EXPORT OF NATURAL RUBBER CHALLENGES AND OPPORTUNITIES

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Rubber Plantation Industry in India which had a humble beginning in 1900's has made rapid strides during the past decades significantly since independence. In terms of production India is positioned in the fourth place while productivity is concerned it occupies the first position among the major NR producing countries. While other major NR producing countries are mainly catering to the export market India is yet to make any major dent in the export market. The reason for this is not far to seek. India has a fastly developing rubber goods manufacturing industry which consumes the entire internal production. Even with the sustained growth in the production of NR during the past decades India is still not self sufficient in natural rubber. After independence, barring a few years, India was a net importer of this strategic industrial raw material.

NR has never been a regular item of export. On the other hand, it has been in the list of banned commodities of export for a long time. With the ushering in an era of globalisation and liberalisation, lot of structural changes have taken place on our foreign trade front. A new five year Import- Export Policy was introduced which came into force from 1st April, 1992. Most of the licensing restrictions were lifted with the objective of boosting up our exports. Export related procedures have also been simplified and rationalised. The new policy also envisages strengthening the export capabilities of the agriculture sector. Now NR has been removed from the list of banned commodities of export and hence all grades and forms of NR can now be exported without any restriction. In the changed scenario the export prospects and possibilities of NR are to be correctly assessed and evaluated. In this context a brief historical retrospective will help to understand and appreciate the possibilities of export in the correct perspective.

EXPORT OF NR PRIOR TO INDEPENDENCE

During the first three decades of the present century practically all rubber produced in the country was exported as there was no rubber goods manufacturing unit in India. The first unit was set up in 1922 in Bengal for producing rubberised fabrics. Thereafter, although certain manufacturing units had come up, the absence of a congenial industrial climate had led to the closure of most of the units later. Due to the implementation of the International Rubber Regulation Agreement (IRRA) in 1934, a large portion of indigenous rubber got accumulated within the country. It had then become necessary to reduce the surplus stocks to a normal level and accordingly regulation of production and export were resorted to. Under the Agreement, quotes were assigned to each signatory country roughly on the basis of the average exports from 1929 to 1932. In order to prevent further expansion of production capacity, new planting was prohibited except for experimental purpose and replanting was restricted. A local committee was appointed in 1934 for the enforcement of the regulation which was known as the Indian Rubber Licensing Committee. The International Rubber Regulation was in operation in India from 1934 to 1942 only.

With the out break of the Second World War in 1942 Japan conquered Malaya and other rubber producing South Eastern countries leaving only India and Ceylon to cater to the war needs of the Allied Nations. The Government of India therefore found it necessary to restrict the export of rubber from India and to take measures for accelerating production of natural rubber in the country. Accordingly the Indian Rubber Control Order, 1942 was passed under which the Indian Rubber Control Committee was constituted. Under the provisions of Rubber Control Order, export of NR was restricted. The export of NR since 1942 therefore showed a marked decline.

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EXPORT OF NR SINCE INDEPENDENCE

During the early years of Independence the country could export some quantities of NR. However, this declined year by year and after 1956-57 there was practically no export for about 17 years. With the rapid growth of the rubber goods manufacturing industry the domestic demand outstripped its production during these years which necessitated regular import of NR. Till 1970 -71 India was a major importer of this strategic and versatile raw material. The country was importing large quantities of NR to bridge the gap between internal demand and supply. In fact, during the period 1960-69, the annual average import was to the tune of 20,000 tonnes. Since 1970-71 import has gradually declined thanks to the steady growth in production of NR and from 1973 onwards import was completely stopped.

For the first time since 1956-57, our indigenous production of NR not only caught up with the demand within the country but actually surpassed its requirement in 1973-74. This trend continued in the succeeding years also. As a result the market price was fluctuating widely due to the imbalance in supply and demand and consequently there was a glut in the market. As an ad hoc measure, the State Trading Corporation of India entered the domestic market as per instructions from Government of India, procured and stocked NR with the aim of relieving the small growers from price decline due to poor off-take by the industry. From the surplus stock thus stockpiled by the STC they exported 2700 tones in 1973-74 and another 350 tonnes in 1974-75.

Again the Government of India sanctioned export of 15,000 tonnes of NR in 1976 and 10,000 tonnes in 1977 from the surplus production. Though export of NR was routed through the State Trading Corporation of India as it was a canalised item, producers or a consortium of producers were also permitted to export this time under the STC umbrella. They or their associations were free to conduct negotiations with foreign buyers and enter into export contracts. Under this arrangement the STC was allowed to levy a nominal service charge of ½ % from such producers who came forward to export. Out of the sanctioned 25,000 tonnes a total quantity of 23,374 tonnes were exported during 1976-77 and 1977-78.

