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Rubber production deficit to be at record high this year

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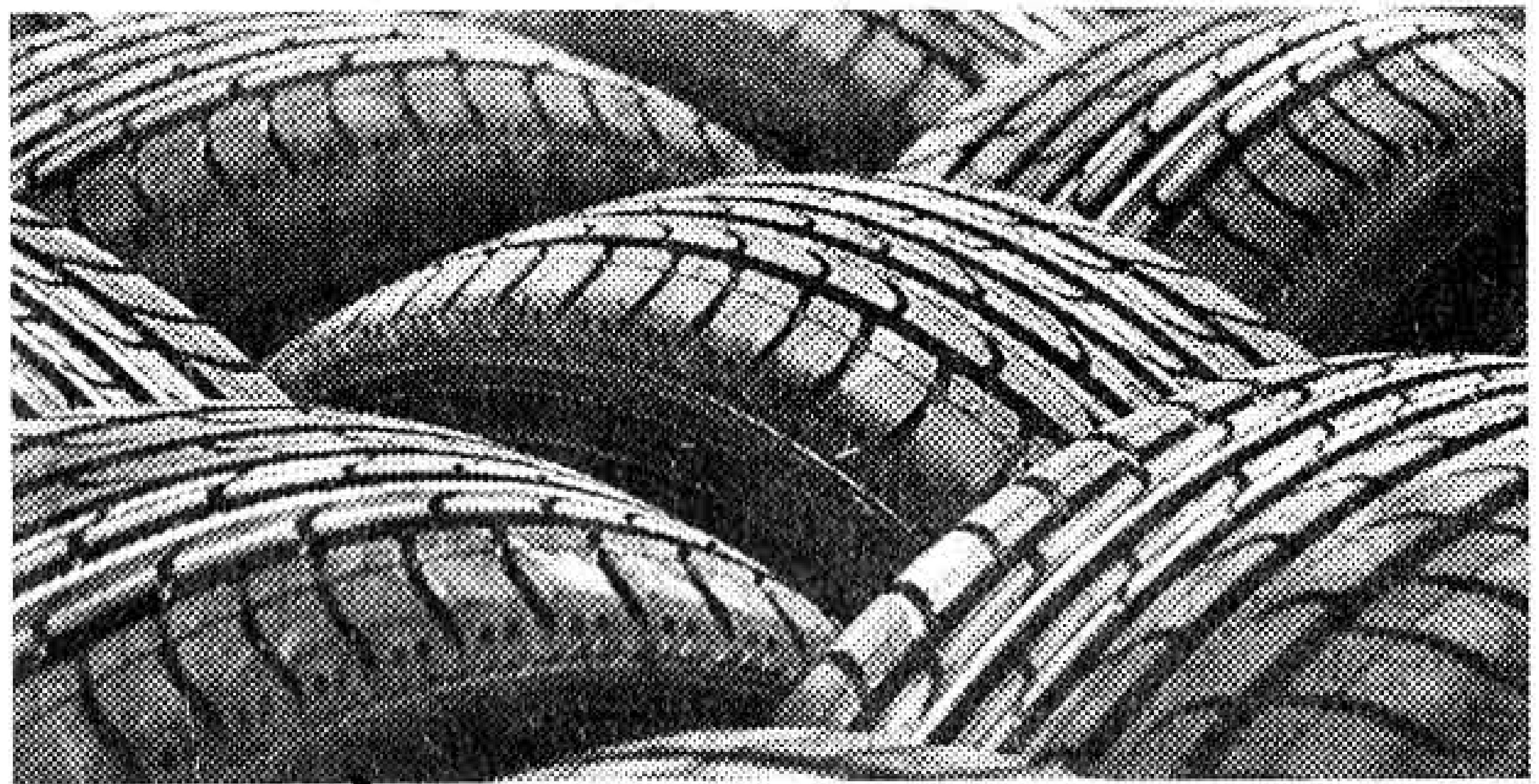

THE Rubber Board has projected that natural rubber deficit will touch a new high of 4.7 lakh tonnes in FY19. The demand-supply gap will thus get closer to 40 per cent.

In FY18, the production and consumption gap stood at 4.1 lakh tonnes. The gap has been widening for the past few years. The production deficit was 59005 tonne or 6.1 per cent in 2011-12. It widened to 21 per cent in 2013-14 and 36 per cent in 2014-15. Though in percentage terms the deficit went up to 43.5 per cent in 2015-16, in absolute terms there was a gap of 4.3 lakh tonnes. It eased to 3.5 lakh tonnes in 2016-17, but then went up to 4.1 lakh tonnes last year. This year the country will see record deficit of 4.7 lakh tonnes. According to industry experts, natural rubber prices are trading less than 50 per cent of their record high levels in 2012. However, labour costs and other input costs have not come down and these have been disincentivising rubber planters. Further, erratic weather conditions have been taking a toll on rubber production.

The tyre industry too is worried about widening production deficit and has asked the government to take urgent measures to make natural rubber available to the industry by making imports easier. "Domestic NR production is projected to be whopping 40 per cent short of domestic requirement during the current financial year. Such levels of shortfall is a matter of grave concern for the tyre industry, which has lined up ambitious investments to support the economic and auto growth in the country. Needless to say the import dependence of industry for NR will further go up to meet the domestic requirement," said Rajiv Budhraja, director general ATMA.

The industry wants the government to bring down the import duty on natural rubber, which is currently at 25 per cent and this is much higher than the rate of duty levied by any other NR importing country. Further, NR imports are permitted at only two designated ports — JNPT in Mumbai and Chennai port. Such non-tariff barriers add to the landed cost of NR and logistics time, ATMA said.

Moreover, tyre industry needs to adhere to pre-import condition for NR import against (tyre) export obligation. Further export obligation period (for tyres) has been reduced from 18 months to 6 months making it tough for the industry to access a raw material which is in short supply domestically. Inverted duty structure is also a cause for worry. While duty on NR import is a steep 25 per cent, the basic customs duty on most tyre categories is 10 per cent.