

# Challenges faced by the Downstream Rubber Industry Sectors in Malaysia

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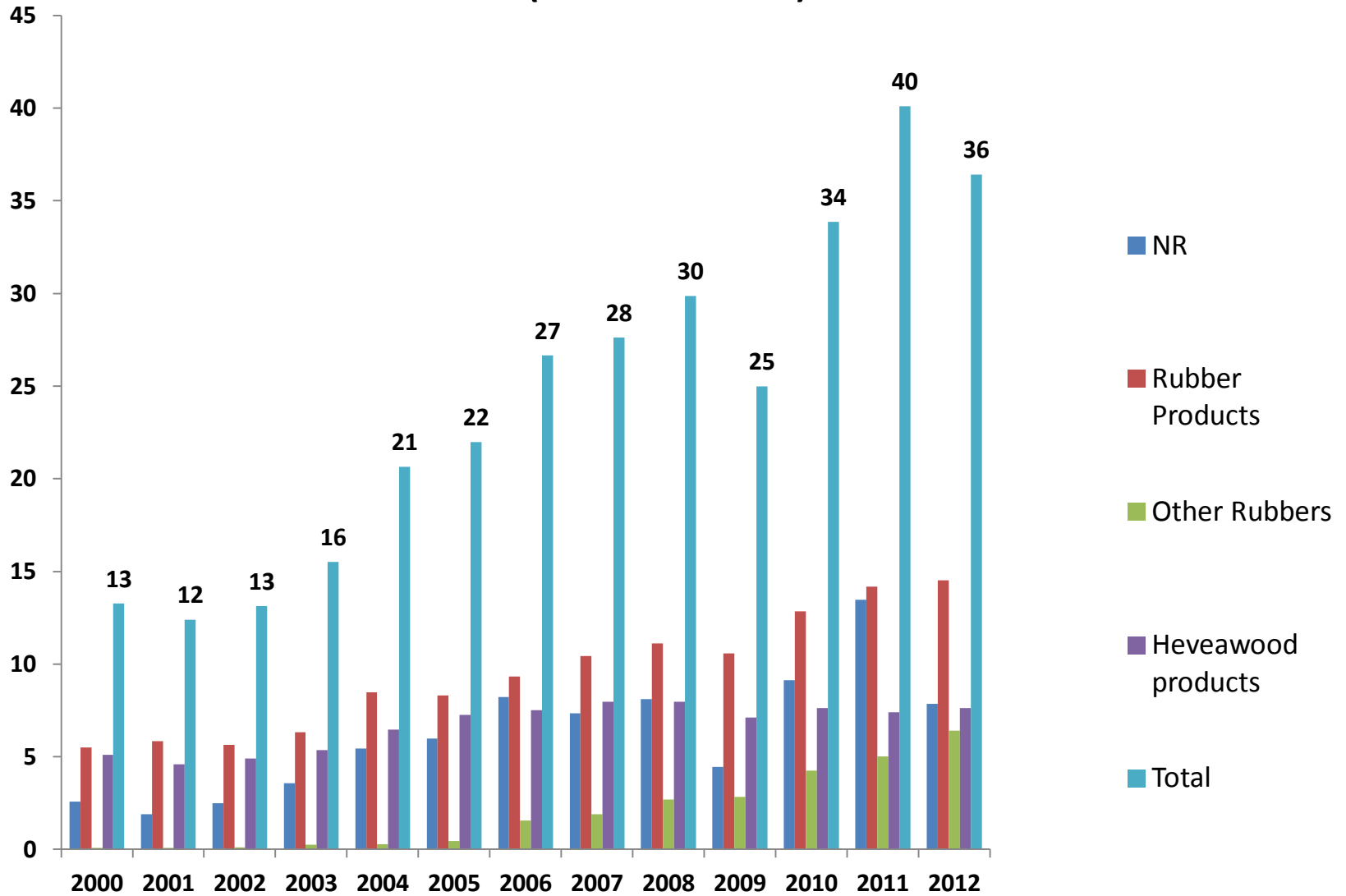
# Plan of Presentation

- Status of rubber industry
- Impact of Government Policy
- Impact of Private sector
- Issues and challenges
- Conclusion

