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Wanted, a national rubber policy

This vital sector has seen its fortunes fluctuating over the years and is in dire need of a comprehensive national policy

THARIAN GEORGE K.

The long awaited release of the government's first ever report on a national rubber policy (NRP) has still not come out. Apparently, differences of opinion among members of the expert committee representing various stakeholder groups had been the major reason for withholding the document for more than three years.

Meanwhile, mounting pressures from the Kerala Government and natural rubber (NR) producers' interests led to the constitution of a task force by the government on March 22 to submit a report for the revival of rubber sector. Unfortunately, a consensus on the need for a NRP remained elusive due to the conflict of interests arising from a higher regional concentration of NR production vis-a-vis the diffused pattern of rubber consumption.

The strategic need for evolving a NRP in India stems from the unique characteristics of the sector borne out of its evolutionary dynamics over time.

The emergence of India as a major player in the world rubber economy had been unique for the interconnectedness among the segments rooted in the domestic market orientation that evolved under a protected policy regime since the early 1940s. This is in sharp contrast to the development of export-oriented 'rubber enclaves' in other major producing countries with the exception of China. In essence, the domestic demand-driven interconnectedness with limited exposure to export markets and external competition had been the hallmark of India's rubber sector.

Post reforms

However, the trade policy reforms initiated since 1991-92 and the consequent exposure to foreign competition through the multilateral and RTA routes have changed the scenario. The challenges of market integration characterised by a surge in imports of rubber and rubber products are played out in the domestic market than in the export markets.

It is the unorganised smallholder rubber and non-tyre segments that have borne the brunt of of the market integration process. The volatility of NR prices and the fluctuations in farm income have hit the conventional farm management practices including replanting.

Rubber policy Slippery slope

One outcome this trend has been a steady growth in the share of senile trees (more than 50 per cent) in the total tapped area in the country. The negative growth rates in NR productivity in Kerala (-2.8 per cent) and all India (-2.7 per cent) between 2007-08 and 2016-17 show that the policy prescriptions have failed. Similarly, the crisis-ridden non-tyre segment has been hit by the volatile raw material prices and growth in imports. On the external trade front, a negative balance of trade of India's rubber sector since 2007-08 has been in contrast to the positive balance of trade during the past four decades. In 2016-17, India's negative balance of trade in rubber and rubber products was $415 million. So the segmented approach has failed in addressing the challenges of the sector.

Unlike other major NR producing countries the export intensity of India's rubber sector had been negligible. The estimated export intensity was only 22.5 per cent even during 2014-15. Hence, sustaining a self-reliant rubber sector having applications ranging from household articles to the space programme is a major policy challenge. Nevertheless, the need for a NRP looms large in the context of market integration process sustained by the non-negotiable trade policy commitments under the multilateral and regional pacts.

Though India has recognised the relevance of a sustainable rubber sector as early as 1942 there is no replicable model to address the challenges of market integration. China's 'Going Global' strategy initiated in 2002 is a valuable template. The establishment of China Natural Rubber Association in 2007 and the Rubber Valley Project by China Industry Association in 2011 provided the institutional framework.

India cannot afford the luxury of witnessing a gradual disintegration of its rubber sector built over the past seven decades for the sake of free trade. A comprehensive NRP is not only inevitable to recognize the strategic importance of sustaining a self-reliant rubber sector but also to identify the inherent strengths and accumulated weaknesses of the embedded structure to capture synergies in the era of market integration.

(The writer is former Joint Director of the Rubber Board)

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BETWEEN SIPS

Magandeep Singh

Awesomely Austria

Unique materials, constant innovation, and an inclusive approach make Austria a great place for wines

AMONG THE MANY wine regions of the world which I frequent, the wine-producing nation of Austria holds a special place in my heart. In the 15 years I have spent visiting the country, often at the invitation of their marketing board, I have seen it grow from a reviving and nascent industry to a blossoming and burgeoning one. This year, I spent a few fruitful days there, and here are some things I took away from it.

Quality: With bulk wine production down to near-negligible, and among the highest price per litre for their wines, Austria epitomises the term, "boutique winemaking". The wineries have small-scale production, which allows the winemakers to be more hands-on in their approach. It also makes the product dearer as costs are high. So, instead of cutting corners to control costs, Austrians go all out to ensure that quality is top-notch. One may seem to pay a little more for a bottle of wine here (compared to, say, more popular regions across the world) but the value quotient is unmatched.

Uniqueness: Grüner Veltliner (or Gruvee), Rötgipfler, Zierfandler, Zweigelt, Blaufränkisch, Blauer Wildbacher...these are just some of the grapes found here, and most are unique to Austria. They also do Riesling, Chardonnay, Merlot and Cabernet, but given the abundance of local grape varieties, I rarely reach out for the commoner international usual suspects.

