

## **RUBBER MARKETING AND RELATED PROBLEMS IN THE MONERAGALA DISTRICT**

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### **ABSTRACT**

*Marketing in macro sense can be referred to as all the activities involved in moving a product from the manufacture to the ultimate consumer. Rubber marketing is of no exception. As most of the studies on marketing of smallholder rubber were confined to the traditional rubber growing areas, this study attempts to shed light on some of the important issues about smallholder rubber marketing in the Moneragala District. It is revealed that the same malpractices that prevail in other areas such as purchase in bulk, large margins kept by middlemen, indebtedness of smallholders to the traders etc. prevail in the Moneragala area as well. In addition to these issues of operations in producer-middlemen interface, this paper discusses some of the issues associated with processing such as condition of smoke houses, adoption of correct processing practices etc. that affect the quality of the rubber sheet and thus ultimately the income of smallholder farmers.*

### **INTRODUCTION**

Rubber in Sri Lanka is a smallholder's crop. Approximately 65 percent of the extent under rubber belongs to the small and medium estate sector. With the advances in prices in the recent years, it is expected that the incomes of these smallholders to increase. Such income rises in the smallholder sector are of interest to all those who are interested in the rubber sector as future supply of rubber will largely depend on the supply from the smallholdings. The demand for raw rubber within the country is increasing continuously and if the country is not in a position to supply the demand, these manufacturing industries may have to import all their raw rubber, losing valuable foreign exchange of the country. Thus, the survival of the smallholder sector is important. With this background the Government has introduced a rubber expansion programme in Moneragala district where interference from rain for rubber cultivation is low.

One of the reasons for failure of new projects is poor planning. Further, very little attention is paid to marketing aspects too, in many instances. Hence, this study is aimed at some important issues related to marketing, employing both participatory and survey approach. In this regard, investigating how the intermediaries handle the output produced by the smallholders is an important task. Whether the smallholders get the price determined at the auction, is there any constraints in processing that

leads to a low quality product, reducing chances of getting a higher price in the market, is there a suitable marketing channel through which the raw rubber moves from the producers to the rubber products manufacturers are among the major hypotheses to be tested. Thus, this study provides an insight to these issues for the benefit of the policy makers who have the difficult task of making the right decisions.

## METHODOLOGY

Data collected for the study "Strategies for enhancing the productivity in smallholder units of non-traditional rubber growing areas as an initiative to address poverty" were used in this article to describe existing situation in the smallholder rubber marketing system. Data gathering involved two approaches. First, is the conventional survey method where a pre-tested questionnaire was used. Second, a Participatory Rural Appraisal (PRA) approach was followed to gather qualitative data. A PRA technique known as mobility mapping was employed here. Data were collected during June 2003 to May 2004. Details of selected sites for data collection are described in 'Level of awareness on recommended practices in rubber smallholdings in the Moneragala District' in this issue by Wijesuriya *et al.* (2005) in this issue of the bulletin. Also, the study used data from a survey of 113 smoke houses in the area in the latter part of the year 2003.

## RESULTS AND DISCUSSION

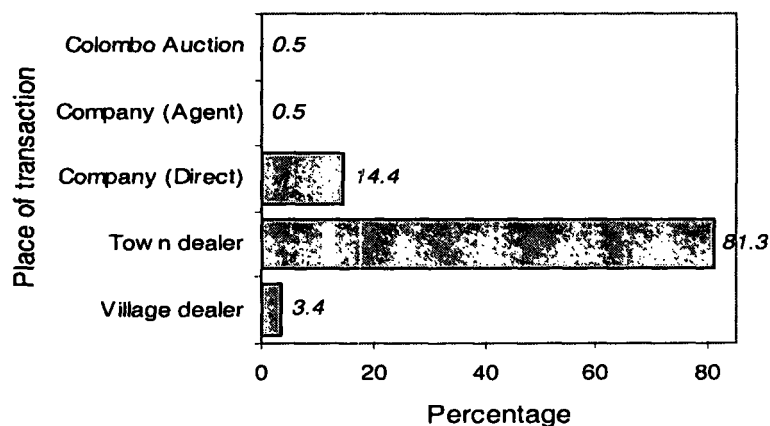
### **The rubber supply from the smallholders in the Moneragala district**

