

Industry asks FMC to put rubber futures on hold

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Thiruvananthapuram, Nov 16: Automotive Tyre Manufacturers Association (ATMA) and All India Rubber Industries Association (AIRIA) have asked for immediate temporary suspension of futures trading in natural rubber (NR). The consuming industry has written to Forward Market Commission (FMC) to either put rubber futures on hold or keep intraday price fluctuation limit from the current 4% to 1%. Vinod Simon, President AIRIA says that speculation in domestic futures gave least consideration to demand-supply fundamentals. "It is quite puzzling why should domestic NR prices hold significantly higher than international prices when we are in midst of peak production months and carrying more than 2.5 lakh tonnes as suggested by Rubber Board," he argues. ATMA has also pointed to speculation in futures impacting the spot market.

According to the communication, "The recently expired November contract had open position of 1,491 tonne on 1st November, and stocks in warehouses of just

110 tonne. This held the contract under pressure till expiry. Resultant trends were just not in sync with fundamentals. November contract shot up to cross even ₹19,900 on 12th november, while international prices of RSS3 as per Rubber Board were just ₹16182."

According to NR consumers, there are several di-



rect fall-outs of this phenomenon: farmers and traders get misguided by temporary and illogical trends and tend to hold stocks, while on the other hand, consumers have no option but to contract imports, as landed price difference too is very large in range of ₹25-30 per kg. However, growers and traders both stand at risk as situation could get worse when heavy imports land up in peak production months

If not a temporary ban,

NR consumers have sought lowering the limit to 1% from the current price limits of 4%. "The intra-day circuit limits were increased to 4% to increase liquidity as NR prices had dropped significantly three years ago. However, at current NR prices, the futures can be legitimately taken up or down by ₹8 on same day.

Rubber Board has already made a recommendation for reduction in intraday circuit limits in futures trading.

According to Forward Market Commission (FMC), Futures trading in NR was 23 lakh tonne during the year 2010-11. But physical delivery of NR in futures market was just 16,000 tonne.

The immediate reason for industry coming up with a concerted protest is a related plea that Cochin rubber merchants association has given to KV Thomas, Minister of State for Consumer Affairs. N Radhakrishnan, a spokesman of Cochin Rubber Merchants Association argues in this letter that, "Though delivery affected by futures is only 16,000 tonnes in a year, the speculators transact 24 lakh tonne in the exchanges creating heavy volatility in the prices."