

The Rubber Farmers' Woes*

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Rubber prices, which had recovered a little after the fall during the pandemic, have collapsed again, with the farmers in Kerala, which grows 80 per cent of the country's rubber crop, being badly hit. The central government has flatly refused to help the rubber growers, and the arguments it puts forward in justification of its refusal to help are totally untenable.

When a group of CPI(M) members of the parliament went to meet Piyush Goel, the union minister of commerce and industry, wanting central intervention in favour of the growers through the institution of a minimum support price, he rejected the demand outright. His argument was that it was not the centre's policy to fix MSP for cash crops. He elaborated this argument as follows (Newslick March 28): "Crops considered under MSP are generally major agricultural commodities which are widely grown and have large area under cultivation, are items of mass consumption with fairly long shelf life or/and necessary for food security;" cash crops, he suggested, did not satisfy these criteria.

This however is bizarre logic; in fact the minister does not seem to know why the MSP was at all introduced, and why it is at all necessary. If the price of a commodity remained more or less stable over time, then there is no need to have an MSP. The need for an MSP for a particular crop arises precisely when the price of that crop fluctuates a great deal, so that a price-crash that brings great distress to the producers is averted. The need for an MSP in short has nothing to do with considerations like whether the crop is widely grown or not; its need arises because of price fluctuations against which the farmer must be protected. And cash crops typically exhibit a much greater amplitude of price fluctuations than foodgrains.

The reason for this is the following. If there is no government support in the form of an MSP, then the price of a crop will keep falling in a situation of excess supply, until a level has been reached where private stock-holders find it worthwhile to hold the entire excess supply existing at that particular price-level; and that depends upon how much the price they expect to rule in future exceeds the current price. As the current price falls, if the expected price remains unchanged (or falls less), then they will more readily hold stocks; and hence the current price will fall less. And hence the more sticky the expected price is, the less the current price will fall.

Now, in the case of crops that are demanded by a large number of people as being essential for their living, namely in the case of crops with precisely the characteristics that Piyush Goel mentions, the expected price is likely to be more sticky: at the very least this is because everyone expects that no society, other perhaps than a brutal colonial one, can afford wild price fluctuations in such an essential commodity, even when there is no explicit MSP for it. But in the case of cash crops that go into exports or as domestic inputs into the production of commodities which are less essential and whose demand itself can fluctuate, there is no such expectation of stickiness. This is one reason why cash crop prices show much greater amplitude of fluctuations than foodgrain prices.

This is borne out by data relating to rubber prices themselves. In 2014, the price of a kilogramme of natural rubber had fallen from Rs 245 to Rs 77, by almost 70 per cent, which was a catastrophic decline. Even recently the price decline had been from around Rs 200 per kilogramme in November 2021 to Rs 120 now, or by 40 per cent. It is precisely such wild fluctuations that require union government intervention in the form of MSP, for this does not just put a floor to the price-crash; it also keeps the amplitude of price fluctuations in check.

This was indeed the role of various commodity boards under the dirigiste regime. They procured cash crops at an assured minimum price and invariably intervened strongly whenever there was likelihood of a price-crash thereby helping to keep the amplitude of domestic price fluctuations in check. But with the introduction of a neoliberal regime, while these boards have continued to exist, their procurement and marketing function has been ended, which means that they no longer have the mandate to intervene in the market for stabilising prices.

Now, consider the second point mentioned by Piyush Goel. He sees foodgrain price stabilisation as being essential for food security, while stabilisation of cash crop prices is considered irrelevant for food security. This too is an absurd argument. There can be no two opinions about the fact that providing MSP for foodgrains is necessary for food security; but so is the provision of MSP for cash crops in order to prop up demand. A fall in the price of a cash crop like rubber reduces the purchasing power in the hands of the rubber producers, which means that they cannot afford to buy their usual amount of foodgrains even when the average foodgrain price they pay remains unchanged.

But that is not all. Let us for a moment assume that despite the fall in cash crop price, the producers do buy the same amount of foodgrains they normally do; but that means they have to reduce their purchase of commodities other than foodgrains, which in turn implies that the producers of these latter commodities have less purchasing power in their hands than they would otherwise have had in the absence of the price-fall; this reduced purchasing power would make these latter producers skimp on foodgrain purchases. (Or if they do not, then some other producers on whose goods they spend less in order to buy their foodgrains, would have to skimp on foodgrain purchases; and so on.)

Food security in other words requires not only ensuring adequate supplies of food, but also sufficient purchasing power in the hands of the people so that there is adequate demand for food. Providing MSP for cash crops is a means of ensuring that there is adequate purchasing power in the hands of the people. To see food security entirely in terms of growing enough foodgrains, is a mistaken idea; food security must mean adequate supplies as well as adequate demand for food in the economy; and such demand can be ensured only through a regime of MSP that covers both foodgrains and cash crops.

Why, it may be asked, does a senior minister of the union government give such absurd arguments to justify his government's not intervening in the market for rubber? It must be remembered that while this government is now talking of the need for MSP in foodgrains and not cash crops, just a few months ago it was planning through the infamous farm laws to abolish the MSP regime for foodgrains as well, against which the kisans had to fight a year-long battle till it capitulated.

This government, based on a corporate-Hindutva alliance, is keen to promote corporate entry into agriculture, so that agriculture is shaped in accordance with corporate demands and through the corporates establishing a direct relationship with the peasantry. The resulting subservience of the peasantry to both domestic and foreign agribusiness, is exactly what the neoliberal regime wants, and the union government, notwithstanding its loud claims of upholding the interests of the “nation”, is simply carrying forward the neoliberal agenda, which is explicitly articulated in this sphere by the WTO.

The WTO makes an absurd distinction between government support to agriculture that is “market-distorting” and support that is not “market-distorting”; it frowns on the former, which includes MSP and government procurement, while allowing as “non-market distorting” direct income support amounting to billions of dollars by the US and the EU governments to their farmers. The absurdity of this distinction is evident from the fact that “price distortions” are supposed to undermine “efficiency”, which is why they are supposedly shunned, only in a perfectly competitive market, while the world is characterised by the existence of monopolies and oligopolies, of which the agri-business corporations are prime examples.

But while the present government, true to its class character, wants an undermining of peasant agriculture by the corporates and towards this end refuses to support the growers of the rubber crop, the Kerala government has come to the rescue of these growers, within its limited means. It had set up a rubber price stabilisation fund in 2014, whose amount has been raised to Rs 600 crores in the latest budget. It has fixed a minimum price of Rs 170 per kilogramme, offering to compensate the farmers for the difference between the price they get and this minimum price it has announced.

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