

The review of the local and international scenario of the rubber industry

Rubber industry of Sri Lanka

Rubber production and consumption

The natural rubber (NR) production of the country in the year 2020 has increased by about 0.4% from the previous year to 75,000 tonnes. This could be attributed to the moderate recovery of NR prices at the market at the end of the year 2020 and the slight improvement of the vehicle industry at the end of the first Covid-19 wave. When compared to the values in 2018 and 2019, moderate improvement of rubber prices was observed at the end of the year 2020 except for the reduction in the first quarter in the same year. However, total NR consumption in the country has estimated at 111,000 tonnes which have been attributed to a 1.3% decline against the previous year. This reduction has mainly driven by the impact of Covid-19 during the first half of the year. The production of most of the industries has halted or interrupted during this period. The anticipated local rubber production is about 83,000 tonnes in the year 2021 while it is about 122,000 tonnes for the expected NR consumption. Table 1 gives a summary of local NR production, consumption and international trade statistics.

Table 1. Summary of key natural rubber indicators from 2019-2020

Year	NR Production	NR Consumption	Raw Rubber Export		Finished Products Earnings (US \$ Mn)
			Quantity (Tonnes)	Value (US \$ Mn)	
2019	74,700	112,500	13,003	23.64	889.1
2020	75,000	111,000	15,766	30.06	783
2021 ^a	83,000	122,000	-	-	-

^aAnticipated amounts

Rubber extent

The total extent of rubber lands in the country at the end of 2020 has been recorded as 138.3 thousand hectares with about 75-80% under tapping. Accordingly, there has been a slight increase in rubber extent from the previous year.

NR exports and imports

Sri Lanka has exported around 15,766 tonnes of natural raw rubber in the year 2020 against the year 2019, which was 13,003 tonnes of exports. Moderate recovery of raw rubber prices at the international market and reduction in raw rubber local consumption would have attributed to this improvement. Sri Lanka has sent 5,167 Tonnes of raw rubber to the international market during the first three months of the year 2021. This is approximately 38% improvement concerning the first three months in the year 2020. Concerning raw rubber imports to the country, Sri Lanka has imported 45,647 tonnes of natural raw rubber in the year 2019 and it has further increased up to 48,627 tonnes in the year 2020. Concerning the imports in the first three months, the quantity of imports has declined from 19,557 (year 2020) tonnes to 14,357 tonnes in the year 2021 against the previous year.

Rubber manufacturing sector

Earnings through raw rubber exports were US \$ 30 million in the year 2020 against US \$ 23.6 million in the year 2019. Export earnings from finished products were recorded as US \$ 783 million in 2020, showing a reduction of about 12% against the previous year. Export earnings from semi-processed rubber have reported as US \$ 0.3 million in the year 2020, while it was Rs.0.4 million in the year 2019. Accordingly, total export earnings from the rubber industry remained at US \$ 813 million showing an 11% reduction from the previous year. Sri Lankan finished rubber products export industry has obtained a remarkable improvement via reporting a 29% of improvement of total foreign exchange earnings in the first three

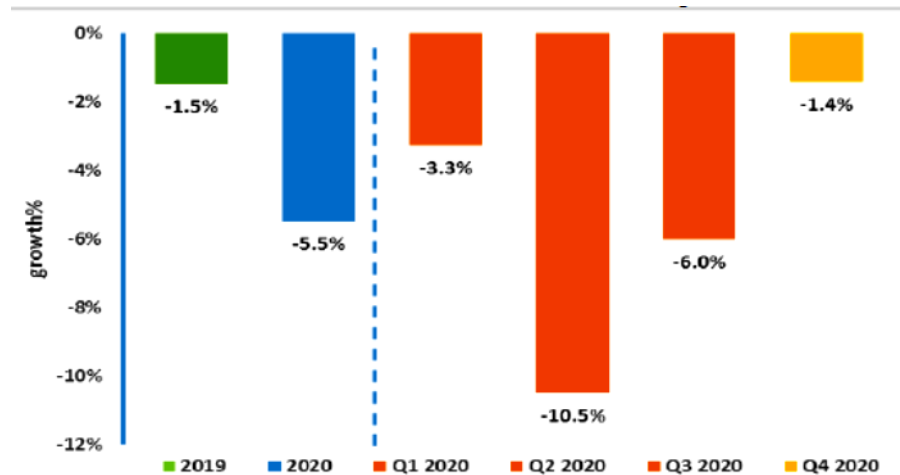
months against a similar period in the year 2020. Finished products earnings in the first three months of the year 2021 were US\$ 249 million.