There was about 531 ha of rubber lands with extents less than 20 ha in the Moneragala District in year 2002 as opposed to 100 ha in 1982 (Ministry of Plantation Industries, 2005). In addition, the government has initiated a programme to extend rubber growing in the area by about 40,000 ha. at the rate of 2000 ha per year. Going by the average yield in the surveyed area, *viz.* 1565 kg/ha/year (assuming 150 tapping days per year), the smallholders in the Moneragala District produced 830,881 kg of rubber in the year 2002. This is approximately 1% of the total rubber demand in the country in 2002 (domestic consumption + exports). Since this amount is low in comparison with the contribution from the traditional rubber growing areas, this area has been neglected in most of the studies focused on marketing. If properly implemented, the Government's recent expansion programme of 40,000 ha, would make the supply from Moneragala district a substantial one.

### **Rubber marketing channels in the Moneragala district**

Marketing channels refers to the involvement of different middlemen, when a product moves from the producers to the consumers. Different marketing channels in the Moneragala district are depicted in Fig. 1. It is important to see that most farmers in the Moneragala area sell their product directly to the town dealers. The percentage

of farmers who sell their products directly to the manufacturing companies is very low. The reason may be the distance from Colombo where most companies are situated. It is also interesting to note that farmers who sell their products to the village dealers are also very low. Although village dealers are at close proximity to the smallholders, they prefer the dealers in towns which is a contrasting situation compared to traditional rubber growing areas. The survey carried out in Kegalle, Kalutara and Ratnapura suggest that majority of the farmers (53%) sell their rubber to village dealers within 3.2 km (2 miles) and 27% to dealers within 16 km (10 miles) and in 11% of the cases had home visited dealers. Only 9% of the farmers sell their rubber to town dealers.



**Fig. 1.** Farmers' preferences in the market system of rubber in Moneragala

Fig. 2 presents a mobility map prepared by the participants in the Karawila village. The relative size of the squares assigned for each rubber trader depicts the volume of rubber handled by them. Accordingly it is evident that the volume handled by the town dealer is higher than the village dealers. Farmers' comments on the reason for choosing a particular trader are;

1. Provision of a higher price
2. Providing transport facilities
3. Provision of credit facilities (this may be in terms of cash or essential consumer goods)
4. Provision of inputs such as acids (free of charge/concessionary rates/on credit)
5. Payment of cash at once
6. Trustworthiness
7. Popularity within the village

These reasons make the farmer indebted to a particular dealer who exploits this situation by not offering the correct buying price to the farmer. A market margin analysis carried out confirmed this (Table 1).