Since then the situation changed and India once again became an importer of NR. NR was included in the list of banned commodities of export. The trend continued till 1990-91. In 1992-93 there was a sharp fall in the growth rate of consumption. The domestic supply was in excess of demand which resulted in a crash in prices. In order to arrest the falling prices in the domestic market and to ensure a support price for rubber, buffer stocking of rubber by the STC was resorted to and export of limited quantities was allowed during 1991-92. In January 1992 the Government of India allowed growers and other private parties in addition to STC, to export limited quantities of certain grades of NR under quantitative ceiling as shown below:-

1.	Centrifuged latex (DRC)	3,000 tonnes
2.	Crumb Rubber (ISNR 20)	5,000 tonnes
3.	Off grade (other than RMA 4 & 5).	6,000 tonnes
	TOTAL	14,000 tonnes

Rubber Board was assigned the task of monitoring the adherence to these ceilings. In addition to the quantities mentioned above, STC was also allowed to export the RMA 5 grade it had procured under the price support operation at the best available price. However the international price of NR was lower than its price in Indian market and as such private agencies were not enthused to avail of this opportunity. Barring 11 tonne d.r.c of centrifuged latex exported by a plantation company, export under this schemes was practically nil. The export made during 1991-92 and 1992-93 were exclusively by the STC out of the RMA 5 grade it procured under the buffer stocking scheme. During the two years exports were to the tune of 5834 and 5999 tonnes respectively. The country could earn Rs.9.27 crores and Rs.10.60 crores respectively from these exports.

With the introduction of the new Exim Policy in which the restrictions on export of NR were completely removed the situation started changing. As per the provisions of the current policy NR of any grade can be exported without any restrictions. As a result 186 tonnes could be exported during 1993-94. In the next year, there was a sharp increase in the export both in terms of quantity and value. 1961 tonnes of various grades of NR was exported in 1994-95.

EXPORT - DESTINATION-WISE

In the 1970 export of NR from India was mainly to Japan and Singapore. Now it is being exported to more and more countries. While natural rubber exports in 1976-77 were confined to only 9 countries with a major share being accounted by Japan and Singapore, by 1994-95 NR exports from the country got much more broad -based reaching 13 countries. In the year 1994-95, Nepal imported 665 tonnes of natural rubber from India followed by 448 tonnes by Netherlands, 182 tonnes by U.K., 134 tonnes by Singapore and 115 tonnes by France.

FUTURE OUTLOOK

After having analysed the past trends it is essential to peep into the future to identify what are the possibilities of natural rubber on the export front. Their are a few essential pre-requisites for export which are to be examined in this context.

EXPORTABLE SURPLUS

Whenever the export potential of an agricultural commodity is assessed the relevant question being asked is whether there is enough exportable surplus available within the country after meeting the internal requirements. In the case of a strategic and indispensable industrial raw material like natural rubber which caters to the needs of a fastly developing rubber goods manufacturing industry this aspect has to be carefully assessed. A realistic approach to identify the exportable surplus if any in future would be to look into the projections of demand and supply made for natural rubber in the coming years. The demand for natural rubber is provisionally placed at 7.94 lakh tonnes by 2000 AD,11.14 lakh tonnes by 2005 AD and 150 lakh tonnes by 2010 AD. Against this internal supply is provisionally projected to be 6.99 lakh tonnes in 2000 AD 8.80 lakh tonnes in 2005 AD and 11.15 lakh tonnes by 2010 AD leaving a shortage of 0.95 lakh tonnes, 2.34 lakh tonnes and 3.90 lakh tonnes by 2000,2005 and 2010 AD respectively. This indicates that the possibilities of developing natural rubber as a regular item of export are rather not very bright. While this being only the overall position it may be misleading to totally rule out the possibilities of NR exports in future. A little more closer look at the grade-wise availability as well as prices would throw more light on potential areas for export. The seasonal variations in availability and prices may open up export opportunities even though not on a regular basis. Similarly the export potential of certain high value processed rubbers which are either excess in supply for short durations or which could command attractive price vis-a vis international prices is yet another prospective field. Another area which needs a closer look is the possibilities of importing low value scrap grades in unprocessed forms for processing within the country and for re-export or for use by the internal industry. This would be beneficial in earning valuable foreign exchange much in excess of the outflow for import of such low value unprocessed rubbers. India is indeed fortunate to have built up enough capacity for the production of Estate Brown Crepe and to some extent TSR as well and an effort in this direction would ensure better utilisations of the available capacity. In this context it may be noted that free import of NR is not permissible under the new Exim Policy and therefore special permission from the Government would be required for this purpose.