Global rubber industry review

Natural rubber supply

Total world NR production decreased to 12,782 thousand tonnes in 2020 against the year 2019, which was around 13,841 thousand tonnes. World NR production has decreased by 7.6% according to ANRPC statistics. This is mainly due to the Covid-19 impacts in the major markets in the Asia Pacific region during the mid of year. The snapshot of global natural rubber production growth is given in Figure 1. Anticipated global NR production is 13,653 thousand tonnes in the year 2021.

Figure 1: Global natural rubber production growth



NR average yield:

Yield per hectare has declined in ANRPC member countries including Sri Lanka except for Cambodia in 2020. The expansion in the mature area reflects the large-scale planting undertaken during the period from the year 2005 to 2012. The average annual yield of Sri Lanka has been recorded as 642 kg/ha/year in the year 2020 while it was 658 kg/ha/year in the year 2019.

Global NR demand:

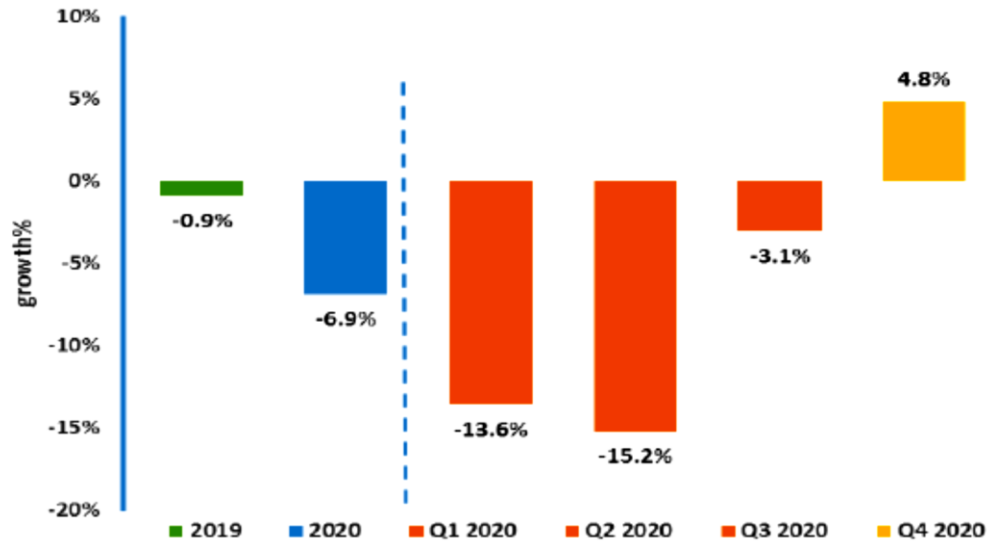
Total NR demand was estimated as 12,827 thousand tonnes in 2020 showing a 6.3% decline from the previous year. This showed a reduction of the supply-demand gap of rubber which was about 875 tonnes of NR during the reference period. The improving global economic activities have scaled up the outlook on the demand for NR. Global consumption of NR is anticipated to increase 6.7% to 13,700 thousand tonnes in 2021 following the 7.8% fall in 2020. The consumption in China in 2021 is anticipated at 5,800 thousand tonnes reflecting a 4.1% rise as against the 2.4% fall posted in 2020. The US is anticipated to consume 1,000 thousand tonnes during 2021, representing a 23.5% increase as against the 19.3% decrease in the previous year. The global NR consumption trend is shown in Figure 2.

World NR price movement

Despite the declining trend prevailed in most of the market starting from the year 2011 to 2018, prices experienced a gradual increase for the period of 2019 to 2020. global rubber prices were slightly higher throughout the year 2020 except for the first quarter. In Sri Lanka, the annual average RSS3 price in 2020 was US\$ 1.86 per kg which was remained at the same value in the year 2019. The average price of RSS3 was recorded as US\$ 1.74 in Bangkok against the previous year average value of US\$ 1.66. Average Indian

RSS4 has decreased to US\$1.82 from US\$ 1.89 per kg against the previous year. According to the predictions of ANRPC countries, global natural rubber prices are likely to improve due to the global economic recovery and higher demand from the major consumers in the world. The Colombo Auction rubber prices has further improved in the first three months of the year 2021 and the average price of L.Crepe1X of is around US\$ 3.1 per kilo while it is US\$ 2.34 for the RSS1.

Figure 2. Global NR consumption growth



(Sources: Sri Lanka Custom, ANRPC, IRSG)