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# MARC Insights

## The Rubber Industry in Kerala: Driving Growth in India's Economy

January 2024

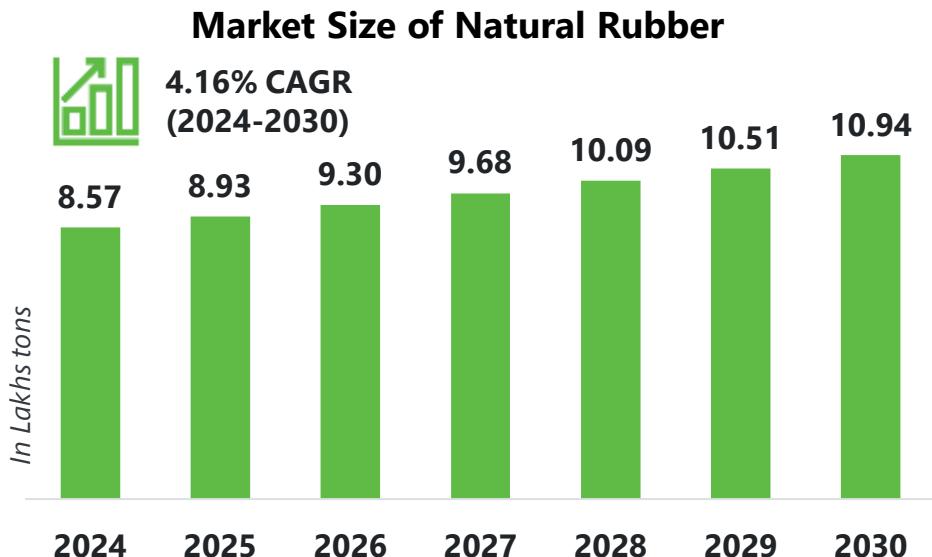


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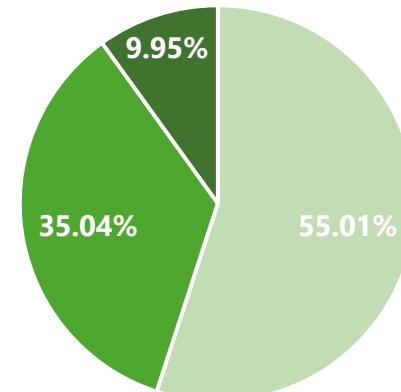
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# Rubber Industry Overview- India

The Indian rubber industry contributes 5-6% of global production and is the 6th largest producer of natural rubber worldwide with a production of ~8,57,000 metric tons as of 2024.



Total Production  
Out of 15.58 lakh tons.



FY24  
Natural Rubber: ~8,57,000 metric tons  
Synthetic Rubber: ~5,46,000 metric tons  
Reclaimed Rubber: ~1,55,000 metric tons

