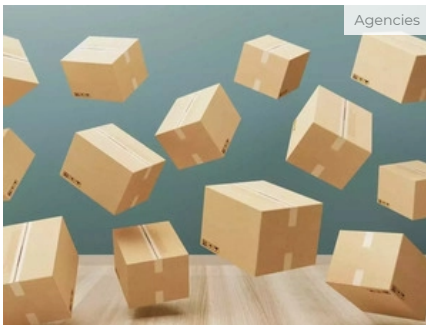


## Corrugated packaging industry in deep trouble as raw material prices shoot up

### Synopsis

The corrugated packaging industry has pointed out the reasons behind this surge in prices. Coal which is the main source of energy for paper mills has increased from Rs 5000 per tonne to Rs 15000 per tonne. This has increased the cost of production of paper mills by about Rs 3500- 4000 per tonne.



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**Corrugated packaging industry** has landed in deep trouble as prices of its principal raw material - **kraft paper** have started shooting up over the past few days. There has been a sharp price increase of Rs 5000 per tonne of kraft paper within a span of 10 days. The **mills** say that this is not the end and expect further increase in the coming days, said Federation of Corrugated Box Manufacturers of India (**FCBM**) in a release issued on Monday.

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With China facing a severe electricity shortage the demand for finished paper from India and other parts of the world has started to become stronger. This has created a sense of optimism in the Indian markets as it can fulfill the capacity available. Imported waste paper is touching all-time highs every day due to sustained self-consumption. There has been an almost seven-fold increase in global container freight charges and has only added fuel to the raging spike in imported waste paper prices.

The price of starch too has increased by about Rs 4000 per tonne in the last 30 days. Cost of straps have increased by 15-20% and stitching coil by 30-40%. Also due to diesel price increase all incoming and outgoing freight costs have increased.

The situation is so grim that the shortage of coal has created a scenario where mills who used to buy coal on 90 days of credit now need to pay in advance for it and along with higher local waste paper prices, which has completely disrupted their cash flows.

In turn, mills have cut all credit terms to corrugators creating a domino effect. With the increased cost of coal, starch, freight, labor, and other spares and consumables, the conversion cost of the corrugators has increased by Rs 1500-2000 per tonne.

On one hand members of FCBM having striven hard to improve the quality standards of corrugated packaging in India to meet the global supply chain demands, this spiraling increase in input costs will throw a spanner in the works.

In line with the global trend, India has also been witnessing widespread awareness of the effects of climate change and harmful aftereffects of single-use plastic products. The majority consumption of single-use plastic is in the unorganized retail sector, hotel & hospitality sector, and in agriculture/ horticulture sectors where the end-user/ farmer is not able to

take credit of GST charged on eco-friendly corrugated packaging.

The recent move of the Centre to increase the GST levied on corrugated boxes from 12% to 18% has irreversibly halted the gradual switchover from plastic to paper in the above-mentioned sectors. Governments need to incentivize the adoption of eco-friendly packaging and replacement of plastic by lowering the GST for these sectors, thereby providing an incentive for shifting mindsets towards paper-based packaging. The resultant impact on working capital requirements for our members predominantly in the MSME sector has been crippling. The additional 6%, as well as rising RM cost, are crippling the day-to-day working of corrugators. We request the government to take immediate steps to, if not reduce GST on corrugated packaging for these sectors at least roll back the increase affected earlier this month.

Industry experts believe this volatility is here to stay, the release added. FCBM has therefore appealed to all stakeholders including the government to take necessary steps to help this industry out of this crisis and enable its survival.