Evolution: Since the mid 80s, Austria has been restructuring and repositioning their wines. Today, regions stand defined, wine styles are properly classified, and single vineyards, too, are constantly being identified. New appellations are on the charter, as things move along. Put otherwise, change is constant and evolutionary. This ensures the industry never rests on its laurels, but is striving constantly to improve, and ensure quality and provenance.

Innovation: Austria was the first to use glass closure. Today, although much of it stands replaced with screw cap. They are among the first to have made field-blend white wines a trendy thing. And now, they have a red Muscat grape, too, as also the mother of Gruvee, St. Georgen, century-old plants, which were recently found in a vineyard, and are being replicated. So, there is this constant energy of research and innovation that, at the same time, preserves traditions and also keep things fresh and contemporary.

Communication: It is one thing to have good wines, but it is equally important to be able to get that message out to the consumers and trade. In this, I think Austria is unparalleled in their constancy and consistency of the message being conveyed. From annual events to periodic tastings, they are extremely inclusive in their approach. I almost feel ashamed attending their events because, even after so many years, we barely have any Austrian wines to put on our lists. And yet, they relentlessly support the market with products, going as far as participating in the annual Indian sommelier championship.

So, if any trader or importer is reading this: please try and bring some of these lovely wines to India. Not only will it be a profitable decision, it will significantly improve the average quality of wines being quaffed out there. Personally, it will save me the excess weight of having to lug back bottles each time am there!

The writer is a sommelier

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RUBBER MSMEs DEMAND REVIEW OF DUMPING DUTY

The Indian rubber industry has been dependent on imported and cheap natural rubber

RITWIK MUKHERJEE

THE micro, small & medium enterprises (MSMEs) in the domestic rubber industry are up in arms against the government. They are demanding immediate review of the anti-dumping duty, imposed five years ago, on carbon black, an important raw material for the rubber sector. According to industry experts, the scenario at that time was different. But in today's situation, the anti-dumping duty is affecting small players, so it should be reviewed, they say.

While the duty on import of bus and truck tyres benefited the tyre industry, it hurt the non-tyre industry. Explaining the situation, a senior official of a rubber MSME said small players were facing great difficulties in sourcing raw materials. They were forced to buy key raw materials like carbon black from the black market at a high price, the official added.

Carbon black, a form of paracrystalline carbon that has a high surface-area-to-volume ratio, albeit lower than that of activated carbon, is mainly used as a reinforcing filler in tires and other rubber products.

The Rs 12,000 crore Indian rubber industry has been dependent on imported and cheap natural rubber. India is the world's largest producer and the third largest consumer of natural rubber. Rubber production in the country varies between 600,000 tonnes and 700,000 tonnes worth Rs 3,000 crore.

India is the world's largest producer and the third largest consumer of natural rubber

The rubber industry in India is dominated by small & medium sector as out of 5500 rubber products manufacturing units, 90 per cent are MSMEs. Rubber units spread across the country manufacture around 35,000 different rubber products that find usage in auto, defence, healthcare, agriculture and in various other critical sectors.

Terming the over-dependence on import unsustainable, the Rubber Research Institute of India (RRII) said it was a serious deterrent to growth and competitiveness. In fact, said a recent RRII study, the rubber industry has been losing momentum and its contribution to the economy has been on the decline.

According to a sector analyst, apart from the anti-dumping duty, small rubber enterprises were hit hard by demonetisation and the goods and services tax rollout. To add to the woes, domestic natural rubber production has hit multi-year low causing a supply crunch in the domestic market. In such a scenario, small enterprises are forced to import and the anti-dumping duty is adding to their costs.

According to sector analysts, production of natural rubber, which accounts for 66 per cent of the total consumption by the industry, is on the decline in the country. Because of non-remunerative prices, rubber production is on the decline in India as growers are abstaining from tapping the trees, said the RRII study. But the consumption and size of the industry is growing, albeit at lower rates, on the back of imports.

If the decline continues, it will be difficult to reverse the trend because of the perennial nature of the crop, said the RRII study. However, according to the Association of Natural Rubber Producing Countries (ANRPC), growth in demand in India and China is set to rekindle global consumption of natural rubber. The global consumption is likely to grow "faster than what was expected until a month ago," it said. The outlook on consumption in 2018 has been substantially scaled up in the case of China and India, said the association. The two countries account for 48 per cent of global natural rubber consumption.

While the consumption in China is expected to rise by 6.2 per cent to 5.7 million tonnes, in India, the revised outlook suggests the consumption may rise by 10.9 per cent to 1.2 million tonnes in 2018.

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