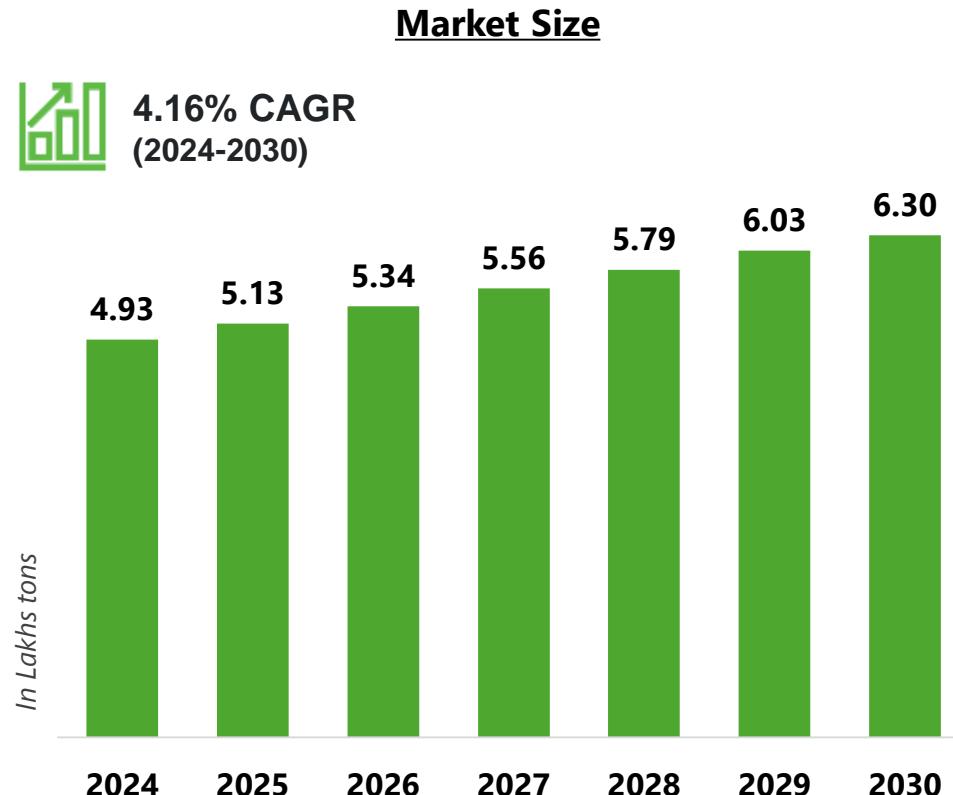
### Key Growth Drivers for Rubber Industry in

- The market for recycled rubber is growing at a **7% CAGR** from 2024 to 2030, driven by **eco-friendly practices**, with reclaimed rubber also expanding due to sustainability trends.
- Rubber exports are projected to reach **~INR 43,000 crore by 2025**, with **rising demand** from Southeast Asia, North America, and Europe.
- Projects like **Bharat mala and Smart Cities** are increasing synthetic rubber use in construction, contributing 12% of consumption as of FY24.
- Automation and new manufacturing techniques are **improving efficiency** and boosting capacity by **5-10%** annually.

Source: [rubberboard.gov.in](http://rubberboard.gov.in) statista, Times of India

# Kerala's Rubber Industry: An Economic Backbone (1/2)

Kerala is the largest rubber producing state in India with an annual production of approximately 4.91 lakh tons in 2024.



- Impact of the Industry**
- ✓ Rubber is cultivated in **3.84 lakh hectares** in Kerala, making up a substantial amount of India's rubber cultivation area.
  - ✓ Kerala is one of the **largest** exporters of natural rubber **worldwide**, with the primary export markets being **China, Japan, and Germany** as the top importers.
  - ✓ The DSIR\* reports that Kerala employs around **9,50,000** people in rubber cultivation and processing, with over **90% of India's 1.35 million** rubber sector workers based in the state.
  - ✓ Kerala's vibrant ecosystem of **MSMEs in the rubber sector** indicates a conducive environment for entrepreneurial growth and collaboration.
  - ✓ To meet the gap in consumption, India **imported** about **4,92,682 tons** of natural rubber in 2023-24

\*DSIR - Department of Scientific and Industrial Research.

Source: [rubberboard.gov.in](http://rubberboard.gov.in), [statista](http://statista.com), Currentaffairs Adda247

# Kerala's Rubber Industry: An Economic Backbone (2/2)

The rubber industry contributed approximately 5.4% to Kerala's total GSDP as of FY24.



As of FY24:

Natural Rubber Production : Approx **4.9 lakh tons**  
Synthetic Rubber Production : Approx. **17,250 tons** to **34,500 tons**

## Major rubber producing areas

- Kottayam
- Pathanamthitta
- Alappuzha
- Idukki
- Kollam
- Ernakulam
- Thrissur

## Industry trends



### Man-Made Rubber Fibers:

Used in industrial applications like carpets, conveyor belts, and fire-resistant materials, these fibers provide durability, flexibility, and safety.



### Non-Woven Rubber Fabrics:

Cost-effective and hygienic, these fabrics are used in filters, wipes, protective gear, and interiors. Their quick production and scalability make them ideal for industries needing large volumes with minimal labor.



