

India: Rubber import surges, prices sag

Reports on the upward trend in production and sluggish global demand have further strengthened the bear phase in the natural rubber (NR) market. The benchmark RSS-4 grade on Tuesday dropped to Rs 168/kg in the Bangkok market and to Rs 180/kg in local trade. Domestic rubber prices have dropped 22 per cent after a peak of Rs 240 about 15 months earlier. According to experts, prices are expected to stay subdued for the rest of the year, on sluggishness in the global automobile market and increase in production. Leading traders in Kochi and Kottayam said the price had already dipped to the psychological mark of Rs 180 a kg and was likely to fall further. Just a month before, the Kochi market quoted Rs 190 and it was Rs 196 in the first week of May. In December-January, it was above Rs 200 a kg. Likewise, the Bangkok market quoted Rs 191 a kg just four weeks earlier and it was Rs 198 a kg in mid-May. The bear phase persists mainly on account of the poor offtake by rubber-based industries, especially automobile companies, and the latest forecasts on global output. Production from the Association of Natural Rubber Producing Countries might rise 4.9 per cent to 10.9 million tonnes (mt) for 2012-13. The earlier estimate was 10 mt. The rise is on the back of increased output from Indonesia, the world's second largest producer, which is likely to go up to 3.26 mt, in Malaysia to 1 mt and Vietnam's 915,000 tonnes. These countries are planning to form a cartel and regulate production by reducing the number of tapping days. N Radhakrishnan, former president of the Cochin Rubber Merchants Association, said the sharp increase in acreage in Thailand, Indonesia and Vietnam caused an increase in production and this would continue. But the global economic turmoil has badly impacted NR demand across the globe. Experts believe the price would further reduce, with the peak of the bear market in 2013-14. International market conditions strongly favour more imports to India in this and coming years. On an average, the local prices are higher by Rs 11/kg than the international counters. Expectedly, in the first quarter of this financial year, imports were 21,189 tonnes as against 19,118 tonnes in the same period last year. Imports during 2011-12 was 205,433 tonnes and experts feel this is likely to cross 250,000 tonnes in 2012-13. Import is likely to cross 20,000 tonnes this month, said leading Kottayam-based dealers. Crumb rubber is available abroad at Rs 160/kg and the landed cost is Rs 187/kg. The domestic cost is Rs 195 -196 kg, after including valued added tax, cess, etc. So import is a much cheaper route in the existing global market conditions.