CURRENT SCENARIO AND PRIORITIES FOR THE FUTURE

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1. Area, Production and Productivity of NR

The low prices that prevailed in the Indian NR market since 1996 has had an adverse effect on rubber production in the country. Though area increased in absolute terms from 559,000 hectare in 1999-2000 to 567,000 hectare in 2001-02, the rate of growth was on the decline during the last three-years. The rate of growth in area was only one percent during 1999-2000 and 0.7 percent each during 2000-01 and 2001-02 as against the average annual growth of 2.1 percent attained during the period from 1990-91 to 1998-99. Similarly, the growth rate of rubber production which was 2.9 percent during 1999-2000, declined sharply to 1.3 percent during 2000-01 and 0.2 percent during 2001-02. The production of natural rubber was 631,400 tonnes during 2001-02 as against 1999-2000. For non-adoption of short-term yield enhancement measures during the last three years due to the low prices by the dominant small holding sector coupled with adverse climatic conditions, the productivity did not make any considirable increase during the last three-years. Productivity of NR measured in terms of average yield per hectare, remained stagnant at 1576 kg/ha during the last three years.

The production and productvity of NR in the country during the three year period from 1999-2000 to 2001-02 is given in Table 1.

2. Consumption

After two years of sluggish performance though the rubber goods manufacturing sector registered some recovery during 1999-2000, the growth did not sustain thereafter. The demand growth of NR declined sharply to 0.5 percent during 2000-01 and then showed a marginal increase of 1.1 percent during 2001-02 from 6.2 percent attained during 1999-2000. The decline is mainly attributable to a slow down in the industrial growth in the country and the consequent slackness in the automobile industry, which is the dominant end use segment of NR in the country. The tyres and tubes of automobiles and cycles and tyre retreads account for as much as 65 percent of the consumption in India. During 2001-02 the Indian rubber goods manufacturing industry consumed 638,210 tonnes of NR as against 631,475 tonnes during 2000-01 and 628,110 tonnes during 1999-2000. The consumption of NR in the auto-tyre manufacturing units posted a negative growth of 0.4 percent during 2001-02 as against the negative growth of 1.7 percent during the year 2000-01.

3. Import and Export of NR

With effect from April 2001, Quantitative Restrictions (QRs) on import of NR into the

Table 1 : PRODUCTION OF NR

	Production		Productivity (kg per ha)
	('000 tonnes)	Growth (%)	
1999-2000	622	2.9	1576
2000-01	630	1.3	1576
2001-02	631	0.2	1576

country have been removed. Prior to that NR was included in the Negative List as a restricted item of import. Owing to the removal of the restrictions and also for the reason that the international rubber prices remained very low, import surged to 49,590 tonnes during 2001-02 as against 8,970 tonnes during 2000-01. Though the export of NR had increased from 5,989 tonnes during 1999-2000 to 13,356 tonnes during 2000-01, it declined to 6,995 tonnes during 2001-02 owning mainly to very low international prices. However, during the current year till August a quantity of 14,000 tonnes of NR has been exported. The total export during the current year is expected to be in excess of 33,000 tonnes.

4. Processing & Marketing

The natural rubber processing industry in the country has been evolved to cater to the requirements of a captive domestic market. The NR processing sector has been dominated by the sheet grades accounting for more than 72 percent. In the emerging scenario, with the removal of the quantitative restrictions, the processing sector has been increasingly under serious compulsions to face the challenges posed by the potential cheaper imports. Therefore, priority will have to be given to quality improvement and for reducing the cost of processing for all different marketable forms of rubber to be globally competitive. While group processing system has to be supported to face the challenges, the energy intensive block rubber processing sector calls for serious policy level attention as many of the existing units appear to be handicapped by both organizational and operational deficiencies leading to explicit and implicit constraints to achieve competitiveness in cost and quality. Therefore, modernisation of the processing units has been taken up on a priority basis to improve the qulaity of rubber and reduce its cost of production. India will have to enter the international market with exports of high quality latex, sheets and block rubber.

Information generation, trend analysis and market watch for both raw rubber as well as rubber products will be given thrust. As there is a compelling need to generate information for the benefit of various stakeholders, special thrust is given to strengthening the insfrastructure for market research.