### Branded Rubber Products:

Combination of exclusive brand stores & multi brand outlets



### Rubber Machinery Manufacturing:

Across spinning, knitting, weaving, and processing

Source: [rubberboard.gov.in](http://rubberboard.gov.in) statista

# Growth Drivers

Kerala leads rubber production in India, driven by its ideal climate, skilled workforce, strong cooperatives, and government incentives.

## Natural Advantages:

- Favourable climatic conditions and fertile soil ideal for rubber cultivation.
- 26% of the state's agricultural land is under rubber plantations.

## Economic Significance:

- The state's investment in the establishment of a Rubber Park and Research Institute, ensures modern facilities and support for rubber processing and innovation.
- It is a key supplier of latex-based products like tires, gloves, and medical equipment.

01

02

03

04

## KERALA RUBBER INDUSTRY

## Technological Advancements:

- Precision agriculture techniques like drip irrigation and GPS-guided machinery are being implemented to optimize resource utilization and enhance productivity.
- Advanced processing technologies are being adopted to improve product quality, reduce waste, and enhance value addition.

## Government Support:

- Subsidies, research, and market stabilization efforts through the Rubber Board of India and state Govt. initiatives.
- Sustainable production strategies and value addition is encouraged.

Source: [rubberboard.gov.in](http://rubberboard.gov.in)

# Incentives by Government

*Strategic incentives have been pivotal in driving growth and stability in Kerala's rubber industry*

- 
- 01 ✓ **Kerala Rubber Ltd. (KRL)** is a Government-backed initiative that boosts Kerala's rubber industry through value-added products, farmer support, infrastructure development, and sustainable practices.
  - 02 ✓ **Rubber Production Incentive Scheme:** Ensures INR 180/kg for RSS-4 grade rubber, compensating farmers for market price drops and benefiting small-scale growers with up to 2 hectares of land.
  - 03 ✓ **Increased Funding for Natural Rubber Sector:** Central Government's allocation of INR 708.69 crore from 2024-2026 to promote sustainable growth in the rubber industry.
  - 04 ✓ **Support for Rubber Growers:** Financial assistance for equipment like rubber rollers and smokehouses to improve rubber product quality.
  - 05 ✓ **National Rubber Policy 2019:** This allows 100% FDI in the plantations, encouraging investment and boosting production in the rubber sector.

Source: [rubberboard.gov.in pdf.ipinnovative](http://rubberboard.gov.in/pdf.ipinnovative)

## Some of the other Incentives

### Subsidies and Financial Support:

In October 2023, the Kerala Government sanctioned INR 42.57 crore as a subsidy for rubber farmers, bringing the total disbursed subsidy for the fiscal year to INR 124.88 crore.



**Hi-Tech Farming & Rubber Initiatives:** Government-backed meetings on rubber industry growth through technology.



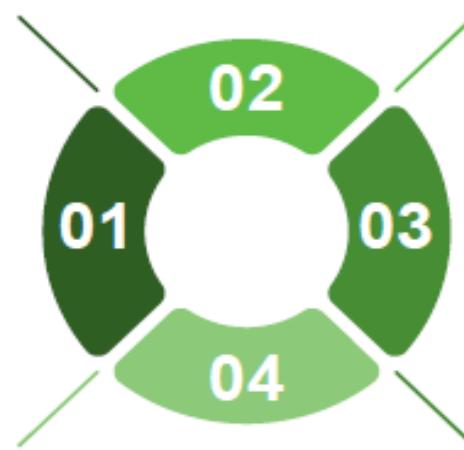
**High-Value Added Products Focus:** Investment incentives for high-value rubber products, with support for R&D and technology adoption.

# Kerala's Rubber Industry: Growth and Sustainability

*Kerala's rubber industry has experienced remarkable growth, solidifying its position as a key contributor to India's rubber production, while continuously expanding its reach and impact.*

## Deceleration in Growth Rates:

Between 1970-71 and 2020-21, Kerala's rubber industry saw growth in area (2.37%), production (4.45%), and productivity (2.09%), but recent data indicates a slowdown. In FY 2023-24, production increased by just 2.14% to 4,93,000 tons.



