TELMARK

Indian Paper Scenario – May 1998

After an upward revision of pulp prices in the first week of April 1998, the paper industry feels that there may not be much change in the long and medium term prices of pulp worldwide for the remaining part of the year. All the more so as both American and European pulp producers are reluctant to reduce prices despite a constant downward pressure. Industry observers also noted that paper manufacturers of these two regions are also not eager to press for further lowering of pulp prices as this may lead to a slide in paper prices. It may be noted that paper producers in Europe and America are currently enjoying higher margins due to softening pulp prices. Softwood pulp prices increased from US$ 475 a tonne in February 1998 to US$ 540 a tonne in April. Similarly hardwood pulp prices from the United States and Indonesia increased by US$ 30 per tonne. The ndustry sources said that pulp inventories in Canada, Norway, Sweden, Finland and the United States have declined by 98,000 tonnes to end with an overall inventory level of 60,100 tonnes in February 1998. This is unlike the previous year, when the average increase in inventories used to be 60,100 tonnes. Despite of this phenomenon, paper industry observes feel that pulp prices will remain stable as pulp consumption in some pockets of Asia, Europe and the United States has increased. They also added that there is a strong underlying demand of paper, a bit higher than the average, which will also stop the slide in the pulp prices.

The PHD Chamber of Commerce and Industry has demanded abolition of 5 per cent customs duty on the import of waste paper as this has adversely affected a large number of small and tiny units in the paper and paper board industry, in the country. In a Pre-Budget memorandum to the Finance Ministry, the chamber has pointed out that with the existing restrictions on the wood based raw material, the industries are forced to use waste paper as raw material and import around 3-4 lakh tonnes of waste paper at a cost of 4,500 million annually to meet its requirement. The Chamber has also sought upward revision of the customs duty on finished paper to at least 40 per cent in line with principles of WTO. The memorandum has pointed out that the drastic reduction in customs duty on finished paper from 65 per cent to 29 per cent in May 1995 has resulted in indiscriminate import of huge quantities during the last three years leading to a glut of foreign products which are outselling the indigenous goods. Besides, large scale import of newsprint and its diversion to the paper market has considerably injured the interests of domestic manufacturers leading to huge inventories and steep fall in the prices.

Non-wood fibres have a long history as a raw material for paper making. Hemp, ramie, cotton and rag fibres have been used for almost 2000 years, and wood only started to replace them when paper usage began accelerating about 200 years ago and textiles fibres out-priced themselves. In 1970, the total worldwide capacity for production of non-wood plant fibre pulp for paper making was only 76,22,000 tonnes of a total paper making pulp capacity of 11,35,32,000 tonnes. This amount represented only 6.7 per cent of the total. However, since that time there has been a dramatic increase in non-wood plant fibre pulping capacity. In 1993, total paper making pulp capacity based on utilising non-wood plant fibres is 10.6 per cent of the total.

China currently produces half of the world's non-wood pulp, while Europe, Latin America and North America are still relatively small players. Non-wood sources for pulping are rags, bagasse, hemp, esparto grass, rye grass ramie bamboo, flax wheat straw kenaf, reed, rice straw and cotton linters. There is a lot of potential to upgrade what is presently considered state-of-art technology in straw pulping. It is now known that the raw material must be as clean and as uniform as possible and that the residue should be used to generate energy. Bleached non-wood fibres are an excellent raw material for printing paper, and can also be used for tissue and board production. Since wheat straw or similar crops do not have an ideal fibre composition compared with wood fibres for paper-making, these fibres are still regarded as filler pulp. Other annual fibres are superior for yielding differing qualities.

An anti-dumping duty on newsprint imports from certain countries is unlikely to be of much help to indigenous producers, as the cost of landed paper from these countries has fallen sharply and at present, is almost near the reference price fixed by Indian producers two years ago. The sources in the paper industry told that in spite of newsprint manufactures pressing for imposition of this duty, the industry will not benefit much from it. The Canadian newsprint prices dropped sharply from US$ 700 per tonne to US$ 450 per tonne and prices of Russian newsprint dropped from US$ 575 per tonne to US$ 465 per tonne in the last one-and-a-half years. In the first week of April 1998, prices of imported newsprint remained more or less unchanged except for certain fluctuations. Prices of Canadian newsprint moved within US$ 535 to US$ 550 per tonne and that of Russian hovered around US$ 610 per tonne. Moreover, major Indian producers have also increased their ex-factory prices in January 1998 to take quick advantage of falling value of the Indian rupee against the American Dollar, witnessed during December 1997.

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