

A very Happy Diwali and a prosperous new year to you and your team.

Covid has been the biggest irritant of 2020 but the way things are going with recycled corrugated fibre it looks like it will even beat COVID-19 in destroying the corrugated industry in India.

We as a company have always believed in keeping our partners in business both the supplier and customer side well informed with everything that might affect them or be of some help. You would have found our updates to be a little before time but most of it has been absolutely spot on.

This time we are writing to you in quick succession as the situation is deteriorating faster than expected.

Along with the multiple reasons mentioned in my previous update the following are adding fuel to the fire.

1. The demand for Pulp reel paper from china is not slowing down and as the fibre is going out of the system from the Indian market it is creating a vacuum for the recycled fibre.
2. USA is entering the winter season and during this season the collection of recycled fibre will reduce drastically which will increase the shortage further.
3. The shortage of shipping containers is now snowballing into something unprecedented. The largest waste paper suppliers in the world in both Europe and USA have started cancelling old lower rate contracts due to very high price and unavailability of shipping containers to most Asian countries. As you know the import cycle is a 90-day cycle from date of order to date of receipt of waste and if this cycle is broken it will lead to severe shortage of fibre which will lead to shortage of paper in India.
4. World over the second wave of Covid -19 is hitting us and India is not spared. In pockets we are seeing a massive surge of cases not only in India but Europe and USA too. This is leading to regional lock downs which will further affect the generation of waste boxes and lead to further shortage of fibre. Post Diwali multiple states in India have announced lock downs and it seems we are heading to another round of large-scale lockdowns across India leading to poor collection and shortage of waste again.

Sir, This time the increase is not due to a demand supply shift but there is a structural change in the system. These prices are going to remain firm at least for the next 3-4 months. In fact they are going to continue to increase further. Today across the south mills have announced a further Rs 1000 increase across all grades taking the total increase to Rs 7000 PMT.

The biggest matter of concern is not going to be price any more, but the availability of paper. Our suggestion to you would be to keep your suppliers informed well in advance with proper forecasts as its going to become more and more difficult for the corrugator to source paper on time and you will find frequent disruptions in your supply chain especially if you do not have a vendor with a strong base and market reputation. Paper will only be available to the good paymaster if he is willing to pay the price the mill quotes.

We hope the above information will help you in planning for procurements and keeping your supply chain running smoothly. As always, we will keep you posted on any new developments in the market.

Warm regards.  
Manish Gupta