

**RUBBER
PLANTATION INDUSTRY
CHALLENGES
AND OPPORTUNITIES
IN THE NINETIES.**

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*Workshop on the Latest Trends in Exploitation,
Processing and Marketing of Natural Rubber
(NR), UPISI - R&D Centre for*

Rubber is a versatile industrial raw material indispensable for modern living. To begin with, rubber plantations were the only source of supply of rubber in the world. However, the emergence of synthetic rubber changed the situation altogether. It was then thought that synthetic rubber with its ability to meet stringent specifications would eventually eclipse natural rubber in the world polymer market. The rubber plantation industry with its resilience to absorb stresses and strains, however, withstood successfully this threat and continued to flourish to supplement the total rubber requirements.

India has the unique distinction of having developed simultaneously a fast growing rubber plantation industry side by side with an equally dynamic rubber goods manufacturing industry. The total production of natural rubber (NR) in 1970-'71 was only 92171 M.T. which increased to 153100 M.T. by 1980-'81. The uptrend in production continued and by 1990-'91 total NR production scaled a peak of 329,615 M.T. It is anticipated that NR production will rise further to 365,000 M.T. by 1991-'92. This spectacular growth has been brought about by extension of area under rubber, systematic replantation of old uneconomic trees with high yielding varieties and successful introduction of technical innovations in agricultural practices and crop harvesting. The efficiency of the industry is truly reflected in the consistent uptrend in productivity. The yield per hectare which was only 653 Kgs in 1970-'71 has gone up to 788kgs by 1980-'81. By 1985-'86, it has further increased to 890Kgs. By the close of the last decade the yield per hectare reached the level of 1076Kg. It is projected that it will rise to 1300Kgs by 1994-'95 and by the close of the century may touch 1500Kgs.

Consumption of rubber is considered as the true barometer of the progress of the rubber industry. The rubber goods manufacturing industry has also recorded commendable progress during the last decade. The industry recorded an average compound growth rate of 7.6% per year during this period. The growth of the industry from 1985-'86 to 1989-'90 was even more remarkable with an annual average rate of over 9%.

A notable feature of the consumption pattern in the country is the predominance of NR. During the year 1989-'90 the ratio of consumption of NR and SR was 79:21. This is in sharp contrast to the global pattern of 34:66. Taking into account the actual requirements of SR and also the production and expansion programmes envisaged for it during the coming years, it can be assumed that the ratio may remain more or less at the same level, till the end of the present century. The details of production, consumption and imports are depicted in Annexure-I.

Against the above background let us examine how best we could foresee the shape of things to emerge in the rubber arena by the close of the present century. At the very outset it has to be stated that projections of this nature are very complex and complicated and subject to lot of criticisms. This is mainly due to the fact that assumptions based on which projections are made can undergo changes which could not be anticipated. At the same time, projections made on the basis of past trends alone may be devoid of realism as the different variables which have direct or indirect impact on production and consumption may undergo changes in varying extent. Even with these limitations, some projections become inevitable without which we cannot prepare the industry to meet the various challenges that lay ahead. The best course of action would therefore be to go in for a modest projection.

The anticipated production and consumption of NR could be in the following manner:-

The trends unmistakable point towards the gradual narrowing down of the gap between production and consumption.

The projected consumption has to be looked into in little more detail so as to identify the opportunities and prospects that will be opened up for the NR industry. For this purpose the grade-wise demand is projected in Annexure-II. For comparison purpose, the position in 1990-'91 is also shown along with the projections. While making the grade-wise projection only grades commonly in use now are taken into account. Due to technical advancement taking place in the rubber manufacturing industry, demand may be generated for certain speciality rubbers. The demand for such rubbers is not

projected mainly because of the uncertainty on the extent of its acceptability and use by the Indian industry. The demand for such rubbers will have to be accommodated within the total projected demand for the grades which will be replaced by such speciality rubbers.

After having seen the future situation in detail let us see how best the opportunities and prospects generated during the present decade can be fully utilised and the challenges effectively met, by the NR industry.