Owing to the difficulty in storing rubber without quality deterioration, small farmers are very often forced to resort to distress sale. To mitigate the same, the Rubber Board proposes to set up village level storage facilities on a cost-sharing basis between local bodies, Rubber Producers Societies and the Rubber Board.

5. Price of Natural Rubber

The domestic price of natural rubber declined drastically over the last five years due to the continued slump in demand and untimely imports, which resulted in an excess supply situation of NR since 1997-98. As a consequence of the surplus stock in the country and the down trend that prevailed in the international market, the price of NR in the domestic market declined from November 1996 and this trend continued upto February 2002 with occasional ups and downs. The price of RSS-4 grade rubber, the grade mainly used by automotive tyre manufacturers, which averaged at Rs. 49.01 per kg. during 1996-97, declined to Rs. 35.80 per kg. in 1997-98. Thus further declined to Rs. 29.94 per kg. during 1998-99 but increased

Table 2 : CONSUMPTION OF NR

	Automobile tyres and tubes		Aggregate	
	Consumption ('000 tonnes)	Growth (%)	Consumption ('000 tonnes)	Growth (%)
1999-2000	310,870	10.6	628,110	6.2
2000-01	305,718	–1.7	631,475	0.5
2001-02	304,425	–0.4	638,210	1.1

marginally to Rs. 30.99 per kg. during 1999-2000 and further declined to Rs. 30.36 per kg. during 2000-01.

A major development in the Indian NR market was the notification of minimum prices for NR by the Government of India at Rs. 32.09 per kg. for RSS-4 grade and Rs. 30.70 per kg. for RSS-5 grade, effective from 12th September, 2001. However, themarket crossed the minimum notified price only at the end of March, 2002.

In the international market, the rubber prices have shown signs of recovery since January, 2002. The FOB Kuala Lumpur price for RSS-3 increased to Rs. 4,047/- per quintal during June, 2002 from Rs. 2,475/- in December, 2001. The three major natural rubber producing countries, viz., Thailand, Indonesia and Malaysia have decided to cut down natural rubber production by 4% and reduce their exports by 10% from January, 2002. This decision had some impact on the international rubber market prices. Further, the developed countries such as USA and Japan which had been in the grip of economic slow down, have now shown some improvement in their business activities. This, coupled with the fact that there has been substantial increase in the consumption of rubber in China, has helped to spur the global polymer demand thereby increasing the international price of natural rubber.

The increase in international prices has an impact on the domestic rubber market, as usually the domestic prices move in tandem with the inernational prices. The average price of RSS-4 grade rubber in March, 2002 was Rs. 32.14 per kg. which further improved to Rs. 33.89 per kg. during April, 2002 and Rs. 39.79 per kg. during June, 2002. Though the price marginally declined in July and August, the price as on 29th August, 2002 was Rs. 37.50 per kg. of RSS-4 grade.

During the five-year period 2002-7, the Rubber Board proposes to implement shcmes *inter alia* for improving processing, quality upgradation, product diversification, market development etc. with the following objectives :

- Global competitiveness in quality and cost.
- Improving the economic viability of rubber plantation.
- Market development.
- Increase in consumption of rubber by product diversification including non-conventional applications.
- Promotion of rubber wood as an eco-friendly timber.
- Environmental aspects of rubber production, processing and applications.
- Socio-economic development through Rubber Board.

In spite of India's highest reported average productivity of NR in the world, even now more than 40% of the small holdings yield less than 1000 kg. per hectare. R & D inputs and specific extension packages are required to enhace productivity in such holdings as competitiveness in cost and quality is the prime guiding factor determining the feasibility of NR production in the context of globalisation. The economic viability of the plantation ultimately sould receive thrust, which is particularly important considering the socio-economic dimensions. Ancillary income generation activities need further promotion leding to large-scale adoption. The hitherto less focussed byproduct, rubber wood, needs more attention for better processing and marketing as an alternative timber. There is tremendous scope for value addition in this sector, besides its role in saving rain forests. Similarly the multifarious benefits of NR, including the non-marketable value in terms of its eco-friendliness, will have to be made use of in broadening the use of NR.

To sum up in the context of the WTO mandated trade regime, the strategies will have to focus on value addition, product diversification both in the forms of processing as well as manufactured products. Such an initiative calls for identification of products with locational advantages and appropriate strategies for export oriented and import substituting products technological upgradation and product innovation for ensuring competitiveness and quality will be the prime concerns to ensure the desired results.