POLICY OPTIONS FOR MANAGING FARM INCOME UNDER MARKET UNCERTAINTIES

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Abstract

The past few years have shown that the world supply sector of natural rubber (NR) could exert little influence on the market price. Since the NR market is largely driven by non-fundamental factors, efforts by governments and international bodies in stabilizing the market yield insignificant results. To sustain the world supply of NR, it is necessary to safe-guard rubber farmers’ income based on rubber cultivation activities. There are options to increase rubber growers’ income despite the ruled market price. To farmers, the improvement of latex yield, the reduction of cost, the generation of additional income from the field, and the enhancement of product quality are suggested. Governments may have measures to redesign the supply chain, provide economically viable supports to the supply chain, regulate the growth of the production, and raise the awareness of farmers of good saving practices. These options can be achieved by formulation and implementation of suitable long-term holistic polices to safe-guard farmers’ net return from rubber cultivation.
Policy Options
For Managing Farm Income
Under Market Uncertainties

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Fading Influence of Supply

- For the past few years, world supply has enjoyed only a very limited role in determining NR prices.
- NR market is largely driven by factors external to the sector.
- As a result, efforts during the past few years by national governments and international bodies to bolster NR price could not yield the desired result.

Conventional Policy Approach to Uncertainties in NR Prices

- Fixation of minimum support price.
- Supply management by procuring surplus from market.
- Supply management through production/exportation curtailment.
Limitation of Conventional Approach

- A farmer is more concerned about his net income from holding rather than price ruled in the market.
- But, in the attempt to raise market prices, policies often fail to address the income of farmers.
- Net income realised by the farmer is crucial in retaining him in the sector and thereby sustaining world supply of natural rubber.

Focus on Farmers’ Net Income

- Due to limitation in influencing market prices, ANRPC additionally focusses on net income of rubber farmers.
- Is it possible for farmers to get better farm income without increases in market price?
Initiatives by ANRPC

- ANRPC in 2015 constituted an Expert Group, represented by policy makers and experts, exclusively to identify the measures that really help farmers reeling under low rubber prices.
- Expert Group met four times and came out with recommendations to be implemented across countries.
- ANRPC also gathered inputs from the private sector (farmers, traders, processors and auto-tyre companies) through its newly constituted forum - “ANRPC Public-Private Meet”.

Options Available for Farmers to Increase Farm Income

1. Improving average yield on short term and long-term basis.
2. Exploring possibilities to reduce cost in all farm management practices.
3. Generating additional income from rubber holdings by exploring various ancillary sources.
4. Improving quality of produce, to realize premium price for premium quality rubber.
Options Available for Governments to Increase Farm Income

1. Redesigning supply chain to make it more efficient so as to enable farmers to realize prices closely matching with those ruling in terminal markets.
2. Formulating long-term holistic policies for sustainable growth of NR production sector.
3. Providing economically viable support measures by government.
4. Raising farmers’ awareness of good saving practices and family budgeting.

Short-term Measures to Improve Yield

- Higher yield helps to reduce cost of production and thereby makes rubber production more economically efficient.
- Yield from existing trees can be improved by adoption of proper farm management practices such as:
  - Application of inputs
  - Weed management
  - Soil conservation
  - Disease management
  - Harvesting frequency
  - Rain-guarding
  - Stimulation
Long-term Measures to Improve Average Yield

- To make rubber production more efficient and competitive, intensive replanting should be promoted during the low phases of NR prices.
- A phase of low rubber prices is a good time to replant low-yielding aged trees with improved clones. This is because:
  - Loss arising from removal of yielding trees is less if it is done at the low phase of prices.
  - Farmers will be enabled to generate income from intercropping during the immaturity phase of replanted trees.
  - Planting materials will be available at relatively lower prices during the low phase of NR prices (poor demand).

Should there be Restriction on Newplanting?

- Rubber trees planted this year (2017) can start yielding by 2024. The yielding phase may continue for about 20 years from 2024 (From 2024 to 2044).
- It should be based on the anticipated demand and supply during 2024-2044 that policies on new-planting have to be formulated. Formulation of policies should not be based on the current situation.
- Therefore, current situation of unattractive price does not warrant a situation to restrict new-planting.
Rationalization of New-planting

- Each country may identify its regions which will remain economically viable to grow rubber at least in the next 30 years.
- Newplanting may be promoted only in such regions.

Cost Optimization Through Group Approach

- Given tiny size of holdings and resultant operational inefficiency, smallholders may organize themselves into micro level groups to carry out farm operations on a group basis rather than individual basis (Micro group based approach).
- Organized bulk purchase of essential farm inputs, joint farm operations and labour arrangements can help to reduce cost of production.
- Good models of micro level group approach already exist in countries such as India and Sri Lanka.
Organized Management of Tappers

- Every micro level group of smallholders may also form a pool of locally available skilled tappers who are trained/certified by the group (Tappers’ Bank).
- Tappers’ Bank guarantees the farmers timely availability of tappers and at the same time provides job security for tappers.
- The concept also helps tappers to get attractive remuneration apart from social recognition.