PRICE FACTOR

Price is the most important factor influencing exports. The price in the overseas markets must be attractive enough to stimulate or encourage exports. A glance through the price situation in India and Kwalumpur for the three most popular grades may be a true indicator of the export opportunities. It is estimated that about Rs. 2.50 to Rs. 3 per kg., is required to meet the incidental charges such as freight, insurance, port charges etc., while rubber is exported based on destination. Based on this the export price must be at least higher by Rs. 2.50 to Rs. 3 per kg., so that export could emerge as a viable preposition. The comparative prices are given below.

INDIAN AND MALAYSIAN PRICES

(Rs.per 100 kgs)

	RSS 3			RSS 4			TSR		
Year	India	Malaysia	Difference	India	Malaysia	Difference	India	Malaysia	Difference
1990-91	2182	1477	+705	2129	1422	+707	2027	1372	+655
1991-92	2179	1960	+219	2141	1908	+233	1989	1972	+17
1992-93	2616	2608	+8	2550	2553	-3	2468	2519	-51
1993-94	2637	2510	+127	2569	2405	+164	2472	2533	-61
1994-95	3803	4171	-368	3638	4081	-443	3431	4220	-789

+ The Indian price being higher

- Malaysian price being higher

The data projected above would indicate that only in 1994-95 there was enough price difference in sheet grades to stimulate any worthwhile export. In the case of TSR the situation is slightly better vis-a-vis sheet grades .However this can be reckoned as real potential only if ISNR 20 produced in the country matches the specifications laid down for TSR 20 grade produced by other countries like Malaysia, Indonesia etc. In the above analysis the price situation of only three grades have been examined. Similar exercises could be done for other grades as well to identify export potential if any.

A possible effect of exports would be an upward movement in price of the concerned grade. Therefore export can serve as a market mechanism to correct an imbalanced situation of the domestic price being lower than the international price. The moment the internal price reaches a comparable level exports will gradually taper off.

QUALITY AND PACKING

Till now India has not been sufficiently exposed to the vagaries of the export market for natural rubber because rubber has not been a traditional item of export. The systems and procedures being followed within the country mainly on baling, packing etc., will have to give way to internationally accepted standards and practices. The present trend is to lay down more rigid quality specifications for exports and natural rubber is not an exception to this. A prospective exporter will necessarily have to attach much more importance on these aspects significantly on quality. A bad material exported once can not only invite lot of problems to the individual exporter but will also bring in bad reputation to the country as a whole. In the case of conventional grades which are graded visually chances of disputes on quality between the buyer and the seller are comparatively more common. In order to ward off such problems the services of internationally accepted Surveyors acceptable both to the buyer and seller could be made use of. So also the Indian exporter will have to get himself fully familiarised with compressed baling of sheet grades to economise storage space, palletisation and various other aspects connected with export in containers which is the modern system.

INFRASTRUCTURE FACILITIES

An essential pre-requisite for successful export is the existence of a rubber market which could support and sustain as well as absorb the various stresses and strains of the export trade. Unfortunately it has to be admitted that India is not favorably placed in this regard. The Indian rubber market is traditionally accustomed to activities encompassing the successful transfer of rubber from the primary producers to the ultimate consumers within the country. The rubber market within the country has so far been conditioned to cater to internal needs only without sufficient exposure to international trade. The systems like hedging and future trading which are integral features of a well developed rubber market are practically non existent in India. As a result the prospective Indian exporter is not adequately protected against price fluctuations within the contracted period of export. Volume of trade is yet another aspect which is important in export trade. Most of our dealers to cite an example handle comparatively low quantity and when it comes to negotiation for an export order of bigger magnitude an Indian exporter is again placed in a disadvantageous position. An importer is certain to demand a supply schedule at definite prices and an Indian exporter would have difficulties in identifying supply sources at the agreed prices to comply with the contractual obligations. This is however a general view and institutions like the Kerala State Co-operative Rubber Marketing Federation, the STC, with their infrastructural support and financial capability could make a real dent in the export market. Similarly an Indian natural rubber exporter will have to get fully familiarised with other aspects connected with export trade such as export pricing, financing and guarantees availing export incentives etc.

To conclude developing natural rubber as a regular item of export does not appear to be bright at the moment. This does not however totally rule out the possibilities of short term opportunities as well as openings in certain special areas. Proper care should be exercised to ensure that the future export potential of natural rubber is correctly identified, assessed and profitably exploited.