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Rubber prices soar as supply falls

Farmers want Rubber Board to assess production potential

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KOCHI: Farmers want the Rubber Board to make a fresh assessment of the country's capacity for natural rubber production in the wake of a shortage of local produce in the midst of a price improvement.

The price of the commodity has risen about 40 per cent between February and April. The spurt comes after a long slump though farmers say it may be temporary, considering a ban on import that was in effect till the end of March.

Assessment

Sources say the demand for an assessment of production capacity, by both small- and large-scale farms, came up at a high-level meeting of the board on Tuesday.

The benchmark RSS-4 grade closed at Rs.133 a kg at Kottayam on Tuesday. The average price slumped to Rs.93.55 a kg in February, continuing a trend starting January 2015.

Rubber price fell from Rs.137.44 a kg in February 2015 to Rs.102.79 a kg in December. The slump continued in January 2016 with the price at Rs.97.80. But March 2016 saw an upward trend, the average price for the month being Rs.108.12 a kg.

The price continued to rise steadily in April, the month opening RSS-4 at Rs.115 a kg. However, veteran trader N. Radhakrishnan advises patience before jumping into conclusions. He says shortage of material is the key issue, but the price of crude oil has to be factored in.

The Rubber Board estimates that India produced 5.63 lakh tonnes of natural



rubber during last financial year against a demand for about 9.86 lakh tonnes. Imports stood at 4.54 lakh tonnes. However, farmers are learnt to have disputed the figures pointing out that India produced 9.13 lakh tonnes of the commodity during 2012-13 against a demand for 9.43 lakh tonnes.

Availability

Rajiv Budhraj, director general, Automotive Tyre Manufacturers' Association, says despite the price rising about 40 per cent, availability of NR has emerged as a serious issue.

Mohinder Gupta, president, All India Rubber Indus-

tries Association, says that volatility disrupted the planning process, especially at small rubber units. MSMEs signed long-term contracts and volatility would hit profitability.

Siby Monippally, representing farmers, says the price rise has been triggered by a shortage of rubber in the market.

There is no tapping. Even if farmers want to tap rubber, it is not possible because of the heat wave like condition, he said.

The supply situation in the international market is similar, with Indonesia and Thailand facing similar shortages, he added.