Natural Rubber (NR) Industry Update -2022

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1. Rubber Production

The annual requirement of Natural Rubber for internal consumption in Sri Lanka is around 150,000 MT per year. With the current production level, not even 50% of the requirement is produced within the country. Therefore, approximately 100,000 MTs of Rubber is imported every year.

The NR production in the year 2022 was only 70,870 MT. which shows a decline of 7.81 % from the previous year's production of 76,886 MT. With 20,000 MTs are exported in the form Latex Crepe, Ribbed Smoked Sheets and Centrifuged Latex only around 50,000 MTs of natural rubber is available for the rubber product manufacturing sector in Sri Lanka.

The natural rubber production in the country has been severely affected since 2010 due to various reasons. The main reasons for low production at present are;

- Low productivity
- Shortage of skill harvesters
- Presence of circular leaf spot disease
- Fluctuation of rubber prices
- Lack of replanting old rubber lands
- Lack of lands for expansion
- Recent ban in Fertilizer and Agro-chemicals

Being a pioneer in the NR industry in Asia, Sri Lanka was at an advantageous position in the market for NR vis-à-vis its global competitors. However, an analysis of the current status demonstrates weaknesses in performance compared with many new comers to the NR industry especially in the areas of production, productivity and technological innovations. Position of traditional Sri Lankan NR ―brands‖ has eroded over the years due to lack of initiatives and innovations. These factors have led to lower profitability at times of cyclical price decline, which is an inevitable condition in commodity markets linked to stochastic systems. This has affected the decisions of producers in relation to replanting, new planting and even production.

The NR production during last 05 years is given below

Year	Production (MT)
2022	70,870
2021	76,880
2020	78,200
2019	74,700
2018	82,600

2. Rubber Productivity – Yield per Hectare (YPH)

The Yield per Hectare recorded in the year 2022 was 649 and reflects a decrease of 4% over the previous year 2022.

The productivity of Sri Lanka rubber sector has been one of the lowest in the world. The average YPH of Sri Lanka has been recorded around 679 kg. at present which is far below the other countries. Whilst our neighboring country is recording a yield of over 1450 kgs per hectare, Vietnam and Thailand yields over 1600 kgs per hectare. The chart below gives the YPH of last 5 year in Sri Lankan rubber industry which shows

Year	YPH (kgs)
2022	649
2021	679
2020	649
2019	658
2018	774

Once again, Skill tapper shortage, lack of replanting old rubber, poor stand per hectare and Leaf diseases are the most common factors concerning for low productivity according to industry sources.

3. Rubber Extent

According to the statistics available, the total extent under rubber cultivation in Sri Lanka is around 138,300 Ha. which includes approximately 16,000 hectares under immature phase. The total rubber extent in the country has not seen a significant growth during the last decade.

Year	Mature Extent	Immature Extent	Total Extent (Hectares)
2022	123,412	16,322	139,734
2021	123,295	16,587	139,882
2020	121,398	17,203	138,601
2019	114,112	24,103	138,215
2018	107,32130,108	137,429	

It is observed that the immature extent is gradually decreasing. New Planting and Replanting need substantial investments and need to be encouraged with a subsidy scheme as first 6 years after planting (immature phase) does not generate any income to the grower.

Under the Rubber Master Plan which could be considered the Road Map for Rubber Industry developed for 2017 -2026 period, expanding the rubber cultivation in non-traditional areas has been identified as a major initiative.

4. Natural Rubber Prices

Despite the declining trend prevailing in most countries since 2011, an increase is observed since 2019. The Natural Rubber prices reached it's peak at the Colombo Rubber Auctions in the month of July 2022 fetching Rs.1,450/- per kg. for Latex Crepe No.1X. Since then, the prices of this commodity dropped to Rs.628.33 per kg. by December 2022.

However, year 2022 remains as the year with the highest price for Natural Rubber in the history. Similarly, the most produced grade in the country – RSS rubber reached it's peak of Rs.800/- in June 2022 at the Colombo Rubber Auctions. The price of RSS No.1 declined to Rs.517/67 per kg. in the month of December 2022. The annual average of Latex Crepe No.1X was Rs.845.70 per kg. whilst RSS No.1 average was Rs.647/- per kg. The highest ever price of Ra. 1450.00 was recorded in the month of July 2022.

The movement of rubber prices in Colombo Rubber Auction during last 5 years are as follows;

Year	Latex Crepe No 1X	RSS 1 No 1	Scrap Crepe No 3X Brown
2022	845.70	647.47	479.45
2021	635.16	458.52	404.11
2020	360.74	348.27	240.33
2019	302.04	289.92	236.21
2018	321.79	281.64	208.34

5. Rubber Market

Sri Lanka maintains its position as a producer of cleanest Natural Rubber termed as Latex Crepe (LCR) which is also known as Thick Pale Crepe (TPC) and is the largest exporter of crepe rubber to the international market fetching a premium price over all other types and grades.

However, the NR prices have started decreasing since August 2022. The Latex Crepe No 1X which was traded at Rs. 1450.00 per kg has reduced to Rs. 500.00 level at present.

