

## “We Are as Flexible as Rubber!”

Livelihood Strategies, Diversity and the Local Institutional Setting of Rubber Small Holders in Kerala, South India

### Abstract

In the face of economic liberalisation, a reduced role of the state, and the changing institutional setting affecting less developed countries, it has become important to understand the various impacts of these processes on the livelihoods of rural households. Empirical studies show, for example, that smallholders are facing more and more difficulties in dealing with declining terms of trade and the fluctuating prices of agricultural commodities, which play an important role in the income of many smallholder producers in rural areas. There is a hypothesis that, since the beginning of these processes, the opening-up of rural areas to the “global world” has induced a shift from solely agricultural and farm income towards a more diverse income portfolio. A second hypothesis is that the local institutional setting plays a key role in supporting or hindering the diversified livelihood strategies of smallholders. This study takes these as its research hypotheses and seeks to validate them through a crop- and locality-specific case study.

The Indian natural rubber sector provides good opportunities for in-depth studies; it is an example of a sector that has undergone many changes since it was integrated into the *New Economic Policy* of the Indian government at the beginning of the 1990s. These processes have affected rubber holders in Kerala – around one million growers cultivating an average of 0.5 ha of rubber plantation – in different ways. The case study looks at natural rubber holders located in Thalanadu Panchayat in central Kerala.

Analysis has shown the need to distinguish between different types of smallholdings in order to come to any meaningful conclusions about their livelihood situations. In fact, analysis of the income-generating activities of different types of rubber holdings in Thalanadu shows that there are multiple livelihood portfolios even within the same locality and context. Thus, this study gives a new perspective on these coping processes by developing a typology of rubber holders. The extent of the *diversified status* and the type of income activities pursued depend on different factors, the most important of which are the total size of the holding and/or the access to regular wage employment in the non-agricultural sector. The most diverse portfolios are to be found at the extremes of the holding size range, i.e. on the most marginal as well as on the largest holdings, which also represent

the poorest and the richest ones. The holdings in the middle of the range are less diverse and more specialised in rubber cultivation. For marginal holdings, the key driving force towards a diverse income situation is found to be their vulnerability due to their limited monetary income. Other factors such as seasonality, climatic uncertainties, price fluctuations, and a greater overall geographical marginality of these holdings also influence their decision-making, which can be best described as riskminimising. The key driving forces behind the diversified situation of larger holdings are their opportunities to access new activities due to investment capabilities, the availability of land resources and, in particular, their ability to take risks and cope with failure if need be. This thesis also analyses the change from one portfolio to another between 1995/96 and 2003/04, so as to study *diversification* as a process. In general, diversification was not very pronounced, since many holdings were already diverse beforehand. Thus, the study concludes that the price fluctuations in the rubber sector (the “rubber crisis” in the mid of the 1990s) were not a major (or even important) reason to start or increase diversification – and this is true for all types of holdings.

The research on a range of local institutions and organisations – namely the Rubber Board replantation subsidies, the rubber marketing institutions, the Vanilla Promotion Scheme, loans from informal and formal institutions, and social networks and social status – shows their influence in supporting or hindering the diversified livelihood strategies of natural rubber holders. The study shows that most play an important role in promoting or hindering diversified incomes. However, each institution and organisation affects each type of holding in a different manner. Institutions can have a promotional effect on diversified livelihoods on some types of holdings, whilst being restrictive for others. The study thus includes a differentiated analysis of selected local institutions and organisations.

In conclusion, the findings suggest that it is important to acknowledge that there are many different types of rubber holding, each with specific income strategies and portfolios. This diversity is however not reflected in the approaches of the existing extension services. The extremely heterogeneous situations of rubber holdings would however imply that any kind of institutional support that intends to improve the livelihood of rubber growers has to be tailored to the particular situation and the particular needs of each type of holding.