

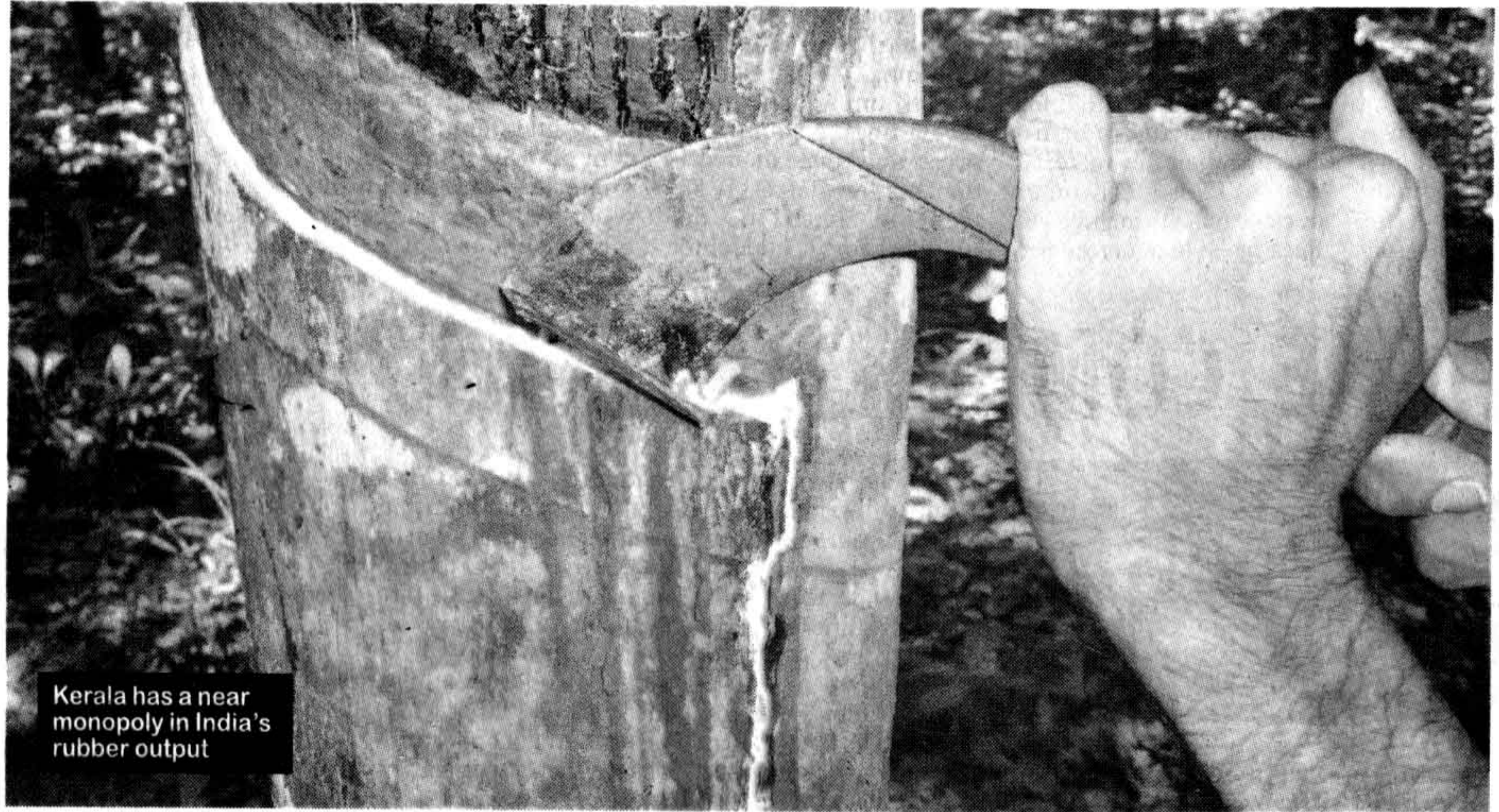
RITWIK MUKHERJEE

Rubber production-consumption gap widens to 58% in Q1FY19

The Rubber Board has postponed the 4th edition of India Rubber Meet (IRM 2018), which was to be inaugurated on August 30 at Kochi due to the havoc caused by rains and floods in Kerala. The two-day meet was to take place at a time when natural rubber production has hit a six-year low of 126,000 tonnes in the first quarter of 2018-19 as consumption reached a peak of 302,000 tonnes. The production-consumption gap has widened to 58 per cent in the first quarter of the current financial year, from 46 per cent in the year-ago period.

The devastation of acres of rubber plantation by floods is likely to impact production and disrupt supply for some time. Although exact estimates of the damage to plantations are yet to be calculated, there are more reasons than one to be doubtful over reaching the estimated output of 600,000 tonnes for FY2019. The Cochin Rubber Merchants Association, on its parts, has claimed that rubber output from the world's sixth largest producer will fall by 13.5 per cent from a year ago to 600,000 tonnes in this financial year. Kerala has a near monopoly on India's rubber output.

Looking at things from global perspectives, world consumption of natural rubber grew 5.2 per cent in the first seven months of 2018, compared with growth of 3.7 per cent in natural rubber supply. World natural rubber demand totalled 8.16 million tonnes in January-July and production stood at 7.37 million tonnes, leaving an output shortfall of 786,000 tonnes, as per a recent study by the Association of Natural Rubber Producing



Kerala has a near monopoly in India's rubber output

Output may shrink by 13.5% from a year ago to 600,000 tonnes in this financial year

Countries.

From the market perspectives, "sentiments are rather feeble in the overseas natural rubber market as this week's session culminates. The Tokyo Commodity Exchange (TOCOM) rubber futures dipped and stayed in the vicinity of one week low. Burgeoning inventories and lingering trade tensions between the US and China continued to hamper the overall market mood," said Geojit Financial Services in its latest research report.

When it comes to India, the prices have been on the rise. In fact, prices have been up 5 per cent since the first week of August due to supply shortage that is rising.

This, according to sector analysts, may force domestic tyre companies to import rubber to bridge any supply gap. While this may lead to higher costs, buoyant demand from auto companies could offset the impact of high rubber prices on profitability, analysts pointed out.

With the rubber plantation areas of Idukki and Kottayam in Kerala having been badly affected by the flood, the disruption in rubber supply is unlikely to be tided over soon. Also, the growers would have to battle losses in their business as well as personal property.

Though IRM has been postponed, the 10th edition of the India Rubber Expo (IRE), Asia's largest rubber exhibition, will take place in Mumbai in January 2019. An integral part of the thriving rubber in-

dustry, IRE is a clear indicator of India's position as the second fastest growing economy in the world. IRE will showcase the latest technological developments in the rubber industry and also talk about the current market status, facilities and services on R&D and quality control. This will also be an opportunity for various stakeholders to know and understand the changing regulations and controls.

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