Cost Reduction by Optimization of Harvesting

- Labour constitutes more 60% of cost of production of NR.
- Low Intensive Tapping System (LFT) such as S/2d7 helps to have substantial savings in labour cost.
- The system encourages smallholders to undertake tapping by themselves without depending on hired tappers.
- Also helps to address the prevailing acute shortage of skilled tappers.
Exploring “Non-latex” Income

• Each rubber holding may be transformed into an “Agro-Business Unit” that provides various ancillary income apart from latex.
• Depending on conditions prevailing in each country, NR producing countries may identify various non-latex economic activities suitable to be undertaken in rubber holdings.
• The focus should be to maximize net income from holding through multiple activities.

Income Maximization through Quality Improvement

• Quality of product is key determinant of farmers’ income.
• It is during harvesting and post-harvest handling that the quality gets deteriorated.
• Farmers who sell their products (cup lump, field latex, sheet, scrap) in high quality can enjoy a premium price.
Significance of Supply Chain Efficiency

- Efficiency of supply chain is key determinant of price realized by farmers at farm-gate and their income.
- Supply chain existing in different countries needs thorough evaluation with a view to shorten the chain and avoid profit appropriation by middlemen.
- Central Rubber Market, Auction Trading, Cooperative Marketing, and group-based trading enable farmers to realize better farm-gate price.
- IT-enabled trading platform may be promoted to make trading more transparent.

Innovative Supply Chain Models

- Innovative supply chain models have helped farmers across crops and countries.
- Case No. 1: Income of tomato farmers in India increased four-fold when a retailer came in by providing them HYV clones and extension services. Absence of middlemen also helped.
- Case No. 2: TSR/Latex processing factories in Sao Paulo (Brazil) undertake extension services among farmers. Every processing factory helps farmers within its jurisdiction by monitoring quality of tapping, disease management and yield of latex. Processing factory takes the entire produce without any middlemen.
**Long-term Policies Leading to Higher Farm Income**

**R&D For Improved Forms of NR**

- Improved processed forms can help NR to compete with SR and replace SR in several areas of application. This may generate additional demand for NR.
- Research efforts in rubber processing may be intensified to develop improved forms of processed rubber, rather than confining to conventional forms.

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**Long-term Policies (Contd.)**

**Green Credentials of NR**

- More practical approach is needed to help NR sector to exploit its green credentials, including carbon sequestration potential of rubber plantations.
- Individual countries may come up with their own carbon credit scheme to be implemented within each country.
- NR sector should get its due recognition while framing eligibility criteria of such programmes.
**Carbon Cess**

- Investment in SR sector has substantially increased in major NR-producing countries during past few years.
- Due to huge scale of operation, proximity, and low crude oil prices, SR will be available at competitive prices in major NR producing countries.
- To guard against the potential threat from SR, major NR producing countries may levy a Carbon Cess on domestic production and consumption of SR.
- Proceeds from levy of Carbon Cess may be used for development of NR production sector.

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**Rubber Fund**

- NR producing countries may introduce a “Rubber Fund” at national level.
  - Farmers may contribute to the Fund when NR price crosses a pre-defined limit.
  - Consumers may contribute to it when price comes below a pre-defined lower band.
- The Fund can be used by governments to support the production sector during low phase of NR price.
- Consuming industries in countries which are increasingly concerned over domestic availability of NR, are likely to welcome initiatives which support domestic supply base.
Long-term Policies (Contd.)

Farmer Awareness Programme

- Smallholders are sensitive to abnormal ups and downs in NR price.
- It is due to lack of awareness that they take myopic decision leading to discarding of even young trees.
- Awareness programmes may be designed and organized to equip smallholders to cope-up with downswings in NR price and to encourage savings during upswings in market.
- This is also important to build confidence among farmers on the crop’s long-term prospects.

Value Addition

- NR-producing countries should reorient their policies to give more emphasis on manufacturing of rubber goods, especially non-tyre products in SME sector.
- ANRPC Executive Committee decided to popularize rubberized roads among all Member Countries by making use of new technology provided free of charge by RRI Thailand.
- Concept of rubber industry clusters may be expanded across different regions in each country.
Long-term Policies (Contd.)

Value Addition (Contd.)
- Countries which have fairly well-developed manufacturing industry should focus on developing new applications of NR.
- Value-addition of rubber wood also needs further attention among some of the major NR producing countries.

Conclusions
- Sustainable growth of world NR production sector calls for generating renewed interest among farmers to actively involve in farm activities.
- There are options to increase rubber growers’ income despite the ruled market price of rubber.
- These options can be achieved by formulation and implementation of suitable long-term holistic policies to safe-guard farmers’ net return from rubber cultivation.
Hearty welcome to

Tenth ANRPC Annual Rubber Conference
Reengineering Value Chain for Revitalizing Production Sector

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Thank You