

# CRISIS DUE TO LOW PRICE OF NATURAL RUBBER: WHAT PRICE WILL SAVE THE INDIAN RUBBER PLANTATION SECTOR?

James Jacob

Rubber Research Institute of India, Kottayam-686 009, Kerala, India

Received: 13 August 2020

Accepted: 20 August 2020

Jacob, J. (2020). Crisis due to low price of natural rubber: What price will save the Indian rubber plantation sector? *Rubber Science*, 33(2): 107-111.

The extent of the drop in domestic production and price of natural rubber (NR) currently being witnessed are unparalleled in the history of NR cultivation in India. There are no indications of the price returning to the previous high levels any time soon and contraction in the economy due to the COVID-19 lockdown has further worsened the situation. The present study critically analyses how much income an average small grower can possibly expect to get given the current low productivity and price of NR and the small size of the holdings. Operational profitability of NR harvesting in terms of the Benefit Cost Ratio (BCR) may be still attractive at the current low price, particularly in holdings with better productivity and adopting low-frequency tapping. Resorting to self-tapping by the grower will obviously further improve the BCR. However, the total revenue a small NR grower with 0.5 ha can expect today even with the best BCR is still far less than the earnings of an agricultural labourer or the average household expenditure in rural Kerala. The net income from an average NR smallholding doing alternate daily tapping is less than that of a BPL family. Thanks to the smallholding size, today rubber is not a rich man's crop unlike what many presume. The fact that 25-30 per cent of the holdings are presently left untapped and only a small fraction of the smallholders has resorted to self-tapping suggest that a large number of smallholders does not have a primary stake in NR cultivation any longer. Low price of rubber is a disincentive, particularly for households that depend on NR cultivation as the main source of livelihood. The very small size of the NR holdings is a major structural impediment to the sustainability of the Indian NR plantation sector due to their poor scale of economy.

**Key words:** Natural rubber plantation, Natural rubber price, Sustainability, Self-tapping, Small holdings

## Drop in price

The question posed above may sound politically incorrect and provocative, if not outrageous; nevertheless this is an important question that many shy away from asking. When NR price was buoyant, domestic rubber production increased in tandem with consumption (Jacob *et al.*, 2018). The present low price of NR that started to sharply decline

since 2011-12 has precipitated a crisis in the Indian NR plantation sector with immense consequences to both rubber growers and the NR products manufacturing industry. Growers and industry are equally concerned about the current situation, but for different and good reasons. Growers are worried about low profits due to the continuing low price NR. The manufacturing industry is