

The financial year 21-22 has been tumultuous to the extent never seen before. A lot of people from all walks of life have benefited from this but most have had to face extreme hardships. We were going through a commodity super cycle where every commodity was only moving upward in terms of price. Most of the commodity prices had doubled in the last 18 months. In fact, by the end of March things were so bullish that most commodity manufacturers had started to believe that this ride is never-ending and it showed in their attitude. When would this peak, No one knew?

Then came the start of financial year 22-23 and all of a sudden out of the blue things took a U turn including the kraft paper market. From the second week of April till date, that is within 2 weeks the prices of Kraft paper has dropped by Rs 4000 PMT. This has been one of the steepest falls in the price of kraft paper ever. Why did this happen. What changed in the last 2 weeks that this happened? Well most of us are clueless.

If we try to analyse the situation, we find that there has been not much of a change in the demand / supply situation. The opening up of the ban of scraps from the EU to India dropped the price of Imported scrap by a mere 10 USD. Moreover, the imported paper from the EU would start arriving only by end of May or the first week of June. The container movement and availability has still not eased and has in fact gotten a little tight due to the lockdown in Shanghai. The price of imported coal is still very strong and local coal is not available to most industries as it is being prioritised to the thermal power plants as the requirement of power has drastically increased across India. There has been no government policy change to affect the markets like this, so why is this happening and what is going to happen in the immediate future.

The price of local waste paper has dropped drastically but imported waste still remains strong. Imported KLB is still very strong and availability is low. Imported virgin Pulp is still in short supply.

We feel that one of the main reasons for this knee jerk reaction from the mills is that in March looking at the bullish trend every corrugator over bought paper expecting further increases. With the temporary lull during the year end when there was a small dip in orders the sentiments changed and immediately all the buyers stopped buying completely. This led to a drought in the order position for the mills and that had a cascading effect.

Most corrugators will come into the buying trend by first or second week of May and then we need to see what happens. Will it just stop the drop or will it reverse the trend with prices starting to inch upwards.

We DON'T KNOW. That is the truth as it has become easier to read the stock market than the kraft paper market. When there is no logical reason for events to happen but just the rash behaviour of a few mills in certain regions that every other mill follows then analysis is a waste of time.

We can only say that we need to wait and watch the events that unfold in the next 2 weeks which might throw some light on the direction this trend is going to take.

Warm regards.

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