

COVID 19 hits natural rubber prices but not coconut

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In the midst of India's economic crash, it is said that agriculture will lead India's economic revival. India's food grain production in 2019-20 was 3.7 per cent higher than in 2018-19. The procurement of rabi wheat in 2020-21 was 12.6 per cent higher indicating resilience in the sector. Food inflation in Q1, 2020-21 at 9.2 per cent was higher suggesting robust demand. And most importantly, kharif sowing in 2020-21 was 14 per cent higher than in 2019-20. All these suggest that agriculture is doing well. Is it so simple? Regional and crop specific analysis may be useful in this context.

Among the Southern states, Kerala has the lowest area under crops. Net cropped area in Kerala in 2017-18 was 20,16,000 hectares and gross cropped area 25,84,000 hectares. Kerala agriculture has some unique features. It is a dominant producer of natural rubber, coconut, cardamom, other plantation crops and spices in India. These are tree crops (cardamom is a bush) with long life and not easily reversible as once planted the area cannot go back to field crops. As may be seen from Table 1, area under tree crops, such as coffee, rubber and coconut is large in Kerala. In total, the five crops listed in Table 1 account for close to 15 lakh hectares and their share in the gross cropped area of the state is 57 per cent.

Table 1. Land under Plantation Tree Crops in Kerala

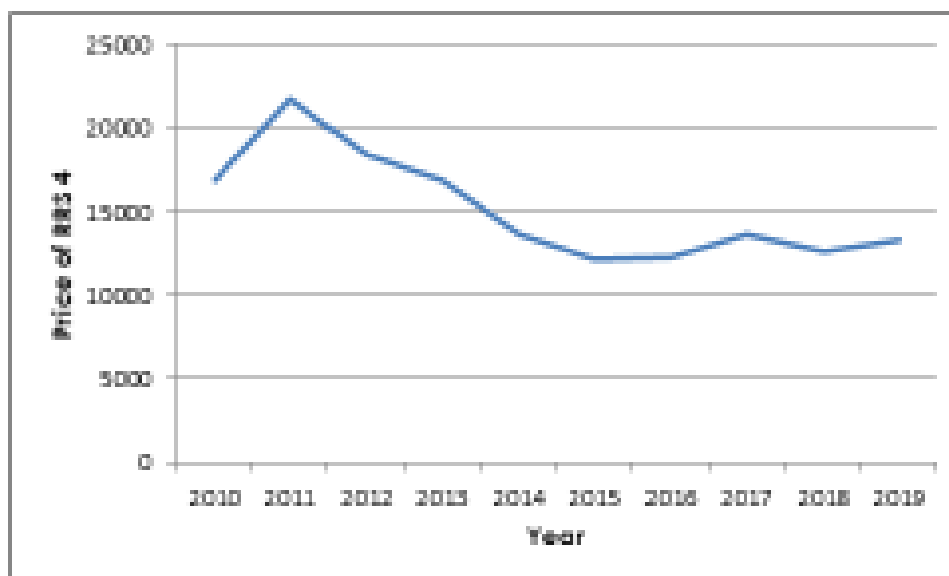
Tree /Crop	Area in Hectares
Tea	35,871
Coffee	84,976
Cardamom	39,080
Natural Rubber	5,51,050
Coconut	7,56,890
Total	14,67,687
% of Gross Cropped Area	56.81
GCA less Tree Crops	11,16,320

Sources: www.indiacoffee.org; www.ecostat.kerala.gov.in

This note seeks to discuss the price and production trends of two of the major crops grown in Kerala, namely rubber and coconut.

Kerala is a dominant producer of natural rubber in India accounting for over 80 percent of the Indian production. As shown in Figure 1, price of rubber had hit its highest levels in 2011 crossing Rs 200 a kg. for RSS 4 grade. Since then it had shown a steady fall, the year 2012 witnessing a fall in prices of 15 per cent. The next year saw it fall by 8 per cent and 2014 recorded the highest reduction of 19 per cent. The fall continued into 2015 with the prices coming down by 11 per cent. Thus, over a period of four years the prices had eroded by close to 50 per cent and in 2015 the prices were almost half of that in 2011. But the last five years have seen stable prices only to get a hit with COVID 19 and the resultant lockdown.

Fig1. Natural Rubber Prices in the Kottayam Market, 2010 to 2019 (Rs per 100 Kg.)



Source: rubberboard.org.in/indianprices

The bulk of Indian production (70 per cent) of natural rubber is in the form of sheets (RSS 3,4, 5,...). But recent years have seen a transition into solid block rubber (15 per cent) and latex concentrates (10 per cent). Production of rubber has been showing an increasing trend. In January 2020, production was 10 per cent higher compared to the corresponding month of the previous year (Table 2). It was 6 per cent higher in February and in March the production was same in the two years. But in April production dropped by 53 per cent largely on account of the lockdown due to COVID 19.

