



rubber news

on tap – angezapft

COVID19, Natural Rubber, and Fair Trade

It is somewhat unusual for the Fair Rubber Association to get a call from the Financial Times (FT). What was even more unusual was the question: What happens to rubber farmers and tappers when tyre companies and other rubber processing factories shut down?

The answer is clear: They lose all income. No buyer, no sale, no pay. The Economist reported on April 4th, 2020: *“About a tenth of the Thai population lives on less than USD 2.85 a day. (...) Thailand’s most severe drought in decades has cut production of sugar, rice and rubber.”* Thailand is the world’s biggest producer of natural rubber.

In addition to the problem outlined, Thailand (like most rubber producing countries) imposed a shut down in response to COVID19 similar to those in the ‘industrial world. Unlike in most ‘industrial countries’ the governments in India, Sri Lanka, Indonesia, Malaysia, Thailand cannot afford relief packages for workers and industries.

Shut downs affect Fair Trade supply chains, too: Even buyers like the members of the Fair Rubber Association, who are



willing to pay a Fair price, cannot do so if a factory is shut down: The Economist also reported that the world’s biggest condom manufacturer was shut down (despite projections that an increase in births is now projected). The company referred to is an FRA member.

The FRA’s work regarding a group of small farmers in Thailand was also affected, they had been hoping to be signed up as a Fair Trade producer supplier: Our Thai colleague reached their home town – but then the meeting had to be cancelled on short notice because of COVID rules.

One rubber trader and friend of the FRA described the industry situation as follows: *“But increasingly all we are doing is managing delays (...) as customers all over Europe shut down operations. (...) There will be many old companies which will not survive the financial and cash-flow stresses of this, despite government support. We are lucky that so far rubber has been in wintering, but as we start to come out of it during May and the supply pressure builds I can’t*

imagine what will happen to the price.”

A colleague of his commented somewhat cynically: *“The good news about current prices is that there won’t be any deforestation to speak of. The bad news about current prices is that there won’t be many rubber tapper/small-holders left to tap the remaining trees.*

<Rubber> trees will be cut (...) land will be reallocated, and global consumption of rubber will continue to rise – as it always does.

Then we will have high prices again, which will ignite a new wave of deforestation.

Repeat.

The only way to break this calamitous cycle is by changing the pricing model for this important raw material.”

Which is exactly what the FRA has been advocating for years, and what is more: this is what its members have actively been implementing by paying a Fair Trade premium of EUR 0.50/kg DRC (Dry Rubber Content).

Rarely has there been a situation in the rubber world in which there has been such a tremendous need for FAIR trade.



From 0 to 277 in 6

Indonesia is the 2nd biggest producer of natural rubber. However, until now, the Fair Rubber Association (FRA) did not have any Fair Trade supply chains there. Last October, following the request of a new member, a delegation of the FRA went to Indonesia and did the ground work in order to help small farmers and rubber tappers to participate in Fair Trade.

Six months later, 277 rubber tappers from six villages in the western part of Java formed a dedicated Non Governmental Organization called “Kelompok Tukang Sadap Karet Adil Makmur Sejahtera” (= The Fair and Prosperous Rubber Tapping Group) in order to become partners for the FRA and its member company. As soon as the ink on



the final missing signature has dried the group will receive the first Fair Trade premium payment and can look forward to further monthly payments: A steady buyer, with significant volume is the only way in which in times of (extremely) low prices the sustainability of a supply chain can be ensured.

And in order to make sure that those most in need of support get the extra money: The association is open only to tappers, whether they tap their on trees

Size Matters

The Fair Rubber Association is sometimes asked, why the share of Fairly Traded rubber is so small.

There are a number of key reasons. One is, that natural rubber can, to some extent, be substituted for with synthetic rubber (which is made from petroleum). And if petroleum is cheap – as it is nowadays, why use natural rubber if you can avoid it.

The second key reason is that 70% of all natural rubber goes into tyres for cars: The tyre makers blame the car makers for

their unwillingness to pay more, the car makers blame the tyre makers for not investing in sustainability.

Another 20% of rubber produced goes into conveyor belts (think fulfilment centres, airport belts, agricultural machinery): While almost ubiquitous and often a key component, rubber simply is not ‘visible’, it is just one of many components, and out of sight

By contrast, Fair Trade as a concept relies on consumers having a choice between product A (Fairly Traded) and product B (conventional). As far as rubber is concerned, this condition is mostly limited to so called ‘dipped’ items (condoms, household gloves, ...) or small consumer products (hot water bottles).

But maybe with the current crisis there will be a rethink in line with the opinion by the two rubber traders quoted on page one?

or are landless and tap trees belonging to others. Landowners who use hired tappers do not qualify for membership.

And even small Fair Trade purchases are put to maximum use: Our small farmer group in Sri Lanka so far only received some EUR 1,000 in Fair Trade premiums, as we struggle to find more buyers for the rubber they produce. But the group is still making good use of the extra income, which they added to their association’s scholarship fund: The Fair Trade premium was shared among 238(!) students from grade 1 to university.

The Next Consumer Generation



Babies and toddlers will soon have the chance to grow up using Fairly Traded rubber products from the word ‘go’ : By autumn this year we expect that baby teats and baby bottle tops, and possibly also teething aids, will become available courtesy a new member of the Fair Rubber Association.

Watch this space and sign up for our newsletter, if you have not already done so.



Fair Rubber e.V. //
Decksteinerstrasse 26
50935 Cologne
Germany

Office //
Fair Rubber e.V.
83A Mill Hill Road
London W3 8JF
United Kingdom

E-Mail // info@fairrubber.org
Internet // www.fairrubber.org

