

Lean season to stabilise rubber prices

Indian tyre makers expect higher consumption than projected; China may start stocking up soon

SANGEETHA G

WHILE the downsizing of annual global production by The Association of Natural Rubber Producing Countries (ANRPC) may support international rubber prices, increase of productivity during the lean season may check a bull run in domestic prices.

Seasonal changes no longer hold key to price movements in natural rubber because heavy or intermittent rains all through the past year have been blurring seasonal difference in production.

During the so-called peak season, prices have been moving up to all-time high levels and now, when it is going through the lean season, rubber prices are in a mood to stabilise.

Against expectations, rubber prices have been softening after touching Rs 243 per kg in the first week of April. RSS-4 prices moved down to a low of Rs 215 due to the bearish trend in commodities in general and crude oil in particular.

"Domestic production too was higher this time as the rubber growing areas in Kerala have been receiving rains even in the summer. In April, the production was higher by 6.2 per cent, compared with the same month last year and in March too, it was 7.4 per cent higher," said Binoi Kurien, director, marketing, Rubber Board.

However, in the last week of May, rubber prices rebounded and are now at Rs 225 – Rs 230 levels. Floods in Thailand had raised anxiety about supply disruption from the country. In addition, China too announced that its stock levels were unprecedentedly low and that it sought to replenish its depleted stocks. The strengthening in To-com (Tokyo Commodity Exchange) prices is reflected in the



STEADY OUTPUT: Seasonal changes no longer affect prices in natural rubber as heavy or intermittent rains last year blurred seasonal differences in production. Domestic production was higher as Kerala received rains even in summer

domestic market.

Meanwhile, early monsoon showers in Kerala too had raised concerns over tapping disruptions.

As per Rubber Board data, natural rubber production for the year 2010-11 was up by 3.6 per cent to 861,950 tonnes. Consumption too grew by 2 per cent to 949,205 tonnes. As for 2011-12, the board projects 4.6 per cent growth in production to 902,000 tonnes and 2.9 per cent growth in consumption to 977,000 tonnes. The production deficit would be 75,000 tonnes.

However, Automotive Tyre Ma-

COMMODITY CORNER

nufacturers' Association (ATMA), finds that the actual consumption would be higher than the board's projection and the deficit would be as high as 150,000 tonnes for the year 2011-12.

"The board goes by historical data. It does not take into account the new plants that would start functioning this year as well as the proposed scaling up in pro-

duction by the existing companies," said Rajiv Budhiraja, director-general, ATMA.

At the global level, ANRPC has downsized its production forecast from 10.02 million tonnes to 9.93 million tonnes due to output revisions in Indonesia and the Philippines. Indonesia now expects a production of 2.891 million tonnes in 2011, down from 2.972 million tonnes projected a month ago. The Philippines too has downscaled the projection to 107,000 tonnes, from 114,000 tonnes.

Despite the projection revision, industry insiders do not anticipate

an irrational jump in prices over the coming months.

"As per industry information, tyre manufacturers have placed orders for import of around 25,000 tonnes of block rubber and this is expected to be shipped into the country by June-July. This would lower the demand for domestic rubber. The orders were placed when the international price of block rubber was about Rs 25 lower than the domestic price," said Kurien. This year, the not-too-high automobile sales also indicate lower tyre consumption over the coming months.

"Weather conditions in Thailand are reported to be back to normal. In India, the monsoon too is expected to be normal. Unless there are erratic climatic changes, supply, which has been on the rising side ever since December, would not be disrupted. Taking into account lower auto sales, demand is not likely to push prices above Rs 240 levels over the coming months," said Anand James, chief analyst, Geojit Comtrade.

Meanwhile, leading tyre manufacturers are exploring possibilities to grow rubber in countries such as Ethiopia, Ghana, Ivory Coast and parts of south America as part of their efforts to improve the supply situation in the long term.

"Apart from Kerala, the north-east region has been identified as suitable for rubber production. But the tracts meant for plantations in this region are small and the country too does not have a definite policy in this regard. Most of the big manufacturers are looking at African and South American countries. But the yield from these new plantations could be expected only in a 10-year horizon," said Budhiraja. ■