

India is the fourth largest producer of natural rubber with an 8.9 per cent share in world production in 2008. The country continues to record the highest productivity in the world with an average yield of 1867 kg/ha.

The Indian rubber industry consists of micro, small and medium enterprises. Out of 4500 manufacturers of rubber products, 58 are large-scale, 396 medium-scale, and more than 4000 (90 per cent) belong to the small-scale and tiny sectors. More than 450,000 people are directly employed in the industry.

Recent trends

Production of natural rubber was 631,000 tonnes in 2000-01. The Rubber Board has projected an increase of 4.6 per cent in natural rubber output at 902,000 tonnes for 2011-12 as against 861,950 tonnes in 2010-11. According to the Board, total domestic consumption of rubber would be 977,000 tonnes depicting a growth of 2.9 per cent as against 949,205 tonnes in 2010-11. The value of rubber produced in the country in 2010 was estimated at Rs 147,780 million.

In 2011-12, according to industry estimates, domestic consumption would be 1.08 million tonnes, up 150,000 tonnes, leading to a gap of 189,000 tonnes in the domestic supply and demand. But, the Board projects a shortage of 75,000 tonnes only. The imports contracted by the industry would be around 170,000 tonnes during 2010-11.

Two features of rubber economy are worth noting. First, a large proportion of the gains is cornered by small growers because they account for 94 per cent of the total rubber produced in the country. Second, the difference between the price that the grower gets and the market price is minimal.

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RUBBER: STRETCHING SUPPLY-DEMAND PARADOX

The production of rubber needs to be increased by identifying areas that can be taken up under cultivation.



Cultivation

The total area under rubber cultivation in 2000 was 563,000 hectares. The area rose to over 700,000 hectares during 2010-11. The new areas coming under cultivation have surged more than three-times the estimates made by the Rubber Board. People in the northern parts of Kerala have taken up rubber cultivation in a big way. Planters also take up cultivation of inter-crops like banana, pineapple, ginger, turmeric, vegetables, herbs and tuber crops.

As Kerala accounts for 90 per cent of rubber output, bulk of the created wealth benefits growers of this state. North-eastern states together have a share of 4.6 per cent while Karnataka and Tamil Nadu account for 2.57 per cent and 2.97 per cent, respectively. Rubber is also grown on a limited scale in a few other eastern and western states in India.

Climate change is affecting rubber farming. As warm nights are increasing steadily, rubber productivity is adversely affected. For instance, the productivity of rubber trees in India declined to 1796 kg/ha in 2009 from 1903 kg/ha in 2008. Climate change is an important cause for this fall in productivity.

Exports

Rubber exports from India increased 280 per cent in the April-August 2011 period. Total exports were 12,219 tonnes as against 4364 tonnes in the same period of 2010. Exports suffered earlier because of high prices and inferior quality. In August 2011 exports grew to 1082 tonnes as against 17 tonnes in August 2010. If price is lower by Rs 12-15 per kg, rubber exports may pick up in 2011-12. Of course, India is not a major player in the rubber export market.

Table I
Country-wise Production of Natural Rubber

Country	2009	2010*	Per cent change
Thailand	3,164,000	3,240,000	2.4
Indonesia	2,440,000	2,592,000	6.2
Malaysia	857,000	1,000,000	16.7
India	820,000	895,000	9.1
Vietnam	724,000	770,000	6.4
China	646,000	680,000	5.3
Sri Lanka	137,000	142,000	3.7
Cambodia	34,000	49,000	43.9
Total	8,822,000	9,369,000	6.2

*Estimated

Table II
Gross Area, Production and Yield of Rubber

Year	Tapped area (hectare)	Production (tonne)	Yield (kg/ha)
1960-61	100,000	—	366
1970-71	200,000	100,000	653
1980-81	300,000	200,000	788
1990-91	500,000	300,000	1076
1999-2000	600,000	600,000	1576
2000-01	600,000	600,000	1576
2001-02	600,000	600,000	NA
2005-06	400,000	800,000	2000
2007-08	500,000	900,000	1800
2010-11*	700,000	862,000	1867

*Estimated

Imports

According to the Rubber Board, there would be a reduction in rubber imports in 2011-12. Imports are expected to be of the order of 120,000 tonnes in 2011-12 as against 177,637 tonnes in 2010-11. Also, there might be exports of 50,000 tonnes of rubber in 2011-12 as against 29,851 tonnes in 2010-11. The Board expressed optimism that there would be 271,000 tonnes of stock by March 31, 2012 against 276,110 tonnes at the end of March 2011.

