kg. In light of the above the Box plants are left astounded as to why prices of Kraft paper are increasing so much so rapidly! Is it effect of market dynamics or a repeat of what happened in the past? While Kraft Paper forms bulk of the cost of Boxes, there have been steep increases in costs of Labour, Energy, costs, and transportation which have compounded the pain of Corrugated Box Industry leaving its survival in question. Since the start of the Pandemic managing the workforce has been a challenge with additional costs to manage the workforce as well as maintain the production standards with floating manpower. It is actually a marvel how members of FCBM are coping with the situation and ensuring timely supplies to their customers in these extremely critical times.

Industry experts believe this volatility is here to stay for the near future. Consumers are requested to keep the above facts in mind while determining prices for boxes with their individual suppliers. Corrugated Boxes though at bottom of Pyramid in supply chain are a vital input without which no product can reach the end consumer. Hence, FCBM Appeals to All the players in the supply chain to PLEASE HELP the Corrugated Box Manufacture survive so that Consumers get the essential products in time and Exports are maintained.

Thanking you.

Yours sincerely,
For F C B M of India



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