

Enclosure.

THE RUBBER POSITION.

THE scheme was introduced for the purpose of saving the extremely valuable position in the plantation rubber-producing industry built up by British enterprise in the East, and no one would dispute that it is proving effective in attaining this object.

The scheme does not restrict the production of rubber. Under it every planter is free to produce and to export as much rubber as he pleases. All that is done by the scheme is to establish a graduated scale of export duties under which a definite percentage of the normal produce of an estate (known as the "standard production") can be exported at a minimum rate of duty, which in Malaya amounts to under 1d. a pound. If an estate exports more than this definite percentage a higher rate of duty is paid on the whole quantity exported. The rates of export duty increase by gradual steps up to approximately 1s. a pound.

The normal rate of production, or "standard production," is the quantity of rubber exported by the estate in question in the year 1919-20. In the case of estates which were not exporting in 1919-20 a local committee assesses their standard production.

At the outset of the scheme the amount to be exported at the minimum rate of duty was fixed at 60 per cent. of the standard production. The figure of 60 per cent. is liable to be varied every three months according to the price of rubber during the quarterly period which has just expired. If during the three months ended on 31st January, 30th April, 31st July, or 31st October the average price of rubber on the London market has not fallen below 1s. 3d. a pound, the percentage of standard production exportable at the minimum rate of under 1d. a pound is increased by 5 per cent. for the three months immediately following. If the average price has not fallen below 1s. 6d. the increase is 10 per cent. Corresponding provision is made for decreasing the percentage if the average price has fallen below 1s. 3d. or 1s.

Working of the Scheme.

On 1st May last, the average price having exceeded 1s. 6d. for three months, the percentage was raised from 55 to 65. On 1st August, the average price having exceeded 1s. 6d. for the three months, the amount exportable at the minimum rate is consequently raised from 65 to 75 for the three months ending 31st October. Again, if the average price does not fall below 1s. 6d. in the interval there will be further increases to 85, 95, and 105 per cent., and so on, on each succeeding quarterly day. Thus, in due course the percentage will reach a figure equivalent to normal production.

The percentage is fixed under an Ordinance in each of the territories concerned. It is not an arbitrary figure, and the changes which occur from time to time are made in pursuance of a fixed scheme, which has been public from the start. It is worth noticing that, while the scheme was put in force by law in Ceylon and Malaya, the great majority of the British-owned estates elsewhere in the East have adhered voluntarily to the scheme without any legal obligations to do so.

Since 1st November, 1922, the following average prices have been obtained for each quarter:—

							Pence.
1st quarter	..	..	..	..	..	..	14,285
2nd	..	..	..	..	..	..	16,856
3rd	..	..	..	..	..	..	14,242
4th	..	..	..	..	..	..	14,944
5th	..	..	..	..	..	..	14,175
6th	..	..	..	..	..	..	12,917
7th	..	..	..	..	..	..	10,974
8th	..	..	..	..	..	..	14,632
9th	..	..	..	..	..	..	17,998
10th	..	..	..	..	..	..	19,356

Present Cost to Consumer.

The Secretary of State is informed that all except quite a small percentage of transactions in the rubber market for current year's supplies have been made at reasonable prices, and there is little doubt that the present range in price represents to a very small extent indeed the cost of rubber to consumers, but is rather an indication merely of the speculative value of the small amount of the commodity immediately available for purchase.

Estimates have been formed by the various interests in the rubber trade on the basis of the existing scheme, every detail of which has been public property for more than two and a half years. The great bulk of transactions have been arranged on the understanding that the provisions of the scheme were secure, and that it was not the Government's intention to make any sudden alteration which would have the effect of causing chaos in the market and marked unfairness to those who genuinely trust in the intention of the authorities controlling the scheme and who thereby helped to make it a success.

World's Supply Outlook.

The Secretary of State has had before him from time to time various estimates of the world's production and absorption of rubber during the current year and 1926. These estimates differ in quite an appreciable extent, but considering them in the light of the most recent figures that are available of the actual rates of production and absorption and in the light of the most reasonable calculations as to the probable rate of increased production and absorption in the near future, he believes that successive normal releases on the next three quarter-days of what may be briefly called for convenience the