

## **An Inquiry into the Trend, Volatility and Factors Affecting the Natural Rubber Prices in India**

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*Rubber trees were known to offer financial growth inclusive to all economic classes of farmers. The price of natural rubber started exploding in the early 2000s. However, there has been a substantial decline ever since 2012. The increased import of natural rubber and dependence of synthetic rubber by the domestic tyre manufacturers negatively impacted the domestic natural rubber market. The price decline was -66.97 per cent between 2012 and 2018. The volatility of the rubber price in the Indian market has been 52.55 per cent since 2000. International rubber price, domestic production and import of natural rubber significantly influence the domestic natural rubber prices.*

### **I Introduction**

The British introduced a new plant named Para Rubber (*Heva brasiliensis*) into the Indian soil. Rational peasants of Kerala started growing rubber extensively, rooting out other crops from their land and heart. Rubber occupies an area of 14 per cent of the total mainland of Kerala today. The financial security it offered was inclusive of all socio-economic classes: 90 per cent of the rubber growers are small and marginal farmers (Joseph and Kumar 2016). However, the fortunes it offered seems to be fading, the dreams of the farmers are withering away after the price crash from 2012. More than 1.2 million people involved directly and over five million people involved indirectly were affected by the price crash. After 2012 there was not a notable increase in the price of natural rubber, neither making it viable for many farmers to continue production nor incentivising them to continue in rubber growing. Natural rubber production declined by 24.05 per cent during the period from 2012 to 2018. Farmers unwilling to supply at lower prices reduced production. Kerala government's minimum support price of ₹ 150/- introduced in 2016 saved the national figures from sinking further. The spectre of price decline is haunting not just the rubber growers but the domestic economy too, mainly Kerala economy since more than 70 per cent of the national production of natural rubber is from Kerala (Rubber Board 2018).