

Growers & Users Clash Over Import as Rubber Drops

P K KRISHNAKUMAR
KOCHI

With domestic natural rubber prices dropping below Rs 160 per kg, the lowest in over two years, rubber growers and industry clash over the economics of imports. While growers want a check on imports, the industry wants a lower import duty.

The Indian rubber price, which edged marginally higher to Rs 160 per kg on Wednesday, is Rs 15 lower than the current international price. In December, global rubber prices climbed up by Rs 11 to Rs 175 per kg while domestic prices

failed to move in tandem and dropped by Rs 6. In fact, a weak Japanese currency and a rise in Chinese stocks have improved sentiments on the Tokyo Commodity Exchange. Rubber for delivery in June on Wednesday moved up by 1.65 yen to 292.1 yen per kg, the highest since May.

With domestic prices ruling low, the Indian Rubber Growers Association has called for a temporary suspension of import of natural rubber under advance licence, noting that 70% of the total natural rubber imports at 2.14 lakh tonne in 2011-12 were in this category. "The tariff committee meeting to discuss the issue has been advanced from January 14 to Thursday realising the significance of the matter," said Siby J Monippally, secretary of the association.

The cost of natural rubber production has gone up exorbitantly



and any further fall in prices will drive farmers away from cultivation, he added.

At the same time, the All India Rubber Industries Association has asked for a reduction in customs duty on natural rubber from the present 20% to 7.5%. Its argument is that at the current international price of Rs 160 for block rubber, the import duty of Rs 20 works out to around 12.5%, which is double the import duty on finished rubber products of 10% leading to an inverted duty structure. According to AIRIA president Niraj Thakkar, China has reduced the import duty on natural rubber by 400 yuan to 1,200 yuan effective January 2013, which at current international prices comes to 5%. "The Indian industry needs a level playing field to be competitive. The cost of finished goods made from high import duty raw materials is higher than the landed cost of imported finished goods," he said.

Perhaps as a solution, the Indian Rubber Growers Association has demanded that the government raise the import duty on all goods manufactured out of natural rubber including tyres to 20%.

pk.krishnakumar@timesgroup.com