

Rubber consumption remains strong

Developments in China and Thailand boost prices despite the general gloom

SANGEETHA G

THERE is some good news for natural rubber producers. China has resumed buying, Thailand has started measures to hike prices and Indian consumption of natural rubber too has been growing better than production. Analysts expect rubber prices to remain firm in the short and medium term.

Even before the onset of the lean season, consumption was better than output.

In December 2011, production increased by 1 per cent to 1,04,000 tonne, against 1,03,000 tonne in the same month of 2010, whereas, consumption grew by 2.4 per cent to 84,000 tonnes. In November too, production rose by 4.3 per cent to 94,400 tonne and consumption grew by 7.9 per cent to 82,000 tonne. Till October, production was growing better than consumption. Production growth stood at 8.4 per cent, while consumption grew by 2.7 per cent in October.

Consumption of the tyre industry too has been registering growth since August. According to Rajiv Budhraj, director general of Automotive Tyre Manufacturers' Association, both original equipment manufacturers (OEMs) and replacement markets for tyres in the com-



Bloomberg

IN DEMAND: Both original equipment manufacturers and tyre replacement markets in the commercial category showed good growth in the October-December quarter compared with the previous quarter

mercial category have been growing in the October-December quarter compared with the previous quarter.

Truck tyre consumption grew from 11.46 lakh in August to 12.09 lakh in September, 12.30 lakh in October, 14.45 lakh in November and is expected to be above 14 lakh in December. Truck sales too have risen 12 per cent during the April-November period in the past year compared with the year-ago period and passenger car sales

have grown by 4 per cent.

"Going forward, generally, the January to March quarter is considered to be the best time for vehicle manufacturers and this will further boost the OEM market," he said.

On the other hand, rubber production would be limited from February with the onset of summer in the rubber producing areas of Kerala. This supply-demand situation can push prices up at least in the January-March quarter.

Even in the international

market, developments in China and Thailand have boosted prices, despite the general gloom in demand due to the European debt crisis.

The Thai government plans to spend 10 billion baht to buy 2,00,000 tonne of rubber at above market rates to boost prices. It will sell the stocks at higher prices later. The government is also providing financial aid to flood-hit rubber cultivators. Farmers would also be encouraged to cut ageing trees. The country expects

rubber prices to go up to 120 baht per kg over the next couple of months.

Ahead of the lunar year holidays, China purchased Malaysian rubber and the purchases could continue till January 23, when the lunar year celebrations begin. The stocks will help resume production after the companies resume operations after the holidays. However, January cannot be considered a representative month for Chinese consumption.

Rubber prices, which had risen as high as Rs 243 per kg in April, had dropped to a recent low of Rs 185 two weeks ago. "From that level, prices have bounced back to Rs 193 per kg and currently look firm. If prices break the Rs 198.50 levels, we would see rubber moving up to Rs 203- Rs 205 levels," said Krishna Prasad, senior analyst, Geojit Comtrade.

However, industry expects the next financial year to be uncertain.

"The elections, generally, push vehicle sales down. Further, policy decisions and the budget are important factors influencing demand for the next financial year. If things do not improve in the euro zone, it could remain a concern," said Budhraj. ■

sangeethag
@mydigitalfc.com