

India's natural rubber imports to drop on weak demand

* Imports to fall on weak demand, higher duty* Tyre cos cut purchases due to slowdown in auto industry* Rubber output seen rising 2 percent on new plantation

By Rajendra JadhavMUMBAI, April 17 (Reuters) – India's natural rubber imports in 2013/14 are likely to fall by a quarter, the first drop in five years, as demand stagnates due to a slowdown in the auto industry and a possible hike in import duties, a senior industry official said. A reduction in imports by India, the world's fourth-biggest natural rubber producer, would put further pressure on Tokyo rubber futures <#2JRU:>, which already hit a five-month low earlier this week. India's imports are likely to fall by 25 percent in the period April 2013 to March 2014 from 216,642 tonnes in the previous year, George Valy, president of the Indian Rubber Dealers' Federation, said in an interview. "The gap between rubber demand and supplies is coming down. Supplies are rising due to the new plantation in north-eastern states, but consumption is stagnant. The slowdown in the auto industry is cutting rubber demand from the tyre industry," he said. Tyre makers are the main importers of natural rubber and the biggest buyers of domestic supplies in India. Other users include manufacturers of gloves, tubes, balloons and toys. India's annual car sales fell for the first time in a decade in the 12 months to March 31 and are expected to post subdued growth this year due to high interest rates and fuel prices. India started the new year with stocks of 266,000 tonnes, nearly 13 percent more than the previous year, data with the state-run Rubber Board showed. In addition, India has been considering raising import duties on natural rubber, and the official order to implement the increase will be issued soon, Trade Minister Anand Sharma said last month. "The government's plan to increase import duty would also deter importers," Valy said. The south Asian country could increase import duties on natural rubber by as much as 70 percent to support falling local prices, two industry sources and one government official said in February. Spot rubber prices in India have fallen 18 percent in a year to 16,100 rupees (\$300) per 100 kg, but they are still higher than prices in exporters Malaysia and Thailand. India's production of natural rubber is likely to rise by more than 2 percent to 932,000 tonnes in 2013/14 as newly planted trees in the north-eastern states are becoming mature enough to tap, Valy said. Farmers in India usually start tapping rubber when the plants are seven years old and continue until they are 30. Natural rubber consumption in the year is likely to remain steady around last year's level of 971,980 tonnes, Valy said. "On the consumption front, things are worrisome. The slowdown in the auto industry has been trimming tyre companies' sales to OEMs (original equipment manufacturers or automakers). They are cutting rubber purchases. Demand will remain weak at least in next few months." (\$1 = 54.2250 Indian rupees) (Reporting by Rajendra Jadhav; Editing by Jo Winterbottom and Jane Baird) Reuters