Table 2 . Monthly Production of Rubber (Tonnes)

Month	RSS		Solid Block Rubber		Latex Concentrates (drc)		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
January	54600	61380	12060	12020	8700	9150	78000	86000
February	30230	31085	11595	12500	6975	8265	50000	53000
March	16000	15850	9850	9550	6450	5650	33000	32000
April	18555	10750	8065	1850	4700	1700	32000	15000

Source: Rubber Statistical News (Various issues) available at rubberboard.org.in

Monthly average prices of rubber in 2019 have been showing an increasing trend (Table 3). There was a 20 per cent increase in the price of RSS 4 grade from January to June 2019. Though there has been a slight fall in the latter half of 2019, prices continued to remain high till March 2020. But the lockdown and the resultant collapse in economic activity put a halt to this increasing trend. The month of April did not see any trade in the market. When the trade resumed in May the prices were lower by about 10per cent. As economic activity started picking up, the prices started rising but in August have not reached the level of January. The prices of latex show a different pattern. While the price increase in 2019 was steeper till October, the fall was steady since then. The lockdown accentuated the fall.

Table 3. Monthly Average Prices of Rubber (Rs per 100 Kg)

Month	RSS4		% Change	Latex (60%)		% Change
	2019	2020		2019	2020	
January	12466	13512	8.39	8773	8572	-2.29
February	12433	13536	8.87	8328	8528	2.4
March	12802	13047	1.91	8248	8448	2.42
April	12828	NT	-	8708	NT	-
May	13604	11573	-14.93	9259	8023	-13.35
June	15029	12013	-20.07	9493	8511	-10.34
July	14956	12683	-15.2	9787	8128	-16.95
August	14336	13219	-7.79	9949	7870	-20.9
September	13317	-	-	10618	-	-
October	12140	-	-	10101	-	-
November	12817	-	-	9133	-	-
December	13140	-	-	8879	-	-

Source: Rubber Statistical News (Various issues) available at rubberboard.org.in for RSS4; and rubberboard.org.in/indianPrices for latex (60%) accessed 14 Sept 2020.

The rubber production sector has been hit hard by COVID lockdown. Prices of various grades of rubber have fallen by 10 - 20 per cent during May to August 2020. Production has taken a much harder hit in April 2020 of more than 50 per cent. Production is expected to recover in the succeeding months but will continue to be lower compared to the previous year. The loss in earnings for the planters, while may not be of the order of 70 per cent as in April, it will continue to be significant in the foreseeable future.

Turning to coconut, a crop accounting for about 30 per cent of the gross cropped area in Kerala, the last ten years have seen large fluctuations in prices (Table 4). The year 2011 saw a sharp 20 per cent fall in retail prices with the next year showing hardly any change. In 2013, prices went up 86 per cent and the next year witnessed 12 per cent increase with the prices doubling in two years. The next two years reported 15 and 4 per cent decline in prices only to show 70 per cent increase in the third year. Thus, the price level in 2017 was three times that in 2011. The years 2018 and 2019 saw moderate fall in prices but the trend remained upward.

Table 4 . Coconut Retail Prices in Kerala, 2010 – 2019

Year	Price (Rs per 10 no.s)	% Change
2010	106.10	-
2011	84.33	-20.52
2012	84.47	0.17
2013	156.79	+ 85.62
2014	176.06	+12.29
2015	150.23	-14.67
2016	144.82	-3.60
2017	246.36	+70.11
2018	192.95	-21.68
2019	188.57	-2.27

Source: Price Bulletin (Various Issues) available at ecostat.kerala.gov.in

Unlike rubber, coconut was not adversely affected by COVID 19 and the lockdown (Table 5). While in 2019, the months May to July reported prices 20 per cent lower than the peak prices in the year, during the same months in 2020 prices remained relatively high. Compared to the prices in January and February 2020, the prices in May to July were only 7.5 - 10 per cent lower.

Table 5. Monthly Retail Prices of Coconut (without Husk in Rs)

Month	2019	2020	% Change
January	212.43	197.00	-7.26
February	199.98	202.91	1.47
March	187.89	-	-
April	177.68	-	-
May	166.33	185.41	11.47
June	159.57	179.55	12.52
July	157.89	176.18	11.58
August	174.56	-	-
September	184.48	-	-
October	182.07	-	-
November	183.68	-	-
December	188.57	-	-

Source: Price Bulletin (Various Issues) available at ecostat.kerala.gov.in

The study on the two dominant agricultural commodities of Kerala brought out their contrasting fortunes. An industrial raw material (rubber) the market for which lies outside the state has lost out on both price and production counts. A consumption good (coconut) for which a large market lies within the state has not seen a fall in prices. As 'a rubber tree not tapped is production lost whereas coconut not plucked now is available later' coconut sector might not report significant loss of production. So the impact of the lockdown varies across sectors.