



## **PRESS NOTE ON PRICE AND AVAILABILITY OF KRAFT PAPER IN INDIA**

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1. India is facing an unprecedented second surge of Covid-19 cases, with a record number of Covid-19 cases being reported in various parts of India. The surging Covid-19 Pandemic has not only disrupted the supply chains of various Industries but has also unleashed its wrath by rendering hundreds unemployed. As per the data released by Centre for Monitoring Indian Economy (CMIE), there have been around 73.5 lakhs job losses in April 2021 alone.



2. Indian Kraft paper industry is fragmented across India and not even a single mill has more than 1% of market share, mostly all are into the MSME Sector and there are around 600 mills scattered across the country. Most of these units are located at some of the most backward and offer millions of jobs to rag pickers, sorters, loaders, unloaders, truckers, etc. These Kraft paper mills are real eco-friendly turning waste paper into a quality Kraft Paper. It's the paper waste recyclers who handle the waste

and produce good quality packaging paper and supply to the converters who make the boxes for the end consumers.

3. According to IPPTA (Indian Pulp and Paper Technical Association), IARPMA (Indian Agro and Recycled Paper Mills Association) & CPPRI (Central Pulp and Paper Research Institute) the Kraft Paper & Board production in India is around 15 million tons PA. It is essential to note that there is no shortage of Kraft Paper in India. The Trade Association for Corrugated Box Manufacturers i.e. Indian Corrugated Case Manufacturers Association (ICCMA) on various occasions have cited that the Corrugated Box Manufacturers consume about 7.5 million tons per year of Recycled Kraft Paper. Supply of Kraft Paper is not an issue, and it is available in plenty in India.



4. The supply of Kraft Paper is ensured for a diverse set of industries ranging from paper bag manufacturers, paper tubes (textile industry), paper containers (pharma and others), etc. Due to the surplus supply, the excess quantity is exported to around 52 countries including Middle East and ASEAN countries. Around \$ 2000 million FOREX have been earned through this export. The surplus production is exported to various countries to boost India's FOREX earnings and contribute to the 'MAKE IN INDIA' initiative of the Indian Government.
5. Amidst this, there are multiple reports in the media on calls for placing an export ban on Recycled Kraft Paper from India. The reason cited is less supply of Kraft Paper in India and increase in prices of Kraft Paper. Such reports have created misinformation and is contrary to the ground reality. Any such dangerous move might have implications on multiple Micro, Small & Medium Enterprises (MSMEs) and jeopardise hundreds of

jobs. The Paper recycling Industry is trying hard to maintain the present level of exports amidst these adversity. Any call for an export ban would have a disastrous impact on the Paper Recycler Industry, lead to job losses and reverse the years of efforts to boost export markets for India.



6. It is also alleged in various media reports that the price of Kraft Paper has been increasing. This paints only the half-truth. The pricing of Kraft Paper is totally market driven and is determined by various external factors. Since India is a fibre deficient country, the Kraft Paper Mills rely on imported waste paper for its raw material requirements. The Covid-19 induced lockdowns have not only resulted in lower collection of waste paper in India and abroad, but also high transportation & shipping costs have resulted in high input cost for the manufacture of Kraft Paper. But the prices of Kraft Paper have been increasing as well as decreasing as per the market dynamics. In the past couple of months, the prices of Kraft Paper have actually reduced. Though 'Kraft' in German means 'strong', however, the condition of Kraft Paper Manufacturers presently is lamentable.
7. The price of Kraft Paper, used in the packaging industry for manufacturing Corrugated Boxes, has decreased by Rs 7-8 per Kg on account of low demand for packaging material in Western India. The price depends on the BF or burst factor, which means the strength at which paper bursts at certain applied pressure, this is in accordance with BIS. The 18 BF Kraft Paper, which is the most common Kraft Paper, is quoting at Rs 30-31 per Kg in the first week of May 2021 instead of Rs 37-38 per Kg in end March 2021. A 20% drop has been observed in last 45/60 days. Demand for Packaging Material has been badly crumpled, Pharma packaging and other essential packaging

industries which are operating in this Covid 19 phase are resorting to exploitation, dragging the prices of Kraft Paper down by Rs 7 to 8 per kg. The State Governments have announced strict lockdown-like restrictions in various parts of the States. Purchasing power of end consumers has reduced exponentially due to the economic turmoil caused by Covid-19 pandemic. These factors have resulted in less consumption of fast-moving consumer goods (FMCG) and textiles, which is one of the main purchasers of Corrugated Boxes. Demand for corrugated boxes has not picked up over the last two months since products manufactured by fast-moving consumer goods (FMCG) companies are piling up the inventories, with movement being slack. Sales of refrigerators, air-conditioners, televisions and washing machines fell about 65% as per the estimates by the Consumer Electronics and Appliances Manufacturers Association (CEAMA). Even the electronics industry use corrugated boxes for packaging. Textiles have come to standstill. As a result, there is less demand for packaging materials like Corrugated Boxes. Consequently, there is less demand for Kraft Paper as well.

8. Kraft Paper mills are 24 hours running industry and all the paper made for corrugated box manufacturers are tailor made which depends on size, BF, thickness etc as required by the Corrugated Box Manufacturers. As no orders, other than pharma and essential packaging are being placed, the Kraft Paper mills have started closing down their operation. The few who are still operating might succumb to the bank EMI's, interest and other fixed overheads soon for no kraft paper manufacturers is making profit during this Covid-19 Pandemic.
9. The principal raw material for production of Kraft Paper is the wastepaper, which is primarily imported and only a small portion is domestically procured. The prices of domestic waste paper have fallen down as many waste paper mills are facing closure like situation in the absence of any orders or because workers have fled to their homes owing to the ongoing COVID-19 pandemic. Even the prices of imported waste paper have fallen from \$350 per tonne to \$ 275 per tonne in the last 2 months. Such imported waste paper booked earlier would be delivered after nearly 45-60 days. However, the benefit of the fall in prices of raw material cannot be capitalised by the Kraft Paper Recyclers as they have to honour the purchase agreement entered into with suppliers months ago when the prices of wastepaper were high. Moreover, during the Covid-19 pandemic, the Corrugated Box Manufacturers who supply packaging material to the

pharmaceutical and other essential commodity companies, have been able to arm twist Kraft Paper Mills in reducing the prices of Kraft Paper by Rs 7 to 8 per kg. This reduction is equivalent to approximately 20% reduction in prices of Kraft Paper. This double whammy has resulted in weakening the financial position of the Kraft Paper Mills, who still have to incur fixed operating costs and interest burden in the form of EMIs. Also it would become infeasible to repay the EMIs which might consequently lead to increase in Non-Performing Assets of the Banks.



10. Prices of Kraft Paper, like any other commodity, are determined by market forces of demand and supply. And due to the sufficient production capacities and surplus production, the Kraft Paper Manufacturers are still optimistic and have been able to ensure adequate supplies of Kraft Paper in the market in such critical times.
11. Even during the National Lockdown imposed last year, Kraft Paper Manufacturers not only ensured regular and uninterrupted Kraft Paper supply to Pharmaceutical Companies and other users, but also Kraft Paper Beds and Tables were donated to Indian Navy, Army, Brihanmumbai Municipal Corporation (BMC), etc. At the same time, these items were also exported to Middle Eastern Nations to contribute to India's "*Vaccine Maitri*" initiative.

We hope the Country and our Industry is able to tide over the Covid-19 pandemic.