

Natural rubber prices head north after 3 years on global cues

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After nearly a three-year gap, natural rubber prices have started moving north in the domestic market recording ₹182 per kg for RSS IV grades.

The prices reached its peak in 2021 at ₹191.

The price surge in the domestic market is in tandem with the international market and the sources cited the factors to floods in Thailand, one of the major producing countries and wintering.

This has resulted in the non-availability of the raw material and rising demand in the international market coupled with a growing concern on the widening global shortage during April and May.

The rates in the Bangkok market for RSS 3 grades on March 18 were recorded at ₹231, which declined to ₹211 after a couple of days. The rise in prices in the international market has forced tyre manufacturing companies to source natural rubber from the domestic market, resulting in an increased demand. However, prices in the international market showed a declining trend in the last couple of days.

Offseason, tight supply

George Valy, president of Indian Rubber Dealers Federation, said prices in the domestic market are unlikely to drop further mainly because of off season and supply tightness. Currently, the production is at the lower side due to extreme temperature being experienced in the State in the recent period and the figure is expected to touch 8,50,000 tonnes by the end of the current fiscal.

Sources in the farming community said the availability is likely to come down further with the end of the season, which would lead to higher prices for the commodity by April. Several big retailers, who procured natural rubber from the market at lower prices, are holding the stock in anticipation of a further rise in prices and considering the international market situations.

According to official sources, the drop in prices may not be sustained in the long term due to the dearth of raw materials in the domestic market and the same can also be attributed to the factors prevailing in the international markets too. Even though the Bangkok prices reached ₹211 on March 25 from its peak of ₹231 within a short span of one week, the magnitude of such a proportion was not reflected in the domestic market which indicates that the material is in huge demand and short in supply. Furthermore, Rubber Board's incentive scheme for branding RSS grades for export may boost prices in the domestic market in the short term.