OUTLOOK-India rubber seen steady as farmers trim supply

MUMBAI, Feb 4 (Reuters) – Indian natural rubber futures are likely to remain steady this week as farmers are holding back produce, hoping for an increase in prices March onwards, while tyre makers are trimming purchases due to lower demand from the auto industry.

At 1039 GMT, the key March rubber contract on the National Multi Commodity Exchange was down 0.1 percent at 16,132 rupees per 100 kg.

"Tyre producers are carrying enough inventories. They are not buying large quantities," said N. Radhakrishnan, a dealer and former president of Cochin Rubber Merchants Association.

"The slowdown in the auto industry is hurting rubber demand from tyre companies. It looks like demand will remain weak for the next few months."

Tata Motors Ltd's vehicle sales in January plunged by 29.5 percent from last year's level.

The spot price of the most-traded RSS-4 rubber (ribbed, smoked sheet) in Kochi, Kerala, rose by 66 rupees to 15,806 rupees per 100 kg.

"Farmers are not in a mood to sell at the current price. They are expecting an improvement in price from March onwards due to a drop in tapping," Radhakrishnan said.

Rubber production in India peaks during the October to January period and starts falling from February.

The country is likely to produce 942,000 tonnes of natural rubber in the current year, up from 899,400 tonnes a year earlier.

A drop in the overseas markets was also putting pressure on local prices, dealers said.

(Reporting by Rajendra Jadhav; Editing by Anupama Dwivedi)