It has been also observed that the rubber smallholder sector which manages around 70 % of the cultivated extent, do not undertake harvesting operations when the rubber prices are uneconomical.

6. Rubber Product Manufacturing Sector

The Rubber Product Manufacturing Sector needs approximately 150,000 MT of natural rubber per annum. Considering the importance of the sector to the country's economy, the government of Sri Lanka has allowed the them to import their requirement of NR to the country.

At present, Sri Lanka is the largest exporter of industrial solid tires used in the agricultural, industrial and logistics sector vehicles including forklift trucks, airport vehicles, heavy-duty transport vehicles, platform trucks, and other industrial vehicles. A few companies also manufacture pneumatic tires which is a recent development. Availability of raw materials, labour, expertise and experience have made Sri Lanka as the global hub for solid tyres.

Further, Sri Lanka is the 5^{th} largest exporter of Latex Gloves to the world. The Natural Rubber Latex Gloves offer greater strength, sensivity and protection against a wider range of pathogens and widely used for medical, industrial and house-hold purposes around the world.

7. Import of Natural Rubber

Import of Natural Rubber is now closely monitored by the Board of Investment and Ministry of Plantation Industries so to ensure that there would not be a negative impact on the local rubber prices. The process however, does not hamper the production flow of rubber product manufacturers, considering their contribution to the national economy.

The Ministry of Plantations Industries, Ministry of

Industries, Board of Investments (BOI), Sri Lanka Customs are coordinating this exercise for smooth operations of the activity.

8. Future and Outlook

Global markets opportunities are in the rise for natural rubber and country can secure a much larger share in the global market. As the global demand for rubber-based products are expected to increase with the improvement of life quality and per capita income in the South American and African countries. The country an aggregate annual turnover of nearly 4 billion USD by 2026 with sufficient infrastructure, policy support, and other facilities.

The global economy weathered the storm of the pandemic and continued to grow during the year 2022 to an impressive 5.67 percent over the previous year. Globally people are traveling a lot more than they did a year ago which are positive signs for the rubber industry. Whilst some of the smaller nations have been resilient some others have been badly affected to the point of hunger, starvation and anarchy.

Unfortunately, Sri Lanka, which has been fairly resistant to the global economic fluctuations in the past took a massive toll during this time. Our GDP is expected to contract 9.2 percent in 2022 and a further 4.2 in 2023. Sri Lanka has seen its worst economic crisis since independence in 1948 due to poor governance. For the first time, we defaulted on our sovereign debt and brought about economic instability and hardship on its people never witnessed before.

Despite the global economy being hit badly by the pandemic in 2020 and 2021, the natural rubber industry posted a strong recovery in demand with an impressive 8.7% growth in 2021 and 2022. Amidst the pandemic the rubber production decreased in 2022 by 7.8% to 70870 MT over the previous year. However, NR prices also improved and averaged around US $ 1.68 per kg for TSR grades and 2.17 per kg for RSS grades last year despite the various challenges The global supply chain disruptions were observed due to shortage of chipsets and high shipping costs. However, rubber prices declined 39.10 U.S. cents /kg or 21.93% since the beginning of 2022. The Colombo Rubber auctions recorded highest ever price for Latex Crepe 1X of Rs. 1450.00 per kg in the month of July 2022 taking advantage of the rupee devaluation.

In additional to stormy global economic issues, Sri Lanka too has had to face its own share of home brewed economic woes as a result of poor governance and economic policy. Commencing with the ban on chemical fertilizer and agro-chemicals the rubber industry has had its share of supply shortfalls.

Furthermore, the lack of Agro chemicals, especially fungicides have escalated the Circular Leaf Spot Disease (CLSD) spread in the fields. The erratic weather pattern during the year increased the disease in all rubber growing areas in Sri Lanka.

In the latter part of the year, the NR prices showed a declining trend and in the trend continues in the year 2023, the effect of the declining prices will be more on the rubber plantations / estates in Sri Lanka. With low farm gate price for raw rubber and escalating cost of production particularly with high worker wages, farmers are reluctant to replant their aged and unproductive rubber lands. There is a tendency to utilize rubber lands for other economic ventures in traditional growing areas and also a slow progress in expanding rubber cultivation in non-traditional areas. Therefore, a need has arisen to focus on planting rubber in non traditional areas where land is available and the climatic conditions too are more favourable. The development activities should target to increase not only the productivity of rubber but also the overall land productivity and the growers' income.

Avenues for reducing the cost of production and efficient use of workers should be at a high level of consideration. Further, whilst supporting to expand rubber cultivation to new areas, projects should be launched to remunerate the environmental benefits of rubber cultivation for the benefit of both rubber growers and product manufacturers.

The immediate requirement of the NR industry is to increase the production and productivity. Then the much-needed foreign exchange could be expected by way of exporting the extra production that would be available. Similarly, the additional production could be channeled to the rubber product manufactures in the tyre and latex industry which too would save foreign exchange that is used to import Natural Rubber from international markets.