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PERSPECTIVE ON THE NATURAL RUBBER SECTOR UNDER THE LIBERALISED POLICY REGIME

S.M. DESALPHINE,
Chairman, Rubber Board

The achievements of Indian Natural Rubber (NR) sector since independence have been widely applauded for its sustained growth in area under the crop production and productivity. The tempo of growth has been unique in terms of the important indicators of performance compared to the major crops produced in the country. The critical factors pivotal for the observed growth performance have been basically revolving around policy imperatives encompassing the production, processing, marketing and manufacturing sectors apart from an enlightened farming community receptive to the recommended package of practices. A proactive Government intervention through the Rubber Board in the various spheres of NR production and primary processing resulted in steady increases in the area under cultivation, production, productivity and quality improvements in processed rubber.

India is the third largest producer of NR in the world with a total area of 5.61 lakh hectares and a production of 6.3 lakh tonnes. Indian rubber plantation sector is dominated by smallholdings comprising of about 9.86 lakh units. The small holding sector with an average holding size of less than 0.50 ha accounts for 88 per cent of the total area and production in the country. The productivity of NR in India of 1576 kg per ha is the highest among the major NR producing countries.

An important feature of the Indian rubber goods manufacturing industry is the dominance of the tyre and tube sector which account for 65% of the total NR consumption during 1999-2000. Though India has been a net importer of NR from 1947, barring a few years, it has reached self sufficiency in production of NR as is evident from the fact that NR import constituted only 5.2 per cent of the consumption of NR during the ten year period ending 1999-2000.

This process of dynamic growth has been actively supplemented by a protected price regime insulating the domestic market from external competition and uncertainties confronting world NR market till the early 1990s. A comparatively large and captive domestic market propelled by steady growth of an indigenous rubber products manufacturing industry since the late 1930s ensured the absorption of the entire NR production in the country. A protected policy regime has also been instrumental in the dynamic growth of the Indian rubber products manufacturing industry. However, the prevailing harmonious relationships among the domestic NR production, rubber products manufacturing and external trade sectors have been increasingly exposed to serious

Table 1 : Area, Productivity and Production of Natural Rubber in India

Year	Area (000' ha.)	Productivity (Kg.ha.)	Production (000' tonnes)
1980-1981	284	788	153
1990-1991	475	1076	330
1995-1996	524	1422	507
1996-1997	533	1503	549
1997-1998	545	1549	584
1998-1999	553	1563	605
1999-2000	559	1576	622
2000-2001P	563	1576	630

P – Provisional. *Source :* Rubber Board challenges posed by the economic reforms initiated since 1991 and policy changes in fulfilment of various WTO agreements/ provisions since 1994. Therefore, any serious policy initiative to address the challenges emerging from economic reforms and the resultant process of market integration has to be viewed in the backdrop of specific issues of the Indian NR production, processing, marketing and rubber products manufacturing sectors.

The major issue confronting the Indian NR production sector since 1997 has been a steady decline in the profit margins mainly due to decling prices and sustained increases in the cost of inputs. The gradual removal of tariff and non-tariff barriers on imports of NR since 1991 has not only resulted in the growing synchronisation of domestic and world market prices but also exposed the production sector to uncertainties encompassing the world market. The viability of NR cultivation in India has also been seriously affected by the steady increases in the share of part-time farmers, increasing dependence on hired labour and inadequate labour supply in the dominant smallholdings which contribute more than 88 per cent of NR production in the country. This peculiar feature gathering momentum since the 1980s has serious implications for the adoption of recommended package of practices at various levels of farming operations and processing. It also has implications on the required structural adjustments so as to ensure competitiveness in cost and quality in the era of globalisation.

The NR processing sector in India has been historically dominated by the sheet grades of rubber for structurally rooted factors basically catering to the requirements of a captive domestic market. To a large extent, the structure of NR processing industry in India is a corollary of the hitherto protected indigenous rubber products manufacturing industry dominated by the dominant dry rubber products sector. As the rubber products manufacturing industry has been increasingly exposed to external competition, it becomes necessary to redefine the priorities in the processing sector in tandem with the changing composition of the manufacturing industry geared to export-oriented production as well as import substitution. The existing scale and technology of production need detailed scientific scrutiny so as to face the challenges posed by the market integration.

As mentioned earlier, the most important consequence of economic reforms initiated in the country since 1991 on the NR sector has been a growing synchronization of domestic and world and world market prices.

The growing influence of international NR price movements on the determination of domestic price in the post-reform period is more transparent compared to the critical influence of domestic consumption and production on the price determination during the pre-reform period. The well defined limits of the market intervention strategies pursued by the institutional agencies since 1997 is a clear indication of the necessity to focus on value addition at the levels of processing and the rubber products manufacturing.

In the era of globalisation, the most critical area deserving attention so as to sustain the viability of NR cultivation in the country is value-addition from the rubber products manufacturing sector. Indian rubber products manufacturing industry represents a highly skewed structure dominated by the inward oriented dry rubber products sector. The Indian rubber products exports is also dominated by the dry rubber products accounting for more than 80 per cent in the total value of exports. The automobile tyres and allied products segment alone has a share of more than 62 per cent. In fact, the composition of Indian

Table 1 : Ratio of Indian Price to World NR Price

Year	Ratio
1981	1.63
1982	1.99
1983	1.60
1984	1.62
1985	1.90
1986	1.69
1987	1.45
1988	1.13
1989	1.38
1990	1.51
1991	1.18
1992	1.00
1993	1.00
1994	0.90
1995	1.01
1996	1.08
1997	1.10
1998	1.04
1999	1.13
2000	1.04

Source : Indian Rubber Statistics, Volume : 24, Rubber Board.

rubber products exports has been a horizontal extension of the structure of the domestic industry without focussing on the export potential of locationally advantageous latex based products. This position is in sharp contrast to the successful strategy pursued by Malaysia where more than 80 per cent of the export earnings are accounted for by the latex based products. Moreover, the rapid strides made by both Malaysia and Thailand in the export markets since the early 1990's are based on the focus on latex based products. The relevance of this experience assumes more importance in the context of serious challenges faced by dominant tyre sector in the country from the MNCs. In the Indian context, the well organised producers' consortiums may have to be initiated into the manufacturing of locationally advantageous products with higher NR content, value addition and negligible brand loyalty in the export markets.

In conclusion, it becomes imperative to underline the need for an introspection in retrospect and prospect shedding complacency and obsession with highlighting shortcomings. The essential pre-requisites for realistic policy initiatives are identification of sector-wise issues, evolving appropriate policy instruments and focussing on the target groups to obtain the desired results in response to the emerging challenges. Nevertheless, an integrated approach encompassing NR production, processing, marketing and rubber products manufacturing sectors shall focus on value-addition including the potential commercial exploitation of the valuable by-products such as rubber wood and rubber honey.