

Sustainability of paper industry-production, demand and growth

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Abstract:

Competition is a word associated in marketing. Paper industry in India is fragmented. At Present one thousand mills are operating at various scales. The mills are generally located near natural resources including forest cover and water. The industry is always capital intensive and extensive research is needed for effective return on scale of operation. The industry sees changes towards attracting availability of manpower. Southern mills cater to the demand of local, regional and northern India. At present, industry is seeing logistic problems both for sourcing and sales. This research paper attempts to study the marketing pattern, price and demand and strength of the industry. The industry needs comparison with other mills abroad.

Keywords: Paper Industry, fragmented, availability of manpower.

INTRODUCTION

Marketing Pattern in India

Small traders, stockists and other industries like packaging, publishing and match make indent for paper procurement in India with all levels of scale in India.

Market demand and Price – Indian Context

The domestic paper sector saw marginal increase in demand in 2016-2017 from Education and Corporate sectors. There was marginal increase in the revenue growth. The above sectors contribute to demand hike. (IRR-2016).

Price escalation in Indian mills is attributed to raw material import especially in coated and uncoated paper segments. Price competitiveness is due to lesser average wood procurement cost. Farm forestry and wood production also help in wood availability. Substituting Indian pulp for import pulp will definitely help in cost measures.

Growth in literacy and print media contribute to long term demand for the industry. Factors further attribute for demand growth are government higher spending. Growth @ 6-9% p.a. is estimated at the present level.

As per 2016 statistics, per capita consumption was 11 Kg. which is lower than world average of 58 Kg. still, there is scope for per-capita consumption of paper in India.

Advanced economies experience higher demand growth. (Annual Report, SPB Ltd., 2016). Paper demand in India is different from such other countries.

REVIEW OF LITERATURE:

PAPER AND MINI PLANTS

Paper is cellulose fabric and is made from bamboo, waste paper, cotton rays and jute stalks. Mini and big paper plants operate in India. Newsprint, coated, uncoated wood free papers tissue papers and paper and paper boards for packaging uses are the different categories that come under its manufacturing. New paper products are developed based on market demand only. New varieties are laid envelope, colour printing, Band roll paper and Perchment papers. Paper is a derived demand category and it is biodegradable and the industry needs to be competitive at the present as well as in future. (Annual Report, SPB Ltd 2019).

Mini paper plants in India get concessions and government support ensures better productivity and profitability due to efficient economy of scale. Perhaps, overheads are comparatively at lower level. (Annual Report, SPB Ltd, 2019).

PAPER INDUSTRY SUSTAINABILITY

The industry survives on the existence of packaging and publishing industries and enjoys a good reputation globally. Production face challenges too and sourcing from abroad and local areas is a challenge. Production comparison with neighboring and advanced countries is also a challenge for the industry at present. (Annual Report, SPB Ltd 2019).

PAPER SEGMENT - INDIA AND OVERSEAS

Cigarettes, Match and Bidi, Corrugating, Laminating, Government departments, Printing press, Note-books and Book publishers are the potential indentors for paper purchase. Export market potential is there but depends on the quality production in India. Africa exports, East Asia exports are potential to tap. Demand for exports in India earn foreign exchange. Export sales price sometimes not remunerative and units can enjoy special export status. This will be achieved required foreign currencies earning. Export performance varies among units in India. Southern mills concentrate in Southern India, also for marketing the paper apart from western region sales within India. (Annual Report, SPB Ltd 2019).

MARKET DEMAND AND PRICE – INDIAN CONTEXT

The domestic paper sector saw marginal increase in demand in 2016-2017 from Education and Corporate sectors. There was marginal increase in the revenue growth. The above sectors contribute to demand hike. (IRR-2016).

Advanced economies experience higher demand growth of Paper. (Annual Report, SPB Ltd., 2016). Paper demand in India is different from such other countries as the industry nature and demand pattern is unique. (SPB Ltd - 2016).

PAPER, GLOBAL SCENE (PRODUCTION)

North America

North East Europe

North West Russia

East Asia

Europe – European forest cover to 44,160 km through sustainable forest cover SWISS – for every 3 trees felling, 2 are planted

US Leads in production

The first mechanized paper machine installed at Frogmore paper mill, Apsley, Hertfordshire in 1803, followed by another in 1804, UK production, Leading countries.

Countries Production (2011)

China	1
United States of America	2
Japan	3
Germany	4
Canada	5

Source : Pulp and paper industry – Wikipedia

The above table reveals global production scene.

OBJECTIVES:

- 1) To Study the present industrial position in paper industry.
- 2) To identify strength and opportunities in the industry and to offer suggestion.
- 3) To suggest improvement of the industry.

METHODOLOGY:

Secondary data from various companies annual report, report from Indian Ratings and research consultancy, IPP Association from Saharapur, UP from 20.06.2019 are taken an aspects like global production, market segments demand and price.

Discussion with technical team of SPB Ltd Erode, helps the researcher to quantify information.

ANALYSIS

PAPER, GLOBAL SCENE (PRODUCTION)

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Manufacturing in India

States in south India have challenges in procuring wood and coal and the cost escalation of wood is a serious issue. The profitability of a unit depends on wood category (procurement). The units at times have to go for alternative sourcing especially from overseas market in wood logs / chips. For example, southern units could procure from south eastern countries for logs / chips. This is from logistic point of view. South china sea and Mallacca strait are the available water way logistic routes for southern mills. Such procurement could pave way for competitiveness. Sourcing of raw material is also an issue in term of procurement cost. One hundred years back in 1880s, wood procurement was done through Bay of Bengal, logistical route to Tamilnadu. In fact wood procured through floatation from Burma. This is a classical example of construction of palatial houses at chettinad at competitive cost, especially through procurement at places like Thondi in Tamilnadu.

