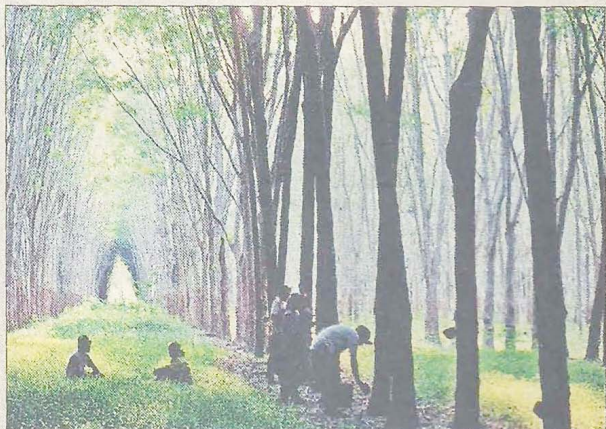


Rubber Prices Likely to Firm Up Soon



The international prices of natural rubber have seen a 10% fall last fortnight. Following this, the domestic rubber prices have also plunged in the spot market. The global correction in commodity prices, witnessed in the past few days, has also influenced the sentiments in rubber market. Despite such weak sentiments, prices in the domestic market are likely to firm up in the medium term as the lean production season will start shortly.

Domestic prices fall on global cues

The domestic prices that stood at ₹240 per kg on April 25 fell to ₹227 by May 6. The futures market also saw a similar slide as the May contract fell from ₹242.74 per kg on April 25 to ₹225.30 per kg by May 6. The improvement in production and the increasing import of crumb rubber might have contributed to the fall in the domestic market. But it was mainly the fall in international prices that caused the prices to plunge, according to experts. Moreover, the slide in crude oil prices is likely to affect the rubber prices by making synthetic rubber cheaper.

Supply situation remains stable

Natural rubber production for 2010-11 registered a 3.7% growth and stood at 8.61 lakh tonne. The consumption increased only by 2% mainly on account of the poor off-take by the non-tyre sector, which registered a negative growth of 0.9% in consumption. The tyre sector, however, clocked a 3.8% growth in consumption. In the current fiscal, the production is projected to rise to a level of 9,02,000 lakh tonne. The projected consumption for 2011-12 is 9,77,000 tonne.

Chinese demand may lift global prices

Globally, the natural rubber market has been witnessing a correction from mid-April. The output from the main producing countries is expected to show a 10.5% growth during April-to-June period. The decline in crude oil prices and the growing concern about global economic recovery are the other major factors which have contributed to the correction in prices. Experts believe that the fall in prices is only a temporary correction as there has been a recovery of demand from China.

Tyre sector to boost domestic prices

In India, the second-largest consumer of rubber, demand from the automobile industry is expected to grow at a healthy rate. Moreover, the lean season in production would start from June. Market analysts, therefore, expect the trend of declining prices to be reversed soon.