Self sufficiency And Its Implications

The very fact that we have been producing less than our internal requirement had in the past instilled a sense of security and confidence among the planting community. It is however not forgotten that we have had problems of excess supplies and fall in market prices in the past. If we look back, it will be seen that in the period from 1970-'71 to 1977-'78 the industry passed through a critical phase. In 1972-'73 there was excess production which paved the way for export of 2700 M.T. of NR in 1973-'74. A similar situation had arisen in 1976-'77 and 1977-'78 when production was in excess of internal demand. As done earlier, export of NR was resorted to in 1976-'77 to the tune of 12296 M.T. In 1977-'78 a total quantity of 11078 M.T. of NR was exported. Since then consumption had always been far ahead of production. The import of rubber has been steadily increasing from 9250 M.T. in 1980-'81 to 59,835 in 1988-'89. In 1990-'91 the total quantity of NR imported was 51,942 M.T.

It would therefore appear that a situation similar to that of the seventies may emerge during the present decade also. But if a long term perspective is taken, it will become clear that this will only be a transient phase which will soon get corrected as in the past. The NR industry was able to tide over such difficulties in the past with commendable expediency which makes it confident to face any challenge of this nature if it comes up.

The above analysis does not in any way paint a gloomy picture for the NR industry in the coming years. There is a feeling among the planters that self sufficiency in rubber could only bring miseries to the NR industry. It should not be forgotten that self sufficiency under ideal situations means continued sustained growth for the industry. In other words self sufficiency need not imply stagnation. But at the same time this is a situation signalling the vital need for timely action to correct temporary imbalances in demand and supply before they get out of hands. Recent developments on the industrial front particularly after the announcement of a liberal industrial policy by the Government and the thrust laid on maximisation of exports have brightened up the prospects of consumption of rubber. Similarly the anticipation of attaining self sufficiency does not in any way deter those who intend to invest in rubber planting. It is to be understood in this context that the future projections are made on the assumption that new planting and re-planting will continue at renewed vigour. Here again there is no room for any complacency.

Opportunities For Better Price Realisation

Rubber price is a topic of lot of controversy. No attempt is, therefore, made here to touch upon this sensitive issue. The attempt here is only to emphasize the opportunities available for realising better price for rubber on the existing price level, without discussing aspects like the adequacy of the present price and such related controversial subjects.

This is the time, the planters should address themselves as to how best they could realise better prices, rather than waiting for a price revision by the Government. There are two broad openings available to the planters. The first approach lays stress on maximisation of profits by suitable adjustment in the product mix so as to cash in the anticipated spurt in demand for some of the processed forms of rubbers. The second opening is to go in for exploiting the virgin field of speciality rubbers, where profit margin could be higher.

In the sheet rubber category, the demand upswing is noteworthy in the case of RMA-4 as evident from the projection made in Annexure-II. The premium of RMA-4

over ungraded rubber has been steadily increasing over the years from Rs.0.30 per Kg in 1980-'81 to Rs. 0.71 in 1985-'86. This has further improved to Rs.1.06 in 1990-'91. It may also be noted that among the popular sheet rubber grades, RMA-4 enjoys a definite market share, mainly because of the fact that this is the grade preferred by the tyre manufacturers. However, this is an opportunity which can be successfully made use of by the small growers since estates generally produce RMA-IX to 3. The expected increase in demand of RMA-IX and 1 of 1000 M.T. by 1994-'95 is no doubt a prospective field for large plantations. No further improvement in demand for these grades by 2000-'01 over the level of 1994-'95 is envisaged on the presumption that the increased demand in this field will be successively met by increased production of latex crumb rubber. The opportunities for RMA-IX and 1 could even be more if the anticipated production of latex based crumb rubbers does not come up to anticipated levels. These grades have been enjoying a premium of Rs.1 per Kg over ungraded price in the beginning which has been steadily increasing and now ranges between Rs. 3 to 4 per Kg. The prospects of increased demand for RMA-2 and 3 are also equally promising which can also be made use of by the estate sector to its advantage. In the case of block rubber, latex based grades and significantly ISNR 3CV and 3L offer very bright prospects. These grades enjoy a premium of above Rs.4 per Kg over ungraded price which could be stepped up if regular supplies are assured and maintained. The demand for ISNR 20 which commands a premium of Rs.0.50 to Rs. 0.75 per kg over ungraded rubber and ISNR-10 which enjoys a premium ranging from Rs.1 to 1.50 per Kg are also equally promising which can be profitably made use of for obtaining a higher value addition for the scrap rubber.

