

## The fall in natural rubber prices in India

Rubber growers protested in front of the Rubber Board HQ in Kottayam, Kerala.

### Details on the Rubber Board

- A statutory body constituted by GOI, under the Rubber Act 1947.
- Responsible for the overall development of the rubber industry in the country.
- Functions under the administrative control of Ministry of Commerce & Industry.
- Chairperson appointed by the Central Govt.

### Overview

- Cost of natural rubber has fallen down to a 16-month low of ₹150 per kg (RSS grade 4) in the Indian market.
- After the price of latex reached its peak during the COVID pandemic due to increased demand from glove makers, the prices of latex have crashed below ₹120.
- Fall in the prices of rubber has impacted the local economy and the income of cultivators who have resorted to protests.

### Present picture of production and consumption of natural rubber in India

- India is the 05<sup>th</sup> largest producer of natural rubber in the world.
  - Thailand is the largest producer of natural rubber.

- But India is the 02<sup>nd</sup> largest consumer of natural rubber in the world.
  - Close to 40% of India's total natural rubber consumption is met through imports.
- Natural rubber production in the country: 8.5 lakh tonnes.
- Consumption: Over 12.9 lakh tonnes.
- Production of increased by about 8.4% during 2021-22 compared to 2020-21.
- Top rubber producing states:
  - Kerala is at the top and other states include Tripura, Karnataka, TN, Assam and other NE states.
- On the demand side, consumption in the country increased by nearly 12.9% in 2021-22 compared to 2020-21.
  - Out of the total consumption, the auto-tyre manufacturing sector constituted about 73.1%.

### Factors led to price-drop

- Reduced Chinese demand:
  - China's "zero-Covid strategy" to drive down the number of Covid-19 cases by imposing strict lockdowns, closing borders, imposing travel bans
  - Has severely impacted the prices of rubber as China consumes nearly 42% of the global volume.
- European energy crisis
- High inflation

- Increased imports:
  - Domestic tyre industry has ample stock in its inventory mainly in the form of block rubber from the Ivory Coast and compounded rubber from the Far East.

### Effects of price-drop

- Exposed the vulnerabilities of small and medium scale rubber cultivators.
- Triggered panic in Kerala, which constitutes close to 75% of the total production.
- Forced the cultivators to pause the production of natural rubber.
- Might lead to crop switch or fragmentation of the rubber holdings in the long term.

### What are the farmers' demanding?

- Central Govt increase the import duties on latex products and compound rubber by either 25% or ₹30 per kg to bring it on par with natural rubber.
- State Govts increase the replanting subsidies.
  - Also increase the support price for rubber under the price stabilisation scheme to ₹200 from ₹170.

### Response of the board

- Price fluctuations are a cyclical phenomenon and believes that the estimates of an acute shortage of rubber 07 years from now on
  - Account of slow replanting in place of old trees in existing plantations will balance the prices.