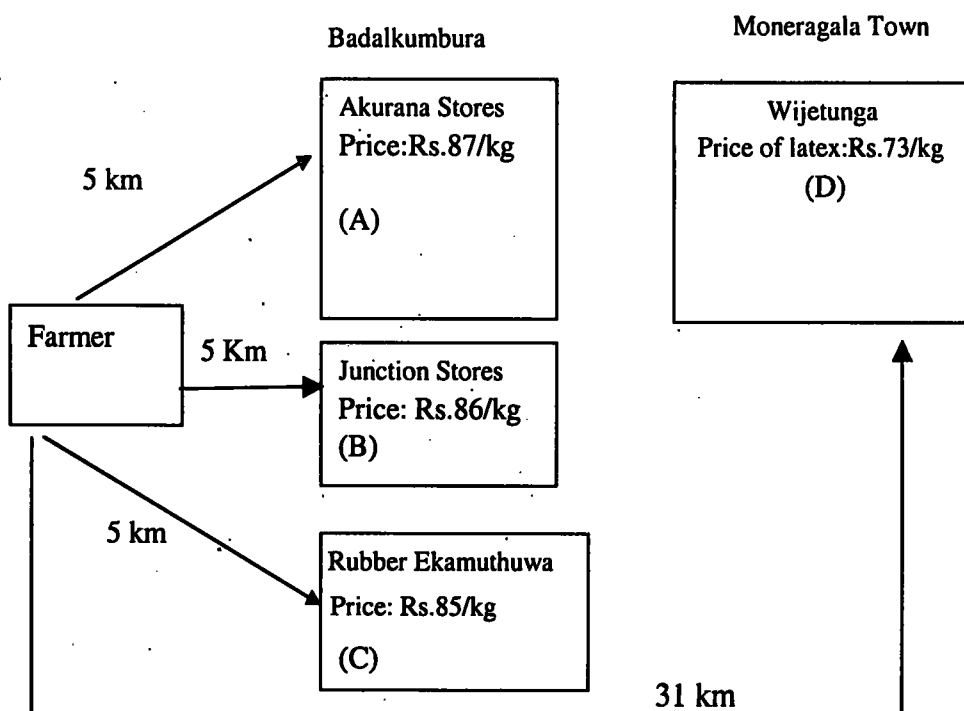


Fig. 2. A mobility map prepared by participants in Karawila: Date:27-06-2003

Table 1. Market margins kept by middlemen in Moneragala district

Village	Farm gate price (June 2003) Rs/kg	Auction price (RSS 3) June 2003 Rs/kg	Margin Rs/kg
Karawila	86.00 – 87.00	94.80	8.80 – 7.80
Tanwatta	83.00 – 85.00	94.80	11.80 – 8.80
Polgahapitiya	85.00	94.80	8.80

Here, the comparison is with Average RSS 3 price of the month during which the survey was conducted. However, the price on the specific date can be quite different and margin can be more than this. The malpractices that take place in other areas such as purchase in bulk rather than paying according to the grade is also observed in Moneragala as well. This procedure results in low income levels at local level and also discourages farmers to produce high quality sheet rubber.

### Type of output by smallholders

A study conducted in traditional rubber growing districts has confirmed that about 80% of the rubber produced by smallholders is sheet rubber (Edirisinghe *et al.*, 2004). In addition, farmers sell their products as unsmoked sheets and as latex as well. The production by rubber types is similar in Moneragala area when compared with traditional rubber growing areas (Fig.3). Only a few places in the sample were found with farmers producing RSS-1. Most of them sell rubber in bulk and they are not offered the correct price for the better grades. The majority of the farmers in Moneragala district produce RSS-2 and RSS-3 grades. This is similar to traditional rubber growing areas in the country. Hence, it can be concluded that the nature of output produced by the traditional rubber growing areas and in Moneragala are similar.

The preceding sections confirmed that majority of the farmers are RSS producers. Further, it was noted that their produce comes under RSS-2 or RSS-3. There may be several reasons behind this; such as negligence, lack of awareness and adoption of recommendations in processing and lack of processing facilities. The remaining sections are focused on these issues.

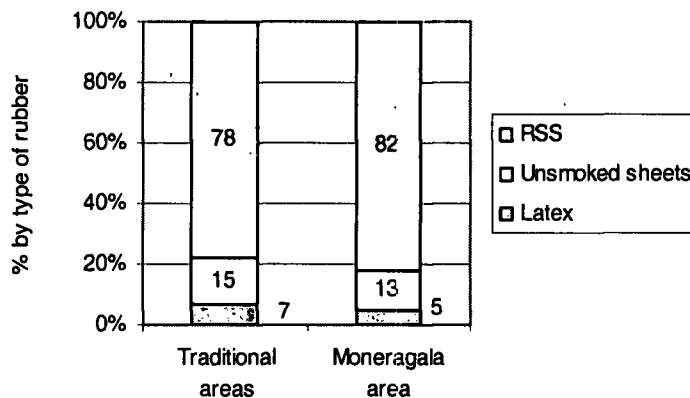


Fig. 3. Comparison of types of output produced by rubber farmers in the Moneragala area and traditional areas

### Processing facilities

RRI has made several recommendations on building a standard smoke house. The survey conducted in the area checked whether the smokehouses used by the farmers are according to the RRI standards. The condition of smoke houses in the sample surveyed is presented in Fig. 4. Most smoke houses are in operation though there are some abandoned ones. Yet, most of them have deviations from RRI standards. The general condition of the smoke house is 'Good' in 25% of the smoke houses, 'Moderate' in 56% and 'Bad' in 19%. This certainly has serious implications on the quality of the sheet produced in this area.