The opportunities available for latex concentrates are indeed very prospective. This includes centrifuged latex as well as creamed latex. The total demand is expected to rise to 61,000 M.T. in 1994-'95 from the level of 39,900 in 1990-'91. This will increase further to 105,000 M.T. by 2000-'01. Centrifuged latex has been enjoying an attractive price during the last decade. During this period, the market price had increased from Rs. 16.20 per kg drc in 1980-'81 to Rs.26.31 in 1985-'86 and further to Rs.42.10 per Kg in 1990-'91. Even at a reduced price level the field would still remain lucrative vis-a-vis other forms of processed rubbers. The price of creamed latex has also been going up. Creamed latex now enjoys a premium ranging from Rs.12 to 16 per Kg drc over the ungraded price. It is anticipated that by the turn of the century more and more quantity of LATZ latex will be produced. It is well known that this latex contains only 0.2% ammonia as against 0.6% in the latex now commercially available. Besides, LATZ latex will help to control VFA effectively. The consumers may offer slightly higher price for this latex considering the saving in deammoniation, lower VFA and also for reducing pollution problems. Commercial production of LATZ latex will ease the difficulties now experienced by latex producers on availability of ammonia, and at the same time secure them better price realisation.

Privileges of Estates in Sales.

Estates being the primary producers of rubber are not liable to pay general sales tax levied by the State Governments. Therefore, direct interstate sales done by the estates can result in higher price realisation. The estate owners in Tamilnadu are even more privileged in this regard as they are not liable to pay either the sale tax or central sale tax. In Kerala, however, direct sales from estates attract CST at the usual rate of 4% against C Form. It is often found that large estates, excepting some big plantation companies, have not been making full use of this privilege to maximise the sales value of rubber. There may be many reasons for this like the smaller quantity of higher grades available for sale at a time, inability to identify potential buyers and also lack of awareness on the advantages of this system. With the hiking of sale tax on rubber to 7% in the recent budget in Kerala the relevance of this is all the more. With this revision last inter-state purchaser in the state has to bear a total tax burden of 9.31% (7% tax + 25% of 7% as AST and 8% of 7% as surcharge). If purchases are made under the agency system, which is a common practice in rubber trade further 1% on an average more has to be borne by the buyer as agency commission. Therefore, the total liability of the interstate buyer on tax and agency commission works out to 10.31%. The estates making direct sales need collect only 4% CST and if an intermediary is involved 1% more. Therefore, the difference works

out to 5.31% which is quite notable.

Bright Prospects for Speciality Rubbers

The second opening to maximise price lies in exploiting the market potential for speciality rubbers. With the rapid pace of technological advance taking place in the rubber goods manufacturing industry, it is natural that demand for certain tailor made speciality rubbers will be generated. Speciality rubbers are made to stringent specifications and therefore command comparatively better prices. For estates looking for maximisation of profits, this will be a promising avenue. Some of the special rubbers which have bright prospects are:-

- General Purpose Rubber
- Superior Processing and Process Aid Rubbers
- Grafted Rubbers
- Deproteinised Rubbers
- Cyclised Rubbers
- Oil Extended Rubbers
- Epoxidised Rubbers

Each of these grades has definite applications. However, it may be noted that there is only potential demand for these rubbers and those who wish to produce them commercially will have to identify, promote and develop the market. Some of the large plantation companies could give a lead in this direction.

Prospects for product Diversification Value Addition and Export

Till now the plantation industry has been remaining contented with activities confining to production and sale of different forms and grades of rubber. Even in this field, diversification of the product base has not come up to a desirable extent. With the country slowly marching towards the long cherished goal of self sufficiency in rubber it is high time that we should come out of the old, orthodox mentality of confining ourselves to production of rubber alone. From the point of view of maximisation of profit also, value addition by venturing into manufacture of rubber products and also making full use of the exciting prospects awaiting on the export front will be a step in the right direction. Our country with its size and population offers the biggest advantage of an evergrowing market capable of absorbing a variety of rubber products.

