

## FOCUS ON NR



### NATURAL RUBBER :

## WORLD BANK ASSISTED PROJECT

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The spectacular growth achieved in natural rubber (NR) production in India has helped to reduce the demand supply gap of the vital industrial raw material from an average 25 per cent in 1960s to 3.5 per cent during the last four years. None the less, sustainable self reliance is nowhere in sight. While the industrial requirements will go on burgeoning, domestic supplies will not possibly keep pace owing to inherent limitations that go with the land based and labour intensive character of the plantation sector.

India's industrial use of NR in 1994-95 was of the order of 483,000 tonnes while indigenous production came upto 472,000 tonnes. The forecasts of future requirements, availability and deficits are as shown below :

Year	Requirements (tonnes)	Availability (tonnes)	Deficit (tonnes)
2000-01	700,000	650,000	50,000
2010-11	1,200,000	900,000	300,000

The outlook holds forth a loud and clear message. Constraints notwithstanding, efforts should be redoubled to maximise NR production.

The alternative to raising NR output is stepping up production of synthetic substitutes. There are, however, severe limitations in this direction too in view of the enormous quantities of scarce petrochemicals and energy inputs required and large scale environmental pollution that will have to be contained. Production of sophisticated varieties of synthetic rubbers involves import of tightly held foreign technologies. The situation being such, the cost competitiveness of synthetics has also become a thing of the past.

### STRATEGY FOR DEVELOPMENT

The changing structural features of rubber plantation industry hold an important key to the success of planning for its development. Rubber cultivation has, by and large, come to be a small holder enterprise. With an average size of half hectare each, small holdings numbering about 850,000, contribute 85 per cent of the total area of 510,000 hectares under cultivation and account for 84 per cent of total production. There are only about

300 large estates having extents of more than 20 hectares. Land ceiling laws coupled with those for forest conservation and protection shut out possibilities for any significant expansion of area under estates.

Taking the above distinctive features into consideration, the development strategy evolved for rubber plantations lays emphasis on expansion of cultivation in holding sector both in traditional and non-traditional areas, timely and systematic replantation of old and uneconomic areas and improvement of yield of existing mature fields. Equally important is the acknowledged need to upgrade the quality of small holder rubber which accounts for the bulk of production.

### NEED FOR CREDIT SUPPORT

Financial resources available with the Government are inadequate for promoting development of rubber plantations on the required scales. As per provisions of the Rubber Act, the Rubber Board's activities are to be

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financed out of rubber cess fund. For the last about 10 years, the accruals to this fund had not been adequate to meet even half of Board's expenditure. Revision of statutorily fixed cess rate was long overdue and an amendment to the Rubber Act raising the ceiling on cess from 50 Paise per kg to Rs. 2/- was approved by the Parliament only recently. Since then, the cess is being levied at Re. 1/- per kg. The full benefit of the revision will be realised only after some more time. To tide over the crisis that prevailed in 1990-91 and immediately thereafter, the Government of India sought assistance of the World Bank for implementation of a comprehensive development project. This resulted in sanction of a credit of SDR 66.4 million (SDR stands for Special Drawing Rights which is worked out as a basket of mixed currencies), equivalent of US \$ 92 million or Rs. 290.08 crores. The amount is granted as soft loan or credit by International Development Association (IDA), the soft lending affiliate of the World Bank.

### PROJECT OBJECTIVES

The project is conceived as a time slice covering the period 1993-94 to 1997-98 of the long term development programme of the Rubber Board and the Government of India. Its main objectives are to expand and strengthen the rubber plantation sector to increase production and

productivity, improve processing and increase on-farm and off-farm employment. Additionally, the project aims at strengthening Rubber Board's research, extension and training activities.

### PROJECT AREA

The project is being implemented mainly in Kerala, Kanyakumari District of Tamilnadu and Tripura. 2,000 ha of new plantations are also being raised in selected non-traditional areas other than Tripura, namely Karnataka, Assam, Meghalaya and Nagaland.

### PROJECT DESCRIPTION

The main components of the project are :

- i) Replanting of old and uneconomic rubber in 40,000 ha in traditional areas.
- ii) New planting in 30,000 ha consisting 23,000 ha in Kerala and Tamilnadu, 5,000 ha in Tripura and 2,000 ha in other non-traditional areas.
- iii) Productivity enhancement in 60,000 ha of mature areas of small holdings in traditional areas through adoption of improved agro-management and exploitation (Discriminatory fertiliser application, plant protection, scientific tapping, rain-guarding and chemical stimulation of yield on older trees).

iv) Establishment of expanded and improved processing facilities.

v) Institutional support for Rubber Board for project co-ordination, research, extension, training and technical assistance.

vi) Development of women and tribal people amongst participating populations, particularly in Tripura.

### REPLANTING AND NEW PLANTING

Replanting and newplanting of rubber are being promoted through grant of technical and financial assistance under a revised Rubber Plantation Development Scheme (RPD Scheme - Phase IV). The following are the salient features of the revision.

- i) The existing planting grant of Rs. 5,000 per ha is raised to Rs. 8,000 (Rs. 2,500 in the first year, Rs. 1,500 in the second year and Rs. 800 each in the subsequent five years). In Kerala and Kanyakumari District, the eligibility for planting grant is to small holders owning upto 5 ha of rubber and undertaking replanting/newplanting upto 2 ha under the scheme.
- ii) Additional assistance for use of polybagged plants of advanced growth @ Rs. 6 per plant successfully established in



the field for all categories of growers. However, the maximum number of plants that can be used per ha has been raised from the earlier 450 to 500. Accordingly, the maximum limit of assistance has gone upto from the earlier Rs. 2,700 to Rs. 3,000 per ha.

iii) Insurance protection against natural calamities is obligatory for the entire immaturity period. The premium due at Rs. 500 per ha is being deducted from the first year's instalment of planting grant.

iv) Free extension service.

