

CAN SRI LANKA AFFORD TO IGNORE THE RUBBER PLANTATIONS?

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Rubber is being grown in Sri Lanka since 1876 and is the first country in South East Asia, where the *Hevea brasiliensis* plant was first planted by Sir Henry Wickham. From this period, the rubber tree has been serving as a "social tree" and not merely as a tree that is capable of providing only dry rubber. Apart from generating employment, industrial raw material, fuel wood, timber and a continuous steady income for the rural poor in particular, the rubber plantation has also been responsible for the protection of our environment to a great extent for more than one hundred years. Moreover, at the rate at which we have destroyed our forests cover over the last few decades there would have already been deserts in many parts of the country, if not for the rubber plantations covering over 190,000 ha. in the wet and intermediate zones. Prevention of soil erosion in hilly areas have been achieved mainly due to the plantation of this deep rooting perennial crop. It has also contributed to minimize earthslips in such areas. Rubber is therefore not a crop that Sri Lanka can afford to ignore due to the poor price prevailing in the World Market; but has to be treated as a social crop with many desirable properties as correctly mentioned by the Governor of the Central Bank at a recent Seminar.

Declining Trends

Rubber production in the country is however fast declining since late 1970's. The planted hectareage has continued to decline at an alarming rate of nearly 1200 ha. per annum. This is mainly due to low rubber prices associated with crop diversification and village expansion programmes, implemented during the recent past. The cost of manufacture of all grades of rubber is such that at the prevailing farm gate price of rubber, it has become impossible for a farmer to cover even the cost of production of his produce. This resulted in the replanting being done at a rate below 55% of the expected extent. In 1993, out of the expected replanting target of 6500 ha. only about 2600 ha. have been replanted by the rubber growers as reported by the Rubber Control Department. Shortage of tappers, difficulty to harvest during rainy reason and marketing problems at the village level are the other main reasons for their reluctance to replant with rubber.

However, if a realistic minimum price is paid for the rubber farmer like in India and Thailand, this declining trend could be reversed easily. This can be done in

many ways. For instance, by creating a high internal demand for the raw material by expanding the finished rubber products industry. Government intervention is another option available at policy level. Another way is by improving the selling price of raw rubber exports, specially latex and sole crepe using proper marketing strategies. At present the internal prices of raw rubber, particularly the prices of low grades of RSS and scrap crepe are artificially high compared to the world Market price due to the first reason mentioned above. Although the rubber end product manufacturers are affected by this, particular scenario with the present low level of production there is no other alternative other than to allow this situation to continue in order to safe guard the rubber growers from this present crisis. The rubber product manufacturer must therefore be supported by other possible means of concessions where necessary. If not, the day that the rubber plantation would disappear from this country, will not be very far. Hence, every effort must be taken to protect this valuable plantation crop at least for many more decades.

Possible solutions

A subsidy of Rs.15 000/= per acre is presently being paid for replanting of rubber which is grossly inadequate for this purpose under the prevailing costs of labour and material. This could be supplemented adequately or even more by helping farmers to obtain a realistic price for their old rubber trees when they uproot them for replanting. In the World Market, the price of rubber wood at the time of which is taken for treatment is in the region of Rs.1 000/= to Rs.1 200/= per tree. Yet, in Sri Lanka the price paid for a rubber tree is not more than Rs.300/-. Hence, it must be checked as to why the rubber farmer in Sri Lanka is deprived of higher payment. Even at the present poor rubber stand in smallholdings, if Rs.1 000/= is paid for an old tree, the farmer will get about Rs.100 000/= per acre at the time of uprooting in addition to the above subsidy payment. Similarly a farmer who has maintained the correct stand of 200 trees/acre under the new recommendation, will be able to earn an income of Rs.200 000/=. This is something one should carefully check to remedy this situation. If this is done there will be sufficient reserve of money for the farmer to survive during the 6 - year immature period.

Planting of high yielding clones yielding up to 2500 kg/ha/year is another way to vastly improve their rubber production and thereby increasing their income. At the village level one of the main problems faced by the rubber smallholder is the selling of his produce at a reasonable farm-gate price. Almost all dealers purchase smallholders produce at a bulk price of few cents above the RSS 3 price irrespective of the percentage of grades included in the bulk. Hence there is no special motive for smallholders to take any interest to improve the quality of their produce as it will not improve his income. This has already caused an increase in the production of low

grades to a present level of about 20% from a 10 - 15 % level which prevailed during the past years. This will undoubtedly lower the reputation of Sri Lankan rubber while lowering the foreign exchange earnings to the country. Although the Colombo Rubber Buyers Association has imposed a rule to all its dealers to buy smallholders' produce only according to properly classified grades, the dealers have not responded favourably to this. The Commodity Purchases Department is also not in a position to interfere in this matter to solve this national problem due to lack of finances. Further, as most of the village dealers provide credit facilities to smallholders to purchase daily provisions from his own grocery shop throughout the week, it is not possible for the farmer to select a place of his choice, to sell his rubber, but to sell at any price offered by the village dealer. This is one of the key issues that the newly formed Rubber Development Department will have to tackle and solve as early as possible to help the rubber farmer. Forming farmer societies and selling their produce direct to shippers or through the auction according to classified grades will be one way of solving this problem.