On the export front, there are lot of opportunities. Till now the plantation companies have not made any serious attempt to enter this area. Some ventures started recently are however an exception. In order to understand and appreciate the prospects in this field, it is essential to have a glimpse of what is happening on the export front. The details are given in Annexure-III.

The total export earnings had gone up from 9.70 crores in 1970-'71 to 259.75 crores in 1990-'91. This is no doubt creditable. A special feature of our export is that we are still depending heavily on auto tyres including retreading materials. The share of this product group to total export value was 57% in 1970-'71 which has increased to 69% by 1990-'91. The share of cycle tyres and tubes has declined from 5% in 1970-'71 to 1% in Annexure-III point towards unlimited potential still existing in other product groups other than auto tyres and tubes, which still remains to be exploited fully.

It is interesting to note that we are still importing rubber products and side by side with increase in export earnings our import bill has also been going up. Our total import bill was 2.99 crores in 1970-'71 which has gone up to 16.95 crores by 1980-'81. It has further increased to 51.96 crores by 1989-'90. A detailed probing into the details of imports would help us to identify potential areas of import substitution. The details of imports are given in Annexure-IV. The total outflow of valuable foreign exchange for imports has been steadily going up since 1970-'71. The latest data available show that beltings have accounted for 14% of the total value of imports followed by hygiene pharmaceutical products including contraceptives with 13% and tyres with 12%.

In brief there are lot of openings for import substitution particularly for beltings, hoses and pharmaceutical products. From these potential product groups, suitable items can be successfully identified for setting up units by the plantation companies. The main

RUBBER RESEARCH INSTITUTE OF INDIA percentage of rubber in the total raw material content. This approach would add more value addition to the plantation companies who are the primary producers of rubber.

One of the constraints for further consolidation of exports is found to be the absence of an agency to provide export assistance and help other than monetary incentives. This is keenly felt by small manufacturing units. They are also unaware of the opportunities available on the export front as also the choices and preferences of overseas buyers. Therefore, the need for an agency to provide this support by interacting with various institutions in the export field is an essential pre-requisite to maximise export particularly from the small scale sector. It will be even more advantageous if samples of products, required by overseas buyers along with the standards and specifications of the product as well as mode of packing, price details etc. are made available to the units interested in exports. Our country has a fairly developed technology and therefore what is needed is only to adjust the product specifications to the tastes and preferences of overseas buyers. Some of the big plantation companies could explore the possibilities of setting up export houses also. They could profitably link up small and medium units for the supply of products, meeting laid down specifications.

The main thrust areas on which planters should lay emphasis during the current decade, have already been pin pointed in this paper. However, only those fields where maximisation of profit by making optimum use of the raw rubber received from the trees are touched upon briefly here. It is pertinent to point out that there is also another prospective field for the planters in the commercial exploitation of rubber wood which is abundantly available in the rubber growing tracts. Countries like Thailand, Malaysia and Indonesia are already producing treated rubber wood and successfully exporting it to Japan, Western Europe, USA etc. These exports are mainly in the form of high value furniture and mouldings for various applications. In India, a large part of about 1 million c.ft of rubber wood available annually is used for making packing cases and the rest for high value added products. It would therefore appear that much potential remains unexploited in this field. New innovative developments based on research would no doubt open up more avenues for commercial application of rubber wood, significantly on the export front. The plantation industry should come forward to make use of this opportunity fully. This will be yet another area of value addition. It is indeed heartening to note that some units have already been started for processing rubber wood. An interesting aspect of the present situation is that private industrial houses are more prominent in this field than the plantation companies. The Rubber Research Institute of India has already identified this as one of the thrust areas for future research activities and work has already been started in this direction. The planters could therefore interact with the Institute for further, guidance in this field.

The future outlook for the NR industry is one of continued optimism. There may also appear constraints and problems particularly in demand-supply forces, which will only be a passing phase. The present decade will also witness many changes in the pattern of use of rubber, which would necessitate suitable changes in processing and presentation of NR. The capability of the industry lies in foreseeing such developments and making full use of it.

To sum up, the present decade will usher in an era of exciting prospects for the NR industry. Therefore the industry should gear itself to meet the challenges effectively and to exploit the potential generated to the maximum extent possible. This will prepare it to march through the last decade of the present century with renewed vigour and confidence to the next century where unlimited opportunities await it.

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