

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:3195

ANSWERED ON:07.08.2015

Decline in Rubber Price

Chaudhury Shri Jitendra;Karunakaran Shri P.;Mohammed Shri Faizal P.P.;Thomas Prof. Kuruppassery Varkey

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- a) the production, consumption/demand, export and import of Natural Rubber (NR) and Synthetic Rubber (SR) and foreign exchange earned thereby during each of the last three years and the current year indicating the country's share in world's total production and export of NR and SR, State/UT-wise and country-wise;
- b) the present gap between demand and supply of both NR and SR in the country and the measures taken to bridge it;
- c) whether the Government has taken note of fall in price of rubber in both domestic and international markets in recent years and if so, the details thereof indicating its price in both domestic and international markets during the said period along with the reasons for such fall and its impact/annual loss to the farmers thereby;
- d) whether the Government has received representations/requests/proposals from various quarters including Kerala and other States against fall in its price and for financial assistance under the Price Support Subsidies Scheme to help distressed rubber growers and protect their interests, if so, the details thereof along with the reaction of the Government thereto;
- e) whether the Government has constituted any committee to examine the demand of rubber industry to import rubber to check rubber price and if so, the details thereof; and
- f) the other measures taken by the Government to check decline in rubber price, mitigate the plight of rubber growers and to boost production and export of rubber?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (INDEPENDENT CHARGE) (SMT. NIRMALA SITHARAMAN)

(a): Natural rubber (NR) and Synthetic Rubber (SR) produced, consumed, exported and imported during each of the last three years and the current year and the foreign exchange earned thereby during the each of the last three years are given at Annexure – I & II respectively. India's share in world's total production and export of NR and SR (%) is given below:

NR SR

Year 2012 2013 2014 2012 2013 2014

Production 7.9 6.5 5.8 0.7 0.7 0.8

Export 0.2 0.3 Negligible Negligible Negligible Negligible

Data relating to share of States in export is not maintained. Country-wise export of Natural Rubber and Synthetic Rubber is given at Annexure – III & IV respectively.

(b): Provisional NR production and consumption estimates indicated a deficit of 375,910 tonne in 2014-15. Projected deficit of NR during 2015-16 is 306,000 tonne. Provisional SR production and consumption estimates in rubber sector during 2014-15 were 151,891 tonne and 536,130 tonne respectively.

Government implements the scheme of "Sustainable and inclusive Development of Natural Rubber Sector" which includes components for promoting expansion of area under rubber, enhancing productivity, and supporting activities for research and development. Under the Scheme, financial assistance is provided for new planting and replanting of rubber plantations in Kerala and Kanyakumari district of Tamil Nadu to small growers having land upto 2 hectares at the rate of Rs. 25000 per hectare. In areas of North East and other non-traditional region, the support is available at the rate of Rs. 35000 per hectare to growers.

Government has also framed scheme for Rubber development in the states of North East and Left Wing Extremism affected areas and shared with the concerned state governments.

The import/export of various varieties of synthetic rubber is free. The manufacturers produce synthetic rubber depending upon the prevailing demand-supply scenario in the country.

(c): Natural Rubber (NR) prices have been declining during the recent years. Price of NR (benchmark RSS 4 grade) in the domestic market which averaged Rs. 208.05, Rs.176.82, Rs 166.02 and Rs 132.57 per kg in 2011-12, 2012-13, 2013-14 and 2014-15 respectively, averaged Rs 125.37 per kg in July 2015. The main reason for the fall in rubber prices in India is the slide in prices in the international markets. Average price of RSS 3, the equivalent grade of Indian RSS 4 in Bangkok market, was Rs 106.22 per kg in July 2015. Average price of block rubber, the major form of rubber imported into India, was only Rs 91.80 per kg in Kuala Lumpur market in July 2015. The main reasons for the decline of rubber prices in the international market inter alia are moderating economic growth in China, slow recovery in the US and Europe and consequent weak demand for NR, low level of purchase of rubber by China, increase in world stock of NR, projection of a surplus situation in world rubber market in 2015 and 2016, and low oil prices and resultant low prices of synthetic rubber.

Average prices of major grades of rubber in domestic and international markets are as under:-

Prices of NR in the domestic and international markets (Rs./Kg)

Sheet rubber Block rubber Latex (60% drc)

Year/ Month Domestic

(RSS 4 Kottayam) Internati-onal

(RSS 3 Bangkok) Domestic

(ISNR 20 Kottayam) Internat-ional

(SMR 20

Kuala Lumpur) Domestic

(Kottayam) Internat-ional

(Kuala Lumpur)

2012-13 176.82 175.76 168.17 160.89 117.72 111.64

2013-14 166.02 155.25 156.43 137.14 123.31 101.06

2014-15 132.57 112.71 114.40 96.04 94.46 77.07

April 2015 120.58 108.19 104.05 87.56 84.12 72.03

May 125.10 118.09 112.70 97.12 102.29 80.42

June 130.98 118.13 120.45 100.72 116.49 86.15

July 125.37 106.22 113.26 91.80 109.81 74.42

Annual loss to farmers due to decline in rubber prices is not assessed. However, the estimated value of NR production declined from around Rs 12,000 Crore in 2013-14 to around Rs 8000 Crore in 2014-15. This decline in value of NR production was due to decline in rubber production and prices.

(d) & (e): Representations were received from the Chief Ministers of Kerala and Tripura regarding fall in rubber prices. The demands were mainly for restricting import of NR, enhancing its import duty, assisting small growers, increasing consumption of rubber etc. Government of Kerala requested the Finance Minister of the Government of India to support the price support scheme for rubber growers announced by the Government of Kerala.

Government of India constituted an Expert Committee on June, 2014 under Department of Commerce, Ministry of Commerce and Industry to examine issues relating to production, development and exports of rubber and related products and make recommendations for a broad based policy relating to all types of rubber i.e. Natural Rubber (NR), Synthetic Rubber (SR) and Reclaimed Rubber (RR). The Committee has not submitted its final report on the national Policy on Rubber.

(f): Steps taken by the Government to mitigate the plight of rubber growers against price fall inter alia, include, reducing the export obligation period from eighteen to six months for natural rubber from the date of clearance of each consignment under Advance Authorisation/DFIA Schemes, and increase in the import duty on dry forms of NR from "20% or Rs 30 per kg whichever is lower" to "25% or Rs 30 a kg whichever is lower" with effect from 30 April 2015.
