

Indian Natural Rubber Industry Elastic Enough to Face the Challenges



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It was in 1902, a hundred years back, that rubber cultivation was introduced in India on a commercial scale. Though the sector was dominated by large estates during the initial five decades, it has undergone important structural transformations leading to the dominance of small holdings which today account for 88 percent of the area and production. There are about one million holdings in the country with an average holding size of less than 0.5 ha.

In terms of expansion of area, production and productivity, natural rubber has achieved the highest growth rate among the major crops in the country during the last five decades. The area increased from 75,000 ha in 1950-51 to 5,67,000 ha at the end of 2001-02. During the same period, the production increased from 15,830 tonnes to 6,34,000 tonnes and the average productivity from 284 kg to 1,576 kg per hectare, the highest in the world. Currently, India is the third largest producer of natural rubber next only to Thailand and Indonesia, sharing about nine percent of the global output. In the global output of natural rubber, India's share in 1955 was only 1.2 percent.

An important milestone in the rubber plantation industry in the country has been the active intervention of the Government since independence, at the levels of cultivation, production, processing and marketing of NR. This process has been effectively supplemented by a very high degree of adoption of modern technology by the small holdings and a fast growing domestic market for NR. Though the evolution and subsequent dominance of the small holding sector in India has been in tandem with the changes in the major NR producing countries, the extent of adoption of modern technology in India has been much larger.

The important feature of Indian natural rubber production sector is the relatively high degree of regional concentration. Natural rubber production is concentrated in the traditional regions of Kerala, Kanyakumari District of Tamil Nadu and Dakshin Kannada District of Karnataka, which together account for 97.5% of the production and 91% of the area. The major issues in the traditional rubber growing areas are the

increasing share of part time farmers and operational level problems associated with the increasing dependence on hired labour.

The natural rubber processing industry in the country has been evolved to cater to the requirements of a captive domestic market. The NR processing sector has been dominated by the sheet grades accounting for more than 72 percent. In the emerging scenario, with the removal of the quantitative restrictions, since March 31, 2001, the processing sector has increasingly come under serious compulsions to face the challenges posed by the potential cheaper imports. Therefore, priority will have to be given to quality improvement and for reducing the cost of processing for all different marketable forms of rubber to be globally competitive. While group processing system has to be supported to face the challenges, the energy intensive block rubber processing sector also calls for serious attention as many of the existing units appear to be handicapped by both organizational and operational deficiencies. As a result, they are unable to achieve competitiveness in cost and quality. Modernisation of the processing units has to be taken up on a priority basis to improve the quality of block rubber and to reduce its cost of production. India will have to enter the international market with exports of natural rubber particularly of high quality latex, sheets and block rubber.

India is the fourth largest consumer of NR next to the USA, China and Japan. Among the 5062 licensed rubber goods manufacturing units in the country, a vast majority are small scale units annually consuming less than 100 tonnes of NR. About 62 percent of the total consumption of NR in the country during 2000-01 was accounted for by forty eight big units, individually consuming more than 1000 tonnes per annum. Another characteristic of Indian rubber consumption is the sectoral concentration, dominated by the automotive tyre manufacturing sector which accounts for as much as 45 percent of the total consumption in the country. Unlike the NR production sector, which is characterized by a high degree of regional concentration, the consumption sector is relatively more dispersed.

Although India has a large inward oriented rubber products manufacturing industry, its modernization and diversification are essential prerequisites to face the challenges arising from the growing process of market integration. The sector has to equip itself with better technology for improving the quality of products besides generating market information by strengthening market intelligence within and outside the country for appropriate choice of the product mix for further promotion. India has the unique advantage of a large pool of skilled technical manpower and relatively cheaper labour, vis-a-vis other major NR producing countries, which could be effectively utilized for value addition and export of rubber products. The present share of India in the global trade of rubber and rubber products is less than 1 percent. Another major sub-sector for policy intervention is the byproducts of rubber plantations, viz., rubber wood, honey and rubber seed. There is tremendous scope for value addition in rubber wood sector and hence there is a need for more attention for better processing and marketing of rubber wood as an alternative timber. In the context of the WTO mandated trade regime, the country has to harness inherent strengths to focus on the manufacturing and export of value added products with locational advantages from a long term policy perspective. ◀