MARKETING OF NATURAL RUBBER : A HISTORICAL REVIEW

I N Samarappuli

A market evolves to satisfy the basic need for the exchange of goods and services between producers and consumers. The Natural Rubber (NR) marketing system has developed through the evolutionary process with the growth of the producing countries. The environment in which the worldwide NR industry develops has undergone great changes and upheavals responding to changing technologies in the producing and consuming countries and external influences that have their origins in socio-economic-political changes. Major changes have been taking place not only at the production arena but also at the consumption end, thereby exerting much pressure on the marketing system that acts as a buffer.

The number of NR rubber producers and consumers involved in the rubber industry are not only large and scattered, but also, separated by long distances. Thus, the middleman provides a useful linkage between the producer and the consumer by providing services and facilities in a manner that will expedite the flow of the commodity in the form, at the time and the place so required. These services and facilities include credit and finance, stockholding, further processing, grading, packing and above all risk bearing. This system that links all major producers' markets with consumers' markets has taken a truly international character both in terms of establishment of market prices and the provision of facilities for trading according to the view of some experts in this field. They often claim that it has successfully survived the test of time and has usefully and effectively complemented the NR producing countries and consuming industries worldwide. Consequently it is of great interest to trace the manner and the extent to which the marketing system has reacted to such changes, both internal and external in nature.

The marketing system began in a modest manner and through trial and error with the transfer of seedlings in 1976. As the global industry grew and expanded steadily in South-East Asia, the marketing system gradually expanded its network. providing services that assisted in the orderly transfer and movement of the commodity from producers to consumers throughout the world. The volume of trade involved rose tremendously from less than fifty tonnes in the beginning of the century to more than five million tonnes today. The bulk of the 15 million metric tonnes (Mn. MT) of present global rubber production is split between five main consuming regions: Asia Pacific, North America, West Europe, East Europe and other parts of

the world (Figure 01). In general, regional consumption of synthetic and natural rubber follows the 2 : 1 ratio. However, this ratio is violated in two regions. Firstly, in Asia, where much of the world's NR is grown, the proportion of NR used is about 70 percent. This is higher than the global average, as it appears economically much more beneficial to consume a locally available or cheaper resource (produced in the same or adjoining countries) than to spend cash on expensive imports. Secondly, East Europe, where the political and economic climate (former) has withheld the use of NR. Hence, approximately 90 percent of the rubber used in this region is SR.

Some of the significant changes that have taken place in the NR industry, over the past three decades both in global and local arena are summarized in Table 01. The world production and consumption of NR has increased from nearly 2000 Mn. MT to over 5000 Mn. MT whereas the share of NR in the world rubber market has dropped from 53% to 34% over the same period. Nevertheless, the real price of RSS 1 in both 1960 and in 1990 has been approximately identical. At the domestic level the rubber production has marginally increased from 97.3 to 113.7 Mn. MT. On the contrary the share of world market, total exports and rubber hectarage have decreased by 51%, 10% and 26% respectively. Yet, the average yield per hectare has increased remarkably by 82% from 426 Kg to 773 Kg particularly due to adoption of high yielding clones and better management practices. Moreover, the cost of production has increased by 33% whereas the market price has ironically decreased by 14%.

It is therefore evident that despite the enormous progress achieved, particularly in global production and domestic yield levels the mounting inflation over the period had adversely affected the rubber producers.

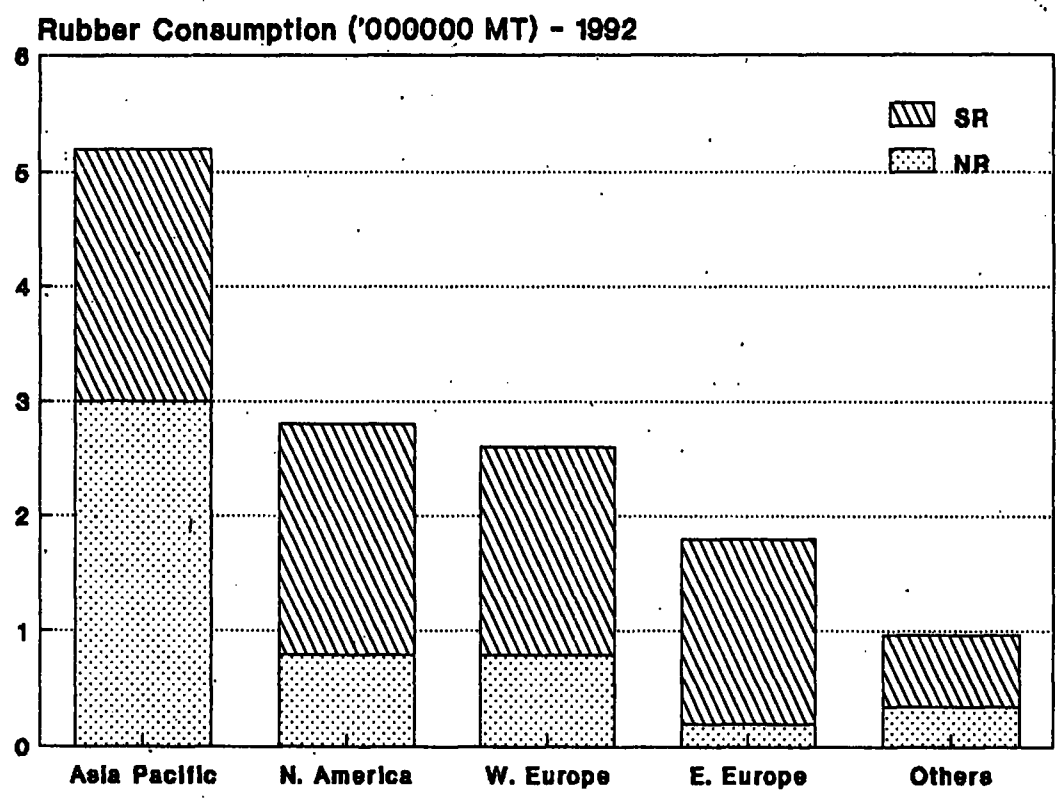

Fig. 01 World Rubber Consumption among Major Rubber Consuming Regions

Table 01. *NR Positions in 1960 and 1990*

Item	Unit	1960	1990	% Change over 1960
World				
NR Production	'000 MT	2147	5210	142
NR Consumption	'000 MT	2065	5230	153
NR Share of elastomer market	%	53.3	34.2	-36
RSS 1, dealer's spot price	Rs/Kg	3.88	4.0	3
Sri lanka				
Production	'000 MT	97.3	113.7	17
Share of world's NR production	%	4.5	2.2	-51
Exports	'000 MT	96.5	86.7	-10
Area	'000 ha	270	199	-26
Yield (Average)	Kg/ha	426	773	82
Cost of production	Rs/Kg	1.59	2.12	33
fob price, Colombo RSS 1	Rs/Kg	3.48	3.51	1
Auction price, Colombo RSS 1	Rs/Kg	2.63	2.27	-14

Sources:

Central Bank of Sri Lanka

Rubber Research Institute of Ceylon

Rubber Statistical Bulletin, various issues

Ministry of Plantation Industries

Note : All prices are adjusted according to 1952 = 100