

China may hijack value-addition biz if natural rubber gets dearer: Industry

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Thiruvananthapuram, May 11: Anticipating a global natural rubber (NR) shortage, China has not only started effectively sourcing NR from other countries, but has also ramped up its export of rubber value-added products like tyres to countries like India.

“The way China is scaling up its NR value-addition business, in no time, rubber-based industry in India, including tyre manufacturing, will be shaken by cheap Chinese tyre imports. While Indian factories are weighed down by the woes of NR procurement either through domestic channels or through imports, China has been stocking huge consignments of rubber, easily importing them cheap. Statistics also show that they have a competitive edge in importing bus and truck tyres to India, compared to Indian tyre firms,” Vinod Simon, president, All India Rubber Industries Association (AIRIA) told *FE*.

In a joint-presentation to the Rubber Board on the 12th Five-Year Plan proposals, AIRIA and the Automotive Tyre Manufacturers' Association (ATMA) urged that prompt policy interventions are needed to make competitively priced NR available for Indian industry. Rubber is used in over

50,000 products, from footwear and medical gloves to condoms and high-performance tyres. The industry has suggested the following measures. One, free imports should be allowed to the extent of addressing the domestic deficit every year. Two, rubber replanting initiatives should be hastened. Three, area under rubber plantation should be increased, even con-

tion will fall short of domestic production, in the current financial year, by 1,89,000 tonne.

ATMA and AIRIA had been demanding duty-free import of 2,00,000 tonne of NR, during the current financial year, but the Centre has continuously rejected this demand to protect the interests of small-scale growers, who constitute bulk of rubber growing terrain.

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sidering running plantations in other feasible geographies.

NR production in India grew by just 1% in the last four financial years, while the consumption soared by over 15% in the same period. In tow with the booming automobile industry demand, almost all tyre companies have gone for capacity expansions, meaning increase of rubber consumption by 150,000 tonne.

In this context, the industry estimates that domestic consump-

“An alert eye on China's growing rubber industry will reveal the need for quick review of strategies to make NR cheaply available for rubber industry. From 8,72,700 bus tyres in 2006-07, India imported 1,96,3815 bus tyres in 2010-2011 and most of them from China. The NR content in the imported tyres has also doubled in four years,” says Rajiv Budhraj, Director General, ATMA.

China slashed customs duty from 20% to 5-7.5%, when NR prices

went up globally. Since timely availability of NR was ensured in China, value-addition from NR to finished products, particularly tyres, has buoyed. “India should urgently pick up lessons from China in addressing NR shortage challenges,” says Budhraj.

India is second to China, as world's top rubber consumer. While in last seven years, China's share in world rubber consumption went up from 19% to 34%, that of India remained static at 9%. To reinforce its rubber industry lead, China has been readying its mega-industrial project Rubber Valley in 3,000 acre in Qingdao. At 3.9 lakh MT, it has also replanted more rubber than India in the last five years.

“Rubber Board top brass gave a sympathetic hearing and is pro-active in response about all these suggestions, except to the one about free imports,” says Vinod Simon, after the meeting in Kottayam. In principle, Board is agreeable to increasing area under rubber; but the scope for replantation was limited, due to high rubber price. When price is high, farmer shies away from cutting the old tree, and replacing it with a sapling that would start yielding only seven years later. Since India is already world topper in rubber productivity, further yield increase is no easy feat.