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RUBBER PRICES BOUNCING BACK

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Price of Natural Rubber in the world market which dropped by nearly 50% in 18 months since 1998 due to the South East Asian currency crisis has now started rising sharply, without showing any signs of collapsing in the near future.

With the decisions taken by the Tripartite Alliance of Thailand, Indonesia and Malaysia to lower the production of NR in each country by 4% and also due to the severe damages done to rubber trees by the farmers in major rubber producing countries in Asia by over exploiting, productivities of rubber in such countries have started declining sharply during the past couple of years. This has created a shortfall of rubber in the world market already thereby shooting up rubber prices in the world market. The RSS 1 price in New York is forecasted to rise by 8.8% in 2002 and by 47% in 2003.

This situation was predicted by the scientists of the RRI and made repeated requests from the Plantation Management Companies not to neglect their rubber estates. But, in many Companies and in smallholdings rubber cultivations have not been weeded, manured and maintained during the past few years and they are now in a very sad state. Most rubber farm owned by estates and smallholders have not been tapped due to the poor price of rubber prevailed for over 03 years. Hence, the productivity of rubber lands have fallen down to about 700-800 kg/ha/yr level now. However, if the actual acreage of rubber is taken into consideration, the productivity of rubber in both sectors will be close to at least 900 kg/ha/yr. The total rubber production in the country has come down to 86 000 MT in year 2001.

This low production has created lot of problems to the rubber product manufacturers who consume nearly 65% of the total production for value added products manufacture. In certain instances they were even compelled to import rubber from SEA countries where the price of rubber was lower by about Rs.20/- per kg. sometimes. Another reason for the importation of raw rubber by industrialists was the scarcity of good grades of RSS which are essential for the manufacture of certain products like cycle tyres and tubes for export.

But now the situation of local currencies affected by the SEA currency crisis has improved and hence the price of raw rubber and latex in those countries are either in par with the prices of rubber in Sri Lanka or higher and for the importation of the same from SEA, industrialists have to pay more.

There is a scarcity of rubber caused by the monsoon rains in rubber growing areas in Sri Lanka during the past couple of weeks and hence the rubber product manufacturers will have to import not less than 5000 MT of rubber in the latter parts of 2002 for smooth running of their factories, at a higher price. The landing cost of latex from Thailand in mid 2002 is over Rs.100/- per kg. while the local price of latex concentrate is only about Rs.80-85/kg.

This situation could have easily been eliminated if the Plantation Companies and the smallholders followed the correct signal given by the RRI. Had they maintained their lands by weeding and manuring they would have benefited immensely from the increasing rubber prices that commenced slowly from December 2001. but now increasing at a rate. Thai Traders have forward sold RSS good grades for above Rs.75/kg. for December 2002. This is due to the price increase of rubber in the world market; and not due to the scarcity of rubber created by the bad weather.

This increase in rubber prices will continue for some time specially in the SE Asia; because the consumption in SEA is fast increasing over that of Europe or in America. This is because of the fast trend of moving industries from the developed west to the developing Asia.

Hence, Sri Lankan farmers and plantations must at least now start an accelerated scheme of manuring and maintaining their lands to get the best benefit from the rising international rubber prices already started. This will definitely help them to recover the loses they incurred during the past 03 years. They must also use modern proven technology developed by the RRI to maximise their productivity. Rain guards must be used to recover crop losses of up to 40% in certain areas of the country.

It is sad to note that replanting has not been carried out by many estates and small holders due to liquidity problem. But they must quickly commence replanting programmes if necessary by increasing it to 4.5% per year to recover part of the replanting neglected during the past to maintain the rubber plantation which will be the economically most feasible plantation in the future. In new clearings, use of quality planting materials and the need to maintain stands aiming at productivities not less than 2000 kg/ha/yr, must be emphasised. In arriving at such decisions they must consult the RRI officers who are specialised in rubber agronomy. However, without careful feasibility analysis, planting new crops in rubber areas; will ultimately not only incur losses to the Company concerned; but also damage the environment of the country in a big way. Felling trees leaving the root in the ground for MDF board manufacture is also another foolish thing done by some companies. If the root stock is not removed such fields will not be suitable for replanting with rubber for several years. Hence, when the future of rubber appears brighter this kind of foolish attempts made by PMCs should be discouraged. If quick action is not taken to replant areas uprooted by PMCs over the past few years with some perennial crop, there will be a huge environmental impact to the country.