

Rubber prices could rise from Feb on lower supply

Sluggish demand, lack of speculation seen limiting gains

M.R. Subramani
Chennai, Jan. 10

The sentiment in the natural rubber market could improve from February on lower supply but the gain could be limited by sluggish demand and lack of support from speculators, according to the Association of Natural Rubber Producing Countries (ANRPC).

The association's Natural Rubber Trends & Statistics for December said that the current state of the global economy and an unfavourable demand outlook are likely to keep speculative investors away from the commodities market. It would result in the rubber market not receiving any speculator support to perk up the price.

The ANRPC's senior economist, Mr Jom Jacob, said that the gravity of the current global economic situation, particularly the situation in many

advanced economies, points to the fact that putting the economy back to the recovery path may take a much longer time than what was anticipated a year ago. "To be more specific, there is little possibility for the global economy to return to a recovery path by first quarter of 2012. Under such an unfavourable global economic condition, rubber demand is likely to stay sluggish during the first quarter of 2012," he said.

HUGE STOCKS

With China holding huge inventories, the possibility is remote for Chinese buyers to go for large volume purchases before the country enters a week-long lunar new-year holidays starting next week.

In India, rubber demand dropped 1.2 per cent against a 4.3 per cent growth in 2010.

Growth in truck and bus tyres, that consumer most of



the rubber produced in the country, registered 0.01 per cent growth while passenger car tyres demand was up three per cent. In October, truck and bus tyre production dropped 13 per cent, while passenger car tyres output slipped 18 per cent, the association pointed out.

'Wintering' or the leaf-falling lower supply season will begin during February-March with slight variation across countries. In Thailand, the top producer, wintering is scheduled to begin in March and therefore, supplies are likely to be normal in January and

February. In Malaysia, wintering begins in mid-February and in India, it will later this month. This could lead to some positive sentiment since production could drop from 9.45 lakh tonnes in January to 7.67 lakh tonnes in February.

WEAK DEMAND

"Weak demand will continue to keep the market dormant," the association said.

On supply dynamics, it said production this year could increase to 10.42 million tonnes from 10.1 million tonnes last year, a growth of 3.1 per cent. But it will be lower than the 6.4 per cent growth seen last year.

Indian production is expected to rise four per cent to 9.30 lakh tonnes against 8.94 lakh tonnes last year. Production growth last year was, however, higher at 5.1 per cent.

Exports by ANRPC members are expected to grow 2.3

per cent at 7.83 million tonnes against 7.66 million tonnes (2.4 per cent growth) last year. Exports from India are projected to drop nearly 10 per cent to 40 lakh tonnes against 44 lakh tonnes shipped out last year when shipments doubled.

Rubber imports in the country could drop to 75,000 tonnes from 1.45 lakh tonnes last year. In 2009, imports totalled 1.97 lakh tonnes.

Closing stocks as of December 31 were 3.55 lakh tonnes against 3.34 lakh tonnes at the start of the year. The stocks will meet production requirements for nearly five months.

The ANRPC said that 24,000 hectares could be brought under rubber cultivation this year against 25,000 hectares last year. Replanting, on the other hand, is likely to be done on 15,000 hectares against 10,000 hectares.

mrsbramani@thehindu.co.in