

As paper makers hike prices, user industry feels crushed

Corrugated box manufacturers see financial woes in the coming days

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Prices of all types of paper in India have been increased since March 1, upsetting the user industry. Corrugated or brown box manufacturers, who use kraft paper mainly, say they are the worst affected in view of frequent price hikes.

From March 1, prices of coated and uncoated papers have been increased by \$20 (₹1,456) a tonne. The user industry has been told that prices would be raised further by \$20 each at least four more times this month.

The industry, mainly the corrugated manufacturers, is wor-

ried as the economy is just recovering from the pandemic impact.

Corrugated or brown boxes are used in packing anything from fast-moving consumer goods (FMCG), electronics, white goods, electrical products to e-commerce items. Manufacturers of the boxes are worried as the price of their main raw material, kraft paper, has already gone up by at least 70 per cent since January 2020.

Impact on consumers

This will likely result in consumers paying a tad more for buying anything from a branded garment to FMCG goods to white goods to products bought through e-commerce.

"The corrugated box industry is reeling under the twin blows of sharp cost increases in a short span of a few months and raw



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material supply disruptions. We are not even able to pass on 50 per cent of the total hike to our customers," said Sandeep Wadhwa, President, Indian Corrugated Case Manufacturing Association (ICCMA).

According to a veteran expert, the problem for corrugated box makers is that they are now having to pay higher labour charges, while the surge in steel

prices has resulted in costlier wires and pins used in the boxes.

Wadhwa said manpower costs, starch, freight and other overheads have increased 60-70 per cent over the last couple of years.

The corrugated box industry in the country comprises 350-odd automatic manufacturers and over 10,000 semi-auto-

matic units, primarily micro, small and medium enterprises. "One factor is the price rise. On the other hand, paper mills say they do not have the material," said Wadhwa.

In a letter to its customers, a leading paper manufacturer said that the firm was forced to raise prices after pulp prices increased 70-100 per cent in the last 3-4 months, coupled with 200-500 per cent increase in ocean freight charges globally.

"Accordingly, we have been increasing prices in a stepwise approach instead of steep steps like Asian players in multiples of \$100 (₹7,280)," the company said in its letter, a copy of which *BusinessLine* has seen.

The Chinese angle

According to the expert, pulp prices are currently ruling at \$640-650 (₹46,600-47,300) a tonne. The rates have gone up

from \$440 (₹32,000) in August last year.

Analysts predict prices could rise further, topping \$750 (₹54,600).

The problem has cropped up after China banned imports of wastes. China had been importing waste paper from across the world before the ban. The waste paper was recycled to manufacture paper.

In view of the ban on wastes, Chinese paper mills were unable to get the main raw material and they began to import kraft paper from India.

According to the ICCMA, exports of recycled pulp rolls by kraft mills is expected to touch about 2 million tonnes this year.

The ₹27,000-crore sector can also point out that the welfare of six lakh workforce with it was involved, while the industry was key to the Union Government's "Make in India" programme.