

THE TREND AND PATTERN OF NATURAL RUBBER PRICE IN INDIA : AN EXPLORATORY ANALYSIS

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Annual average price of natural rubber (NR) in India during the 27 year period from 1968-69 to 1994-95 was analysed with the objectives of delineating the trend, identifying the different phases and direction of price movement and the contributing factors. NR price in India did not show any significant pattern of consistent movement towards a particular direction in the long run. Two broad phases (1968-69 to 1984-85 and 1985-86 to 1994-95) of NR price movement were identified based on the observed trend. Wide but less frequent fluctuations and mild but frequent fluctuations were the characteristics of the first and second phases respectively. Among the different economic variables, viz., production, consumption, stock, import and world price of NR, the production of NR was found to be the most significant variable influencing the price. Significant statistical relations were not discernible with import and world price. Role of the non-quantifiable factors in price determination could not be ascertained, and therefore, a price forecasting based on the empirical modeling is less likely to approximate reality.

Key words : Natural rubber, Price trend, Import, India.

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INTRODUCTION

The vagaries of market arising from disequilibrium of supply and demand bear serious implications on the net income of the producers of perennial crops compared to annual crops. An important factor contributing to price fluctuations of perennial crops is borne out of its relatively inelastic supply in the short run. Studies on the price behaviour of perennial crops assume added significance due to higher investment, gestation period, span of economic life and secular trend in prices. Though there are substantial differences in the form and content of the international price stabilisation schemes evolved during the inter-war and post-war periods for the selected perennial crops exported from developing countries, the unique factor behind the schemes was a secular decline in

real prices. Natural rubber (NR) is one among the perennial crops subjected to price stabilisation schemes (Corea,1992) under various historical contexts.

However, the political economy of change in the control over production, markets and consumption of NR and its implications on the international and country specific behavioural patterns of price movements are not subjected to detailed analysis both at the analytical and policy levels. The available studies on NR prices are broadly confined to empirical analysis of the secular trend rather than examining in detail the contributing factors encompassing inter-year and intra-year fluctuations. An analysis of the price behaviour of NR in the Singapore market showed a statistical regularity in its movement in the long run. However, forecasting based on