Price behaviour of RSS, Crepe and Latex

The local purchase price for each grade of RSS is presently being based on the average RSS price prevailed for respective grades in Singapore market in the previous week. The only deductions are the cess for replanting and research which amount to Rs.1.75 per kg, but no export duty is levied on Sri Lanka rubber since January 1993. Hence, there is absolutely nothing that the Government can do at this stage to further improve the farm gate prices paid for the rubber farmer. Nevertheless, as a result of this removal of 100% duty which was implemented for the 1st time in the history of Sri Lanka and also due to the depreciation of the Sri Lankan rupee with respect to US dollar, the price paid for sheet rubber at present appears to be very attractive. But, the very slight improvement in price shown in the World Market for RSS is not the only reason for the high price of sheet rubber that prevail in the country at present. The excess demand created by the local rubber based industries has increased the local price specially of the low grades of RSS and scrap crepe to a great extent. It is therefore logical to expect this manipulated high price to prevail for a long period. It must be emphasized here that due to this artificial price situation created by the rubber product manufacturer, some shippers are buying rubber at a price between Rs.6.00 - Rs.8.00 above their selling price to feed the overseas buyers. Hence, the market forces will naturally take necessary adjustments in the future in making their forward contracts to remedy this situation. As a result the prices should decline again. However, the local situation of low grades of RSS and the scrap material may remain at a fairly reasonable level in the future too, thanks to the large number of new rubber based industries started in the country.

The price paid for latex by the latex based end product manufacturers in most of the rubber producing areas is very attractive and in some places they pay up to Rs.45/- per kg. Setting up of more rubber based industries to consume dry rubber or fresh latex will definitely improve this situation further. However, according to the present situation in the World Market for rubber, unless we intensify the utilization of latex and other rubber grades as much as possible in the country, there will be severe marketing problems for raw rubber produced by small rubber producing countries in the future.

Quality Management and immediate threats

Imposition of ISO 9000 Quality Standards and other specific quality requirements by giant rubber producing countries for individual grades are the attempts taken by them to squeeze out the small producers of raw rubber from exporting to the international market. Sri Lanka fell down to the 8th position among the rubber producing countries from the 4th position enjoyed in mid 1970's and produced only 1.9% of the world natural rubber requirement in 1993. We are no more a major NR producer in the world and hence we should be extremely careful from attempts of this nature. We must also be extra cautious in international forums where decisions are taken regarding various grades of NR, even by laying specifications for certain properties purely to keep some producers of the same grades away from the market. In such forums, the need for the participation of technically competent personnel to counteract their arguments should be specially emphasized here.

The ISO 9000 registration which comes into effect in the near future is a method of perfection of management at all levels in processing raw rubber or rubber end products starting from the raw material stage to the stage of storage of end-products. Most of the leading South East Asian giant producers are already on this exercise. Many of their factories have even got the registration already. If we do not conform to this EEC and USA requirements, more than the possible restriction for our commodities and end products to reach EEC countries, USA and Japan, there will be attempts made by the countries who have already got the registration to undercut small producers like Sri Lanka which hasn't got the registration yet. They may even label us as the sub-standard product manufacturers. We must therefore achieve this requirement of preparing quality manuals for our raw rubber and rubber product factories and train our factory personnel to meet this requirement before long. This requirement will be essential for products like latex crepe and sole crepe rubber, which are expected to be marked as speciality grades of rubber in order to obtain a premium price.

Ideal end-products

Sri Lanka has made a tremendous development in the rubber products manufacture particularly since 1985 and in the years 1991, 1992 and 1993 the income from rubber products manufacture has exceeded the income generated from the export of 75% of the rubber produced in raw form. The main products that we have been producing are solid tyres, latex based medical gloves and foot wear. All medical gloves factories have already got the FDA approval for their end products. In this year too, a further increase in the income from rubber products manufacture is expected; specially in the area of solid tyres where already we are the leading producer of the World. This is a very encouraging news for all Sri Lankans. However, the net income from the export of rubber articles like tyres to the country is low compared to the income earned by latex based, thin walled dipped items. In a solid hard rubber item, the rubber content is less than 50% whereas in a latex item more than 95% of the raw material used is pure Natural Rubber and hence the manufacture of latter type in a large scale is most beneficial to our country. In the light of increasing demand for examination gloves and contraceptives to control the spread of the deadly disease AIDS, these items are needed all over the World in massive quantities. Hence, if we could manufacture them to meet world standards, such products can be marketed without any difficulty. There are attempts already being made by the synthetic rubber manufacturers to obstruct the increasing demand for these two items stating that there are proteins present in NR latex based items which could cause skin allergies and also deaths in certain cases. But I do not think that it will be possible for them to continue with this baseless allegations for ever, and the demand for these two latex items will fuhrer increase in the future, atleast till a positive vaccine is developed to combat the AIDS virus.

It can therefore be concluded that unless we take all necessary precautions to help the rubber farmer to earn a reasonable profit, he may not reinvest on replanting his land with rubber. As a result, the rubber plantations will disappear from this country within another few decades. If that happens, more than losing foreign exchange earnings to the country, the country will lose a valuable timber resource which is going to be more important than the rubber to be produced, in time to come. If all the rubber is replaced with tea or any other crop, the damage to the environment will be unaccountable. Hence, rubber is not a crop that Sri lanka can afford to ignore and we must take all precautions now itself to safeguard this valuable environment friendly crop to survive in our soils atleast for our unborn generations to reap the benefits.