Rubber prices

Rubber advanced to a record \$6768 per tonne in February 2011 as global demand led by China outstripped supply. Also, rains and floods curbed output in Thailand and Indonesia—the largest exporters.

Rubber prices have been indicating a buoyant mood the world over. In India, the price of RSS-4 grade rubber touched an all-time high of Rs 143 per kg in March 2010. The market remained bullish as the supply was short due to lower production in 2009. In fact, none of the natural rubber producing countries holds any buffer stock.

The increase in the prices of crude oil is impacting the cost of production of synthetic rubber in the country. The 2010 budget re-imposed the 5 per cent duty on crude oil import and enhanced the excise duty on petrol and diesel. Also, any increase in the price of synthetic rubber naturally shifts the consumption to natural rubber. This increases pressure on the price of natural rubber.

The domestic prices of rubber rose by almost 50 per cent to a record high of Rs 215 per kg in January 2011. Supply concerns, both at the global and domestic levels, were the major factors behind the sharp acceleration in prices. In India, in 2010, prolonged spell of rains disrupted production of rubber. This led to tight supplies and rising prices.

International prices are at record high levels and are likely to remain so in the near future due to a strong demand. Prices in India are following the international trend. Rubber prices have been on the rise in recent months due to disruption of production in Kerala, which accounts for 90 per cent of the country's production.

However, in August 2011, rubber prices dropped on account of higher output and imports. Rubber price fell from Rs 214 per kg in July 2011 to Rs 207 on August 1, and to Rs 203 on August 13, 2011.

Measures needed

Though rubber productivity is satisfactory, efforts are being made to improve it through the Rubber Plantation Development Scheme in the eleventh five-year plan (2007-12). The scheme provides subsidy on planting, supplies critical inputs with price concession, and assists soil and water conservation and generation and distribution of quality planting materials. The export of rubber is promoted through export promotion schemes, which include participation in international trade fairs, assistance to exporters to participate in trade fairs and organising buyer-seller meets.

However, there is one serious anomaly. There is 70 per cent input duty on latex, while 20 per cent or Rs 20 per kg on rubber. Latex is a wet form of rubber, with about 60 per cent rubber and 40 per cent water. Nearly 900 units (most of them small-scale) use latex for making foam mattresses, surgical and other gloves, balloons and hot water bottles. The high import



Rubber plant

Synthetic Rubber

Synthetic rubber output rebounded in financial year 2009-10, rising 10 per cent to 106,000 tonnes. In 2008-09, production dipped by 9 per cent to 96,739 tonnes.

During 2009-10, synthetic rubber consumption increased to 340,000 tonnes registering a growth of 18.7 per cent against a negative growth of 1.4 per cent in 2008-09. Consumption of rubber by the automotive tyre sector, which accounts for more than half of synthetic rubber use in the country, increased by 28.7 per cent to 238,000 tonnes in 2009-10, against 185,000 tonnes in 2008-09.

The relative share of consumption of natural rubber and synthetic rubber in India changed to 73:27 during 2009-10 from 75:25 during 2008-09. Import of synthetic rubber by the rubber goods manufacturing industry during 2009-10 increased to 250,000 tonnes compared to 190,000 tonnes in 2008-09.

Table III
Rubber Prices: Recent Trends

Year	Quality	Quintal (Rs)	Price index
1983	RSS	1672	100
1993	RSS	2546	153
2002	RSS	4814	289
2011	RSS	23,000	1260

duty of 70 per cent on latex makes their operations uncompetitive. The import duty on latex needs to be in tune with the duty on rubber.

The industry recently sought a hefty increase in the subsidy on rubber output to Rs 100,000 per hectare in the twelfth five-year plan (2012-

17). It urged the government a one-time subsidy of Rs 100,000 per hectare to small farmers for a period of three years for planting rubber trees. The government at present provides a subsidy of Rs 19,500 per hectare on rubber cultivation in the traditional areas (Kerala and Kanyakumari) and Rs 30,000 in non-traditional areas. A hefty subsidy is expected to help increase production in newer areas like the north-eastern states.

Because of rising prices of rubber,

both in domestic and international markets, more growers in India are turning to rubber cultivation. The industry has requested the Rubber Board to increase the acreage of rubber plantation substantially, especially in the North-East. Similarly, non-traditional areas where rubber cultivation could be increased should be identified. ■

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