

Corrugated Box Manufacturers Face Closure

Corrugated Box Manufacturers Face Closure

Chennai, March 15, 2010: Sandwiched between the Kraft Paper Mills and the Large Consumers, the Corrugated Packaging Industry is at dismal state of affairs again. Industry's major raw material, Kraft Paper has been recently subjected to multiple prohibitive and unprecedented price increases, resulting in making the Corrugated Packaging dearer by almost 25% and the Paper Mills are planning for further hikes in coming weeks.

To aggravate the situation further, the prices of all other critical inputs of this industry have shot up substantially. The Starch Prices have more than doubled in the last one year. The price of Stitching wire has also gone up almost 40%, primarily due to hikes in the cost of steel. Cost of labour has also gone up substantially.

It would be pertinent to mention that Corrugated Packaging is required for safe transportation and distribution of almost all products of everyday use by a common man be it milk, fruits & vegetables, engineering goods, textiles, consumer durables or medicine. This Industry is based completely on the Recycled Fiber base and has been adequately servicing the packaging needs of the country by successfully substituting the Wooden Packaging and contributing to the environmental protection and ecological balance.

The Corrugated Packaging Industry is primarily operating in the small and medium sector and is now reeling under tremendous pressure due to increase in Kraft Paper Prices at one end and the other inputs, at the other end.

Mr Kirit Modi President, Indian Corrugated Case Manufacturers Association said, Modern and latest technology has recently been introduced in the country by upgrading the hitherto fragmented manufacturing process to fully automatic production lines which is the benchmark of the Packaging Industry all across the world. This segment of the Industry has come under a banner called the Indian Corrugated Case Manufacturers Association. ICCMA represent all such units who have recently invested substantial amounts to introduce this latest technology to the Indian market.

He added, There is a world wide shortage scenario of the fibers that go into making of Kraft Paper, due to the closure of pulp mills in Chile due to the recent earthquake. The severe winter and snow in the North Americas have also put a lot of pressure on the availability of waste paper which is the main input for the local Recycled Paper Mills in the Country.

The Paper Mills collectively implement price increases and enforce them with immediate effect, whereas the Corrugated Box suppliers have to go through the process of getting approval from their customers which take anything from 2 to 4 weeks. The price fluctuation is understandable but the way the Paper Industry implement the price increases, with immediate effect is a problem with the Corrugated Box Manufacturing Industry.

The spokespeople of ICCMA said that they wish to draw attention of the Government of India to cartelization policies being adopted by the Paper Industry which is fueling inflation. The Paper Mills are increasing the prices collectively, by the same quantum and on the same dates.

Mr. Harish Madan, Hony. Secretary, Indian Corrugated Case Manufacturers Association said, We have already submitted a memorandum on this subject to the Ministry of Commerce & Ministry of Finance, Government of India, requesting them to take serious note of this situation and initiate appropriate action.

The Corrugated Packaging Industry also appeals to the Government of India to allow import of Kraft Paper at NIL rate of customs duty to tide over the present crisis and also to give opportunity to this industry to upgrade the quality of their products to international standards, at affordable prices.

Unless the end-user Industry gives an immediate increase of at least 25% in the selling prices to compensate cumulative impact of the above hikes, the very survival of Corrugated Box units is at peril and their closure imminent.