

# Lower output growth in rubber may offset bearish trend

## Lean tapping season in India likely to cap falling prices

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Growth in natural rubber production is likely to be lower at 1.5 per cent this year against last year's 8.6 per cent. This slow growth may offset possible negative sentiments arising from slack demand, according to the Association of Natural Rubber Producing Countries (ANRPC).

In its natural rubber trends and statistics for May, the association said that production this year is likely to be 10.47 million tonnes (mt) against 10.32 mt last year.

China and Vietnam will be the major contributors to production growth. Production in China is likely to increase by 6.6 per cent, while in Vietnam it is seen rising about 6 per cent.

Production in India may grow 2.9 per cent to 9.19 lakh tonnes against 8.93 lakh

tonnes last year. In 2011, production grew 4.9 per cent. In China, production increased 5.8 per cent last year and in Vietnam, the growth was 8 per cent.

### LOW DEMAND

According to ANRPC, the current phase of economic downtrend across the world, barring Japan, suggested a slow pace of demand in natural rubber this year.

Imports by China are likely to decline going by its manufacturing data. Rubber offtake from bonded warehouses in Qingdao dropped in May.

The economic situation in India could be another dampener with the economy posting its worst growth in 13 years, said the association.

But there are other checks and balances that could prevent a glut in natural rubber supply, including slow



growth in production.

India is seen as a major player that could cap any steep fall in rubber prices. One, it is entering a lean supply season on account of the South-West monsoon that set in on Tuesday over Kerala. From June to August, the av-

### Supply-demand situation\*

(in '000 tonnes)

Opening stock	1,149
Import	3,866
Production	10,325
Total supply	15,340
Export	7,786
Consumption	6,266
Closing stock	1,288
Total demand	15,340

\*In ANRPC member countries

erage monthly production could drop to 60,000-65,000 tonnes from the normal 1-1.1 lakh tonnes.

"Given the current ebb in rubber prices, farmers may not be enthusiastic in adopting rain-guarded tapping this year," the association's note said.

### UPROOTING OF TREES

Second, rubber trees in an es-

timated 80,000 hectares are aged over 30 years. This has resulted in lower yield. In view of the drop in prices, farmers could find it uneconomic to retain them. Thus, there could be large-scale uprooting of trees this year.

On the other hand, Thailand's tappable rubber area will be significantly lower, the association said.

In Indonesia, the leaf-falling season would result in lower production, while a portion of small holders in Malaysia are expected to keep off rubber trees in view of depressed prices.

However, the ANRPC said that the demand and supply may more or less match this year. Prices will continue to be under pressure from possible unfavourable trends in currency rates and crude oil.

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