### PRODUCTIVITY ENHANCEMENT

The productivity enhancement programme will progressively cover more than one lakh growers. In order to reach and service them effectively, the programme is implemented through their own registered voluntary organisations known as Rubber Producers' Societies (RPS) whose strength of 1,300 at project start is being increased to 3,000 covering in all about 300,000 growers. The benefit of price concessions on inputs is kept on a declining basis from the first to the fifth year of the project. On an average the benefit derived on a per hectare basis is about Rs. 950/-.

### PROCESSING

The project envisages making available a line of bank credit to finance establishment and/

or upgradation of processing facilities, mainly in the private sector. Tentatively, there will be 3 new latex centrifuge factories, expansion of 25 latex centrifuge factories, establishment of 10 numbers of 15 tonnes per day block rubber factories, 30 numbers of ½ tonne per day smoked sheet factories, improvement/upgrading of facilities in 7 existing block rubber factories and conversion of 5 existing crepe factories to 10-12 tonnes per day block rubber factories. Additionally, the project will finance 5 rubber wood processing factories and one factory for production of the innovative pre-vulcanised latex. The programme is flexible in order to accommodate changes needed in the number of factories as per assessments made from time to time. Accordingly, as per present indications there may not be any need to set up new latex centrifuge factories. Engineering and other supporting services required by the entrepreneurs will be extended by the Rubber Board.

### WOMEN AND TRIBAL DEVELOPMENT

The project will ensure larger involvement of women and tribal people in planting activities and would assist them in engaging themselves in income generating activities such as inter-cropping, horticulture, fish farming etc. This project activity would receive emphasis mainly in Tripura. The services

of selected Non-Governmental Organisations (NGOs) would be enlisted to make this a success.

### STRENGTHENING INSTITUTIONAL SUPPORT

For the successful implementation of the project, the Rubber Board's personnel and technical capabilities are being strengthened and improved. Research, extension, training, processing and project co-ordination, monitoring and evaluation are the key areas receiving attention in this regard. A number of new research schemes are slated to be undertaken keeping in view short term as well as long term requirements.

### PROJECT COSTS AND FINANCING

Total project costs for the five year implementation period are estimated to be Rs. 445.20 crores as per details presented below :

Project activities	Estimated costs (Rs./crores)
1. Replanting & Newplanting	185.86
2. Processing	46.11
3. Productivity enhancement	58.58
4. Research	8.96
5. Extension	5.07
6. Training & technical assistance	6.34
7. Rubber Board organisation including project co-ordination	5.76
8. Women and Tribal development	5.46
<b>Total baseline costs</b>	<b>322.14</b>
Physical and price contingencies	123.06
<b>TOTAL</b>	<b>445.20</b>

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The IDA credit of SDR 66.4 million (US 92.0 million equivalent) would finance about 68 per cent of the total project costs, net of taxes and duties. Out of the total credit of Rs. 290.08 crores, the Government would provide Rs. 116.20 crores to the Rubber Board as grants and lend the remaining Rs. 173.88 crores to NABARD in accordance with standard arrangement for development assistance. Out of the funds earmarked for NABARD, about Rs. 124 crores is for credit financing replanting and newplanting and the balance for processing. The Government of India has to bear the foreign exchange risk. The credit covers project expenditure incurred from April 1, 1993.

### REPAYMENT OF THE CREDIT

The credit carries a commitment charge of ½ per cent on the principal amount not withdrawn from time and a service charge at ¾ per cent on the principal amount withdrawn which are standard terms for such credits. The principal is to be repaid in semi-annual instalments due on each June 1 and December 1 commencing from December 1, 2002 (after 10 years) and ending June 1, 2027 (after 35 years). The repayment rates for the period 2002 to 2012 will be 1½ per cent of the principal per instalment and thereafter 2½ per cent per instalment.

### PROGRESS IN IMPLEMENTATION

Initial delays and teething troubles notwithstanding, the project is progressing well in its implementation. The planting targets for the first two years in the case of newplanting are being fully achieved. There are marginal shortfalls in replanting which have to be made good during the course of the remaining three years. Productivity improvement programme for small holdings has been scheduled to operate for five years from 1994-95. This is proceeding smoothly and, as far as it can be assessed now, effectively enough.

The progress of rubber and rubber wood processing programme requires to be watched. Establishment/improvement of factories require heavy investments and therefore calls for careful planning. The project offers to entrepreneurs only bank credit and technical support. In the circumstances an impressive participation cannot be expected in the initial stages. It is, however, expected that response will pick up adequately in the years to come.

Institutional strengthening required for proper implementation of the project has been undertaken and completed to an appreciable extent. These included opening of additional

regional offices and field offices for the Rubber Board, increasing strength of personnel in key areas, providing overseas training to senior scientific and technical staff in subjects relevant to project implementation, availing technical assistance from experts from within the country and abroad in specialised areas, getting a development unit established by Tripura Government for local implementation of tribal and women development etc. Steps are afoot for establishing a training institute attached to the Rubber Board for imparting comprehensive training to rubber growers, plantation executives, processors, small scale rubber goods manufacturers, workers requiring specialised skills in rubber cultivation and production and Board's own personnel. Specialist Consultants engaged in this behalf are now preparing a long term training plan for the purpose.

Besides infusing the much needed development finance for all round expansion and modernisation of the rubber plantation sector, the World Bank Assisted Project is enabling the Rubber Board to make use of the best available external expertise for meeting the research and development imperatives of the industry. These should prove to be of immense assistance for upgrading the industry's abilities to meet future demands in production and quality standards.

