

## **India: Widening production-supply gap sees rubber imports increase**

Production – Consumption mismatch is continuing in the natural rubber (NR) market and this in turn increases import to the country. According to the latest provisional estimates of the Rubber Board, production dropped 0.5 per cent in April – July period while consumption edged up 1.8 per cent. During the period 238,700 tones were produced as against 240,000 tones in the same period of last financial year. While the cumulative figure of consumption is 330,250 tones as against 324,425 tones. Production of NR for the month of July, increased 2.6 per cent to 66,000 tones compared to 64,300 tones during July 2011. Consumption in July increased marginally at 0.6 per cent to 83,000 tones compared to 82,500 tones in the same month of last year. It is significant to note that the supply – demand gap is widening in the domestic trade of rubber as in April- July period there was an overall shortage of 91,550 tones. In July alone the shortage was 17,000 tones. So the market is desperately in need of more rubber and now this being made up with import from South East Asian region. The Board data said that 76,666 tones were imported during April -July period as against 60,461 tones that clearly indicates the shortage of rubber in the Indian market.

Onkar Kanwar, chairman, Apollo Tyres said: “There is serious shortage for natural rubber due to the slow pace in re-plantation and due to slow pace in the increase in acreage in fresh rubber plantations. Re-plantation is the urgent need of the day, otherwise industry has to depend more on imports.” Companies like Apollo is now looking at taking over plantations in countries like Indonesia and Thailand on lease basis in order to carry on with their production, he added. According to experts there was a marked increase in the demand for rubber during last decade thanks to capacity expansion and Greenfield plants of major tyre companies. But NR production is almost static, giving chance only for incremental increase. It is likely that India would have serious problems on the rubber front as the country require 1.5 million tones by 2015-16, while the production is likely to increase to a range of 1.1 million – 1.2 million tones, they added. According to rubber board sources, India is having a comfortable stock and there will not be a serious shortage in the near future. The board now estimates a stock of 216,000 tones. So they discard the possibility of a crisis on the supply front. But industry sources said that the market is not having such a huge stock and the salable stock would not be over 100,000 tones which is sufficient just for one month. So the market will be on a deep crisis unless, there is serious effort to increase production. Because of the lower price tags in the global market, the rubber based industries, especially the tyre sector, opts for imports. The better quality of imported rubber also adds value to the imports, imported rubber is more suitable for the manufacture of radial tyres, said Satish Sharma, Chief, India Operations, Apollo Tyres. During the year 2011-12 India imported 205,050 tones as against 188,387 tones in 2010-11. As per the current pace, import is likely to cross 250,000 tones at the end of March, 2013.