

NEWSLETTER

India should address low cost imports and raw material shortage in paper industry

India is a fast growing market for paper and paper industry as the country's demand for paper is set to grow 6-7% annually. India produces paper and paperboards used as writing and printing materials, packaging materials, tissue papers and other consumer and industrial goods. The country's paper and paper product industry has many small and medium sized paper mills, that provide direct employment to at least 500,000 people and indirect employment to 1.5 million people.

The industry is facing two major challenges, one of which is competition from cheap imports and the other is shortage of raw materials. The industry is said to be facing competition from cheap imports from China, South Korea and ASEAN countries, which threaten the viability of local units. Media reports suggest that out of 861 paper mills in the country, only 497 are operational, as domestic production became unviable because of sub-optimal capacity utilization (source: Central Pulp & Paper Research Institute). The domestic market size of the industry is estimated at 18.6 million tonne, of which imports accounted for more than 15% as of 2018-19. Rising imports may threaten the business of not only paper mills, but also the cultivators of wood, bamboo, natural fibres and other raw materials used in this industry.

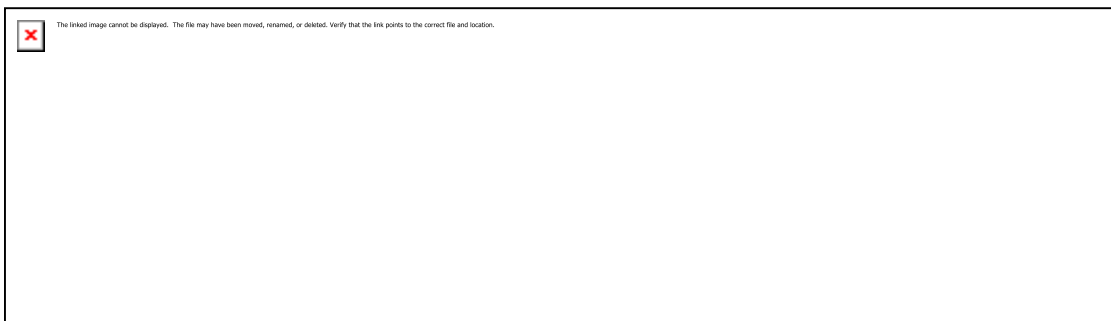
Exports

Exports offer huge untapped opportunity for Indian paper mills. The world export market for paper and paper products is pegged at USD 170 billion and major exporters are China, Germany, USA, Sweden, Finland, Canada and Italy that together account for 50% of world exports. India's share in world exports is hardly 1.2%, although it has grown from 0.7% in 2015.

With appropriate policy support to the industry, India should strengthen the progress made in export of paper and paperboards in recent years. The country's trade deficit in the paper and paperboard product category has more than halved from USD 1.5 billion in 2011-12 to USD 760 million in 2019-20 because of sharp growth in exports. Exports of paper and paperboard products doubled from USD 906 million to USD 1.8 billion during this period. Top 20 items in this category have contributed significantly to this growth in exports.

Major Items of Export

Major items include decorative laminates, fluting paper, multiply paper & paperboard, exercise books, wallpaper and wall coverings, boxes of non-corrugated paper, craft paper & paper board, litho and offset paper. Export of these 20 items grew more than two fold to USD 1.3 billion and our trade surplus in these 20 items more than doubled to USD 677 million, despite increase in imports. The following table provides India's import and export of these 20 items.



India's major export markets for paper and paper products are UAE, USA, China, Sri Lanka, Iran and Nepal, while major sources of import are China, Russia, USA, South Korea, Indonesia, Canada, Germany, Japan and Finland among others.

Trade support institutions should guide local paper mills in identifying target markets for export of their products. Also, government should take steps to address shortage of raw material, which is a major challenge faced by the industry. Paper and paperboard manufacturers use bamboo, wood and recycled natural fibres as raw material. Around 58% of paper products is manufactured using recycled fibre or waste paper, while 25% is manufactured through wood and the remaining 17% through agro residues such as wheat straw and bagasse. The state and central governments, along with the concerned industry associations should work together to address the shortage of raw materials faced by the industry. A concerted action can help Indian industry enhance its already growing exports of paper and paper products.

Notifications

PIB

- [Meeting of SCO Ministers handling economy and foreign trade](#)
- [India-UAE to work closely on defence goods industry](#)
- [10th Round of UK-India Ministerial Dialogue](#)
- [Policy Framework Initiative to Transform Infrastructure Sector](#)

- Submission of data to RoDTEP Committee

CBIC

- Concessional customs duty rate on potato imports
- Extension of concessional customs duty on Lentils

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