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A STUDY OF THE RUBBER INDUSTRY OF CEYLON
WITH SPECIAL REFERENCE TO
SMALLHOLDINGS

by

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CHAPTER VI

SUMMARY OF CONCLUSIONS

The rubber plantation industry consists of a little over 673,000 acres of which 30.7% are smallholdings, 22.9% small estates, 21.9% medium estates and 24.5% large estates. The continuance of this industry is important to the economy of Ceylon as it contributes:

1. about 3.7% of the National Income of Ceylon
2. 15 - 21% of the total foreign exchange earnings of Ceylon
3. to the employment of nearly 303,000 workers with a total of about 900,000 persons fully dependent on it for their livelihood.

As Ceylon produces only 5.8% of the total world production of NR, she does not influence the world market operations. But the total supply and demand for rubber (NR & SR) will affect the future price of rubber thus affecting the contribution made by the rubber industry of Ceylon.

According to the past supply of rubber (NR & SR) a future total supply of 7.02 million tons in 1970 and 8.67 million tons in 1975 can be forecast. According to the past total demand for rubber a future demand of 6.86 mill tons in 1970 and 8.37 mill tons in 1975 can be forecast. It therefore appears that the rubber industry as a whole will suffer from an excess of production in the future to the tune of 0.16 million tons in 1970 and 0.30 million tons in 1975. Excess supply means that there will be unsold stocks resulting in severe competition for sales. The price of rubber will therefore tend to drop. Unsold stocks of rubber

could be of NR or SR or both. Today, NR is no more the unique material it was, prior to the 2nd World War, on account of the production of a large number of synthetic rubbers which have one or more of the superior qualities available in NR. Therefore NR has to compete with SR on an equal or slightly disadvantageous footing due to lack of captive markets.

In a competitive market, price, quality, presentation and availability are the factors that determine the choice of a commodity. In all these the synthetic rubbers have an advantage over NR so that if NR must compete with SR the competitive position of NR has to be improved. This can be done by:-

1. Reducing the cost of production of NR mainly by replanting with high yielding clones all areas yielding less than 800 lb per acre per year. Other ways of cutting down the c.o.p such as reduction in the cost of some maintenance items such as weeding, by the use of weedkillers and more efficient use of labour have to be practiced.
2. Improving the quality of NR by producing rubbers which are technically classified or by technically classifying existing forms to give the buyer an idea of the quality of the NR he is buying. This requires the training of technicians to quickly analyse rubber arriving in bulk in shippers' stores for purposes of technical classification and issue of certificates.
3. Improving the method of presentation by presenting it in small 70 lb bales of required volume specifications as done in the SR industry.
4. The formation of a Natural Rubber Producers Association of all NR producing countries to negotiate with SR producers to prevent excess production of SR.

5. Provision of captive markets for NR by encouraging the manufacture of rubber goods in Ceylon for which technical research, training in rubber ~~in rubber~~ technology, allocation of foreign exchange for entrepreneurs and high tariffs against cheap plastic substitutes are necessary.
6. Lastly the NR producing countries must have a joint Technical Advisory Service to consumers and sales promotion campaigns.

In the rubber plantation industry as it is today, the smallholdings form an important group as,

1. it consists of nearly 31% of the acreage under rubber,
2. it contributes about 5% of the total foreign exchange earnings of Ceylon,
- and 3. it offers employment to nearly 147,000 low income group families, comprising of over 500,000 persons who are fully dependent on the rubber industry for their livelihood.

According to the economics of production of smallholdings worked out, they form the group which has the lowest cost of production per pound of rubber. Thus they become the most viable group in the rubber industry in the event of a further drop in the price of rubber.

The Government and the Rubber Research Institute help the smallholdings by way of an Advisory service, subsidy for the control of a disease, subsidies of Rs.1500/= per acre for replanting and other assistance in the form of latex strainers, coagulating pans and smoke rooms at subsidy rates.

Although the cost of production per pound of rubber in replanted smallholdings is the lowest, their yield of rubber is lower than those of estates due to insufficient application of manure and poor management practices.

Then again only 32.8% of what they produce fall into RSS Grade I due to the poor equipment and lack of skill. If these deficiencies are corrected the smallholdings will be benefitted by (a) getting higher yields of rubber which will in turn reduce the c.o.p. further and (b) producing a higher percentage of quality rubber (RSS I) which will give them a higher revenue from sales. Both these tend to increase the net returns from smallholdings and make them more viable.

Therefore in order to make this group more viable the Government will have to,

1. Increase the subsidy for replanting to at least Rs.1750/= per acre for smallholdings,

2. make available,

i. easy credit facilities for smallholders to maintain their holdings at a high standard.,

and ii. fertiliser at a subsidy rate for replanted smallholdings.

3. prevent smallholders tapping under girth trees by,

i. allowing them to plant catch crops during the 1st three years of replanting to enable them to earn some income during a part of the unproductive period of the rubber tree.

and ii. pay the last instalment of the replanting subsidy after they have brought the replanted holding into tapping at the correct girth.

4. Construct state sponsored ^{or} ~~co~~ co-operative Central Factories for processing smallholders latex, into either RSS or Latex crepe, or the newer forms of rubber such as Crumb rubber and Dynat rubber.

The advantage in having small viable units is that in the event of a drastic drop in the price of rubber, all uneconomic estates can be made viable by alienating into small economic units.