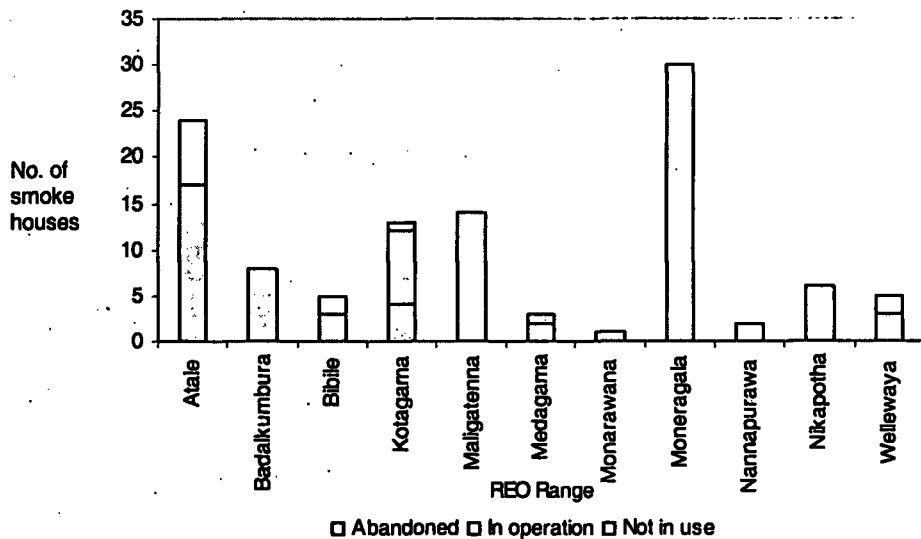


Fig. 4. Condition of the smokehouses in the survey area

Out of the 130 smokehouses surveyed, 83% had a capacity of less than 500 sheets. Only 5% of smoke houses could handle more than 1000 sheets (Fig. 5). Thus, providing processing facilities through group processing by organizing farmer groups should be given priority since the capacity of the smokehouses in the area are small and probably be insufficient with the targeted output.

The condition of machinery was also not satisfactory where only 50% of the units surveyed had rubber rollers of good standard. Around 15% of the units had machinery of 'bad' condition while the rest had units in 'medium' condition.

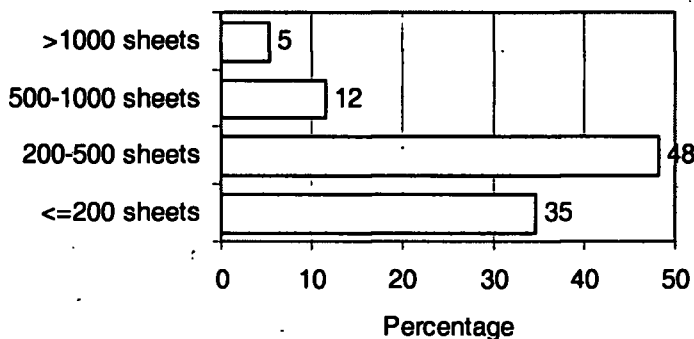


Fig. 5. Capacity of smokehouses in the Moneragala district

### Technical know-how on processing

Another important aspect with respect to quality of sheet rubber production is the technical know-how of the farmers on various aspects of sheet manufacture. The level of adoption in different aspects of the sheet manufacture is given in Table 2.

**Table 2.** *Adoption rates of important activities in RSS processing*

Activity	% adoption			
	Karawila	Tanwatta	Radaliiedda	Polgahapitiya
Method of latex straining	80	76	78	50
Correct method of rolling/rinsing with water	69	19	28	21
Correct weight of a rubber sheet	83	71	69	77
<b>Overall adoption (%)</b>	<b>77</b>	<b>55</b>	<b>58</b>	<b>49</b>

It is evident from the above results that out of the four villages under study only one had satisfactory levels of adoption. The other three are around 50% indicating the need for an aggressive extension campaign.

### CONCLUSION

It was evident from the study that traders keep huge margins making the rubber cultivation less profitable to the producer. There is a huge gap between end users in Colombo and the producers in Moneragala that need to be addressed. Some entity, government or private, need to close this gap by making direct links between Colombo and the producers. Since as individual farmers, supply is low and unpredictable make private sector less interested in dealing directly with smallholders. But the reverse may be true if they are organized. Thus, farmer organizations can make a difference. There are discussions about out grower systems where farmers are directly linked with an end user where he must supply only to that end user. However, such an arrangement may look lucrative in the short run but may create problems in the long run as it affects the decision making power of the farmer. Thus, it may be prudent to organize farmers in a meaningful manner and let them make their own selling decisions and create a buyer-seller interaction for the sustainability of the smallholder sector. It is also important to note the existing processing facilities and the knowledge on rubber processing is poor in the area. Thus, extension has a huge role to play in improving awareness.

### ACKNOWLEDGEMENT

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