Table1: Indian Paper Industries Manufacturing Statistics:

Production	Installed Capacity	Global Position	Forecasted Production
12.20 MT By 750	13.00 MT	11	22.MT in

Mills			24-25
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Source: Annual Report of Companies 2019

The Above table reveals that Indian position in global arena. The forecasted production is 22.00 MT in 2024-25. Thus majority of the mills in India achieve fifty per cent capacity in 2019 in relation to its forecasted production.

Table 2: China paper industry

China – Annual production 100 M/T.

Maximum import – Recycled paper, not treated in mills.

Fibre source – Unsustained

Paper Demand – Falls over years – Reason – Digital media shift

Production is picking up in India. Demand pattern is positive in India through procurement and packaging, publishing industry orders, including agents and small traders.

Source : (CEPH) China Environment Paper Net Work – 2016

China's Production capacity is higher than India. There is gradual decrease in demand for papers in china due to digital and segment in India and Overseas.

Table 3: Global Paper Industry – 2016 – 2018

No	Descriptions	M/T/ BN
1.	Consumption	502
2.	Europe, North America Consumption	301
3.	Recycling of Paper	300
4.	Global Demand	582
5.	Annual Revenue	500 BN

Source: Povry Management Consulting 2018.

The above tables reveals the global paper industry scene 2018 on annual basis.

The above table explains that annual revenue is US \$ 500 bn for global paper industry for the two successive years from 2016-2018. There is gap between consumption of paper and global demand. Recycling of paper assumes fifty percentage share in total consumption. This is due to lack of technology in paper recycling. Western countries have fifty percent in consuming paper. Western countries especially USA, Japan and North Europe have technological advances in recycling the waste paper. Though Indian share of paper consumption is better the recycling waste paper needs technological upgradation.

Table 4: India's Paper Production

No	Year	Production
1.	2014-2015	12.20 M/T
2.	2015-2016	Above 12.20 (M/T)
3.	Installed Capacity	13.00 M/T
4.	2016-2019	20 M/T

Source: Povry Management Consulting 2018- 2019.

The above table reveals India's paper production capability from 2014-2018. Installed capacity in India is indicator of paper sustainability. Production of paper sees increase by 7.80 M/T. The Indian paper mills can achieve better production in future.

Table 5: SWOT (For Indian Paper Industry) Financial year 2018-2020.

Strength

Ranks 11th largest producer

Percapita consumption lower, giving scope for future demand

Based on market demand, new products development viz., laid envelope, colour printing, and band roll paper.

Weakness

Inventory building

Opportunity

Increase in domestic paper market

Increase in exports

Increase in education / literacy

Increase in quality technical manpower

Increase in R & D, Innovation

Increase in sustainable RM base

Threat

Reduction in virgin fibre

Reduction in collection of used paper

Increase in import dependence particularly pulp

Absence of policy measures for raw material base through industrial plantations and closures of mills due to environmental regulations

Lack of global competitiveness in cost / quality trade agreements
Source : Annual report SPB Ltd., Erode – 2017-2020

This reveals that strength Indian Paper industry assumes greater strength passing way for larger demand. Cost of Manufacturing is threat for the industry. Inventory building is the indication of lack of marketing efforts. Marketing strategies will help in realizing proceeds of paper sales in future.

RESEARCH FINDINGS

- There is gap between consumption of paper in India and its global demand by fifty percentage shortage.
- Recycling of paper is little in Indian industry. Procurement cost is high on quality waste paper. The technology at present needs quality in waste paper. The technology at present is far short of expectation in recycling paper. There is need in infrastructure in recycling waste paper.
- Western countries consumption is high due to reasons of use of paper in allied industries. The Demand by paper by small traders saw

reduction in 2017, 2018 onwards due to GST compliance and difficulties.

- There is potential for paper exports in overseas markets.

SUGGESTIONS

- The Indian industry needs to increase virgin fibre. Used paper consumption can increase cost efficiency in the long run.
- Impost of pulp can be reduced in the long run maintaining price competitiveness.
- The trade agreements will help realize export sale proceeds of paper in future. The Govt. can initiate trade deals with neighbouring and East Asian countries.
- Mills especially mini mills can adopt market strategies for sale of paper in India as they already avail concessions from Govt. The small traders get difficulties in procuring the stock in India. Some of the marketing practices of western mills like Maharashtra and Gujarat can be emulated by South Indian paper mills.
- Logistics is the problem for the mills in South India. Many of the mills procure wood from Andhra and Maharashtra. The transportation cost is high. The mills can consolidate their purchase of wood especially mills of Southern India.
- The opportunities are plenty for the mills in India, especially in R & D and Raw material sustainability. Mills can coordinate research with Research Laboratories and forest departments in South India.

CONCLUSION

Paper industry is capital intensive and yields insufficient yield. The industry needs robust raw material base. Fiscal incentives are needed from Government for assimilation of eco friendly technologies quality improvement, cost

rationalization and capital additions are possible by efficient scale units in India.

Technology and Innovation will definitely be the order of the day. The mills can emulate western industrial practices in sustaining quality production. Make in India initiatives, paper policy programmes and export market potentials will be the future requirements for the Indian industry to be competitive. Technology absorption will be source of strength in future. Global paper and forest products organizations will see fair income in the future. GDP can grow up to 8% in future. Domestic sector demand is expected to grow from 2019 onwards. Improved pulp production and market conditions are the main factors for profitability in domestic market. Better export realisation is possible by depreciation of rupee against dollar, chemical cost, imported coal and pulp cost need better cost control in future.

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