

In continuation to our regular updates on the Kraft paper trends we would like to not sound pessimistic but the situation seems to be grim.

From the month of July, we have been seeing a steady uptrend in the price of both local waste paper as well as Imported waste paper. In the last three months from August till date the price of paper has increased by a minimum of Rs 5000 PMT going up to Rs 6000 in some grades.

The International waste prices have also increased close to 70USD and availability has become even worse.

Some of the reasons for the price of paper to remain very strong in India are as follows.

1. The only large economy in the world which is doing well is China. Its GDP is expected to increase by 4.9% this year wherein rest of the large economies; their GDP's are contracting between 3-10%. Due to this the demand in China is phenomenal and they are the largest buyers of high quality of waste in the world. The DS OCC quality is literally sold out as China has gobbled up everything.
2. China has restrictions on the quality of waste it can import so they have now found a loop hole in the system and are importing Pulp reels from India. Basically, Indian mills need to supply lowest quality paper, with no required quality parameters and moisture up to 10% in full deckle. This allows the mill to produce the paper without the use of any chemicals, high productivity, zero trim loss and no rejections. Moreover, they get duty drawback from the government for the exports. India produces and consumes about 6 lac MT per month and in the month of September alone we have exported 1.2 Lac MT of pulp reels. This has added to the shortage of fibre in India as the paper is going outside. Due to this scenario most, Indian mills are running at full capacity and the demand for local and imported waste is driving the prices higher by the day.
3. International freight rates are soaring as most of the shipping lines are either directly or indirectly controlled by Chinese companies. Prices from Europe and US ports to China are very low and from Europe and US ports to most other locations including India are either very high or vessels are not available. This has added to the cost of imported waste.
4. Indian waste paper pricing is always pegged to the imported waste from Europe as the qualities are similar. The issue is that most of the large countries like France, Spain, Portugal, Italy, Netherlands, Germany and parts of UK have announced partial or complete lock downs due to increase in COVID cases. This has disrupted the collection of waste and consequently the export of waste from Europe has dwindled and prices have sky rocketed.
5. One 3000 MT per day or a one Million MT pa 100% recycled paper mill has started operations in Germany this year and is sucking up the waste paper in Europe leaving little for exports.
6. Internationally e-commerce demand is very high and consequently the requirement for KLB and fluting paper. The price of KLB has risen by 80USD in the last 45 days and mills are booked up to January.

This situation has created a completely lopsided sellers' market and we as corrugators are sandwiched between mills and the customers. Paper mills are in no mood to listen as for them it's a commodity and when and if demand falls, they will just woo the customers back with attractive prices but today they are adamant with their approach on pricing.

The trend is strong and even after the festive season tapers down after Diwali in India we don't see too much of a chance of a downward movement as most of the factors affecting the situation are international and that scenario doesn't seem like it will change in the next 3-4 months.

Looking at the above we request you to kindly reconsider our pricing as this is not a temporary problem and is here to stay for a while.

Regards.

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