## Kerala Rubber Ltd. (KRL) Initiative:

KRL is developing an integrated facility in Velloor, Kottayam with an investment of INR 254 crore to promote natural rubber-based industries.

## Rubber Production Incentive Scheme (RPIS):

This scheme ensures a minimum support price for rubber growers, stabilizing income and encouraging sustainable practices.

## Sustainability Goals:

The Rubber Board aims to increase production to 9,75,000 tons by 2026 to address the supply-demand gap and ensure long-term sustainability.

Source: [rubberboard.gov.in](http://rubberboard.gov.in)

# Barriers to Growth in Kerala's Rubber Sector

*Some challenges have collectively contributed to the slowdown in Kerala's rubber sector growth*

## Price Volatility:

- Natural rubber prices are currently below **INR 200/kg**, affecting farmer incomes and profitability.
- Alleged cartelization by major buyers has further **destabilized prices**.



## Global Competition:

- **Cheaper imports** of natural rubber from countries like Thailand and Indonesia challenge domestic production.
- Rising demand for **synthetic rubber** also impacts market share.



## High Input Costs:

- Increased labor and maintenance costs **reduce margins**, particularly for small-scale farmers.



## Climate and Environmental Factors:

- Erratic **rainfall** and rising **temperatures** impact latex yield.
- Concerns over **deforestation and environmental degradation** in plantation areas.



## Limited Value Addition:

- Lack of adequate **infrastructure** for downstream processing and manufacturing **reduces the potential** for high-value exports.



Source: [gbrubberproduct](#) [economictimes](#)

# Strategies for Revitalizing Kerala's Rubber Industry

*A focused strategy is essential to revive and sustain Kerala's rubber industry growth*

## Price Stabilization Measures

- ✓ Implement government-backed price stabilization funds to protect farmers from market volatility.
- ✓ Strengthen Minimum Support Price (MSP) mechanisms for natural rubber.



## Promote Exports

- ✓ Enhance export competitiveness through subsidies, tax breaks, and improved logistics.
- ✓ Target emerging global markets for rubber-based products like medical gloves and automotive parts.

## Boost Value Addition

- ✓ Invest in downstream industries like latex product manufacturing and rubber-based engineering goods.
- ✓ Set up advanced processing facilities in rural areas to improve local employment opportunities.

## Environmental Sustainability

- ✓ Adopt eco-friendly farming practices to ensure long-term sustainability.
- ✓ Incentivize plantations that integrate renewable energy and conserve biodiversity.

## Encourage Innovation:

- ✓ Support research into high-yield rubber varieties and sustainable farming practices.
- ✓ Collaborate with institutions like the Rubber Research Institute of India for technical advancements.

Source: [gbrubberproduct](#) [economictimes](#)

# Conclusion



## Current Size and Contribution:

- ✓ Kerala natural rubber industry contributes 5.4% to its GSDP and supports over 10 lakh growers. Known for high-quality Ribbed Smoked Sheet (RSS) and Technically Specified Rubber (TSR), the sector is set to grow at a 4.16% CAGR, reaching 9.75 lakh tons by 2026, backed by favorable climate and government initiatives.



## Growth Opportunities:

- ✓ Expansion into high-value rubber products, export markets, and technological advancements. Projects like Kerala Rubber Ltd. (KRL) and government funding schemes aim to boost production and support small-scale growers. The increasing global market demand for eco-friendly and recycled rubber creates additional growth prospects.



## Strategic Position:

- ✓ Kerala's favorable tropical climate, skilled workforce, and government support initiatives have cemented its position as the rubber capital of India. The industry also aligns with the state's broader goals for economic growth and sustainable development.



## Sustainability and Future Growth:

- ✓ Government initiatives, such as the Rubber Production Incentive Scheme (RPIS), ensure stable farmer incomes and sustainable practices. The industry is expected to grow at a CAGR of 4.16% from 2024 to 2030, with projected production increasing to 9.75 lakh tons by 2026.

Source: [krishi.icar.gov.in](http://krishi.icar.gov.in) [rubberboard.org.in](http://rubberboard.org.in) [invest.kerala.gov.in](http://invest.kerala.gov.in)



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