

Domestic rubber prices surge on supply crunch, buck global trend

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Natural rubber prices have surged, contrary to the trend in global markets, with a serious supply crunch in the country's main producing centre, Kerala.

The local price of the benchmark grade, RSS-4, is now ₹192 a kg, from ₹177 a kg at end-June. Even at this level, sheet rubber is a scarce commodity in major markets. And, prices abroad are moving in the opposite direction. The Bangkok market today quoted ₹155 a kg; a week before, it quoted ₹161 a kg. On the last trading day of June, it was ₹168 a kg.

Local traders say the supply was badly hit for the past two months, as heavy and continuous rain had affected production. Tapping is not possible in

most parts. Production dropped during summer, with extra-high temperatures; this was followed by the incessant rain. Rain guards on trees have not helped as this monsoon has been one of the heaviest in 10 years. Kerala got around 75 per cent of its normal seasonal rainfall in just three weeks.

N Radhakrishnan, former president of the Cochin Rubber Merchants Association, told *Business Standard*: "We are not getting enough volume even at ₹195 (a kg)."

According to the All India Rubber Industries Association, around 500 small and medium units had to close during the previous occasion when the rubber price crossed ₹200 a kg. Radhakrishnan said the price was likely to increase further, given the strong rainfall.

The result is likely to be import. The price differential per kg is now close to ₹40. As reported earlier, the Automotive Tyre Manufacturers Association (Atma) has already demanded this step of the Rubber Board. Since NR consumption is steady, in comparison to the fluctuation in production, tyre companies are left with no option. It has said rubber production in June is likely to have dropped to 35,000-40,000 tonnes against the Board's estimate of 64,000 tonnes. In June 2012, production was 62,000 tonnes.

Rajiv Budhraj, director-general of Atma noted the stock of rubber as on May-end was supposed to be 235,000 tonnes. If so, such a scarcity should not arise even with uncertainty in tapping, he said.