

UNCERTAIN PRICES AND SEGMENTATION OF MARKET AS A SURVIVAL STRATEGY: THE CASE OF LATEX PROCESSING INDUSTRY IN INDIA

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Historically, price movements of all forms of natural rubber in India have been either directly or indirectly linked to the trends in the price of the dominant RSS 4 grade. Under the protected price policy regime, the prevailing interlinkages among the prices have ensured comparative stability and margins at various stages. The price movements of all forms of processed/unprocessed rubber including preserved field latex (PFL) and centrifuged latex (CL) have also been based on the price movements of RSS 4. However, instability in the RSS 4 prices consequent to the trade policy reforms since the early 1990s led to important structural adjustments in the domestic market. As a survival strategy, the latex processing industry has gradually delinked PFL price from RSS 4 and linked to CL price in order to protect the margins since the mid 2000s. The preliminary observations of the study highlighted the crucial role of the growing narrowness of the domestic market due to the significant growth in the import of latex based value added products rather than the import of CL for the segmentation of the latex market. Hence, a two pronged strategy of rehabilitating the latex based manufacturing segment so as to ensure commensurate rate of growth in latex consumption and rejuvenating the latex processing industry to reinforce the focus on exports is suggested.

Keywords: Centrifuged latex, Latex processing industry, Preserved field latex

INTRODUCTION

Historically, the three important factors which had a strong bearing on natural rubber (NR) price movements in India had been: (i) growth of a large and diversified captive domestic market since the late 1930s, (ii) protected price policy regime since 1942 to 1991-92 and (iii) dominance of dry rubber products in the rubber products manufacturing sector (George and Joseph, 1992; George, 1999;

Mohanakumar and George, 1999). The persistent dominance of the dry rubber products manufacturing sector and the growth of a captive domestic market during the past eight decades had important implications for the relative status of various forms of processed NR and the price movements [Among the various forms of processed NR in India, the combined share of ribbed smoked sheets (RSS) was more than 71 per cent during 2010-11 (Rubber Board, 2011)]. Conversely, the relative share