# Changes in Rubber Downstream Industry in Asia

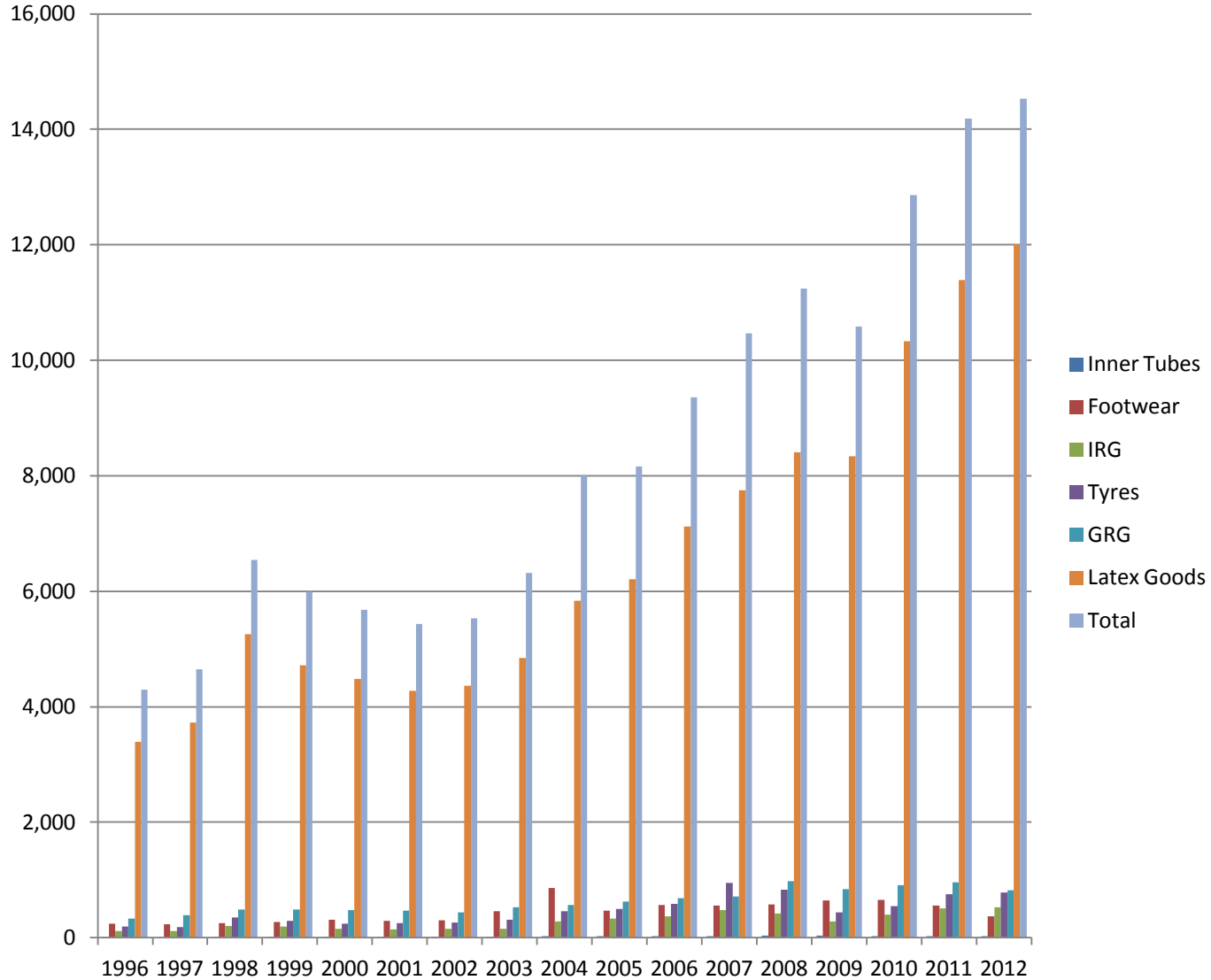
- China is world's largest consumer of natural rubber and synthetic rubber
- Malaysia is world's largest consumer of latex concentrate
- Malaysia is world's largest producer and exporter of medical gloves and condoms

# Export Revenue Contribution by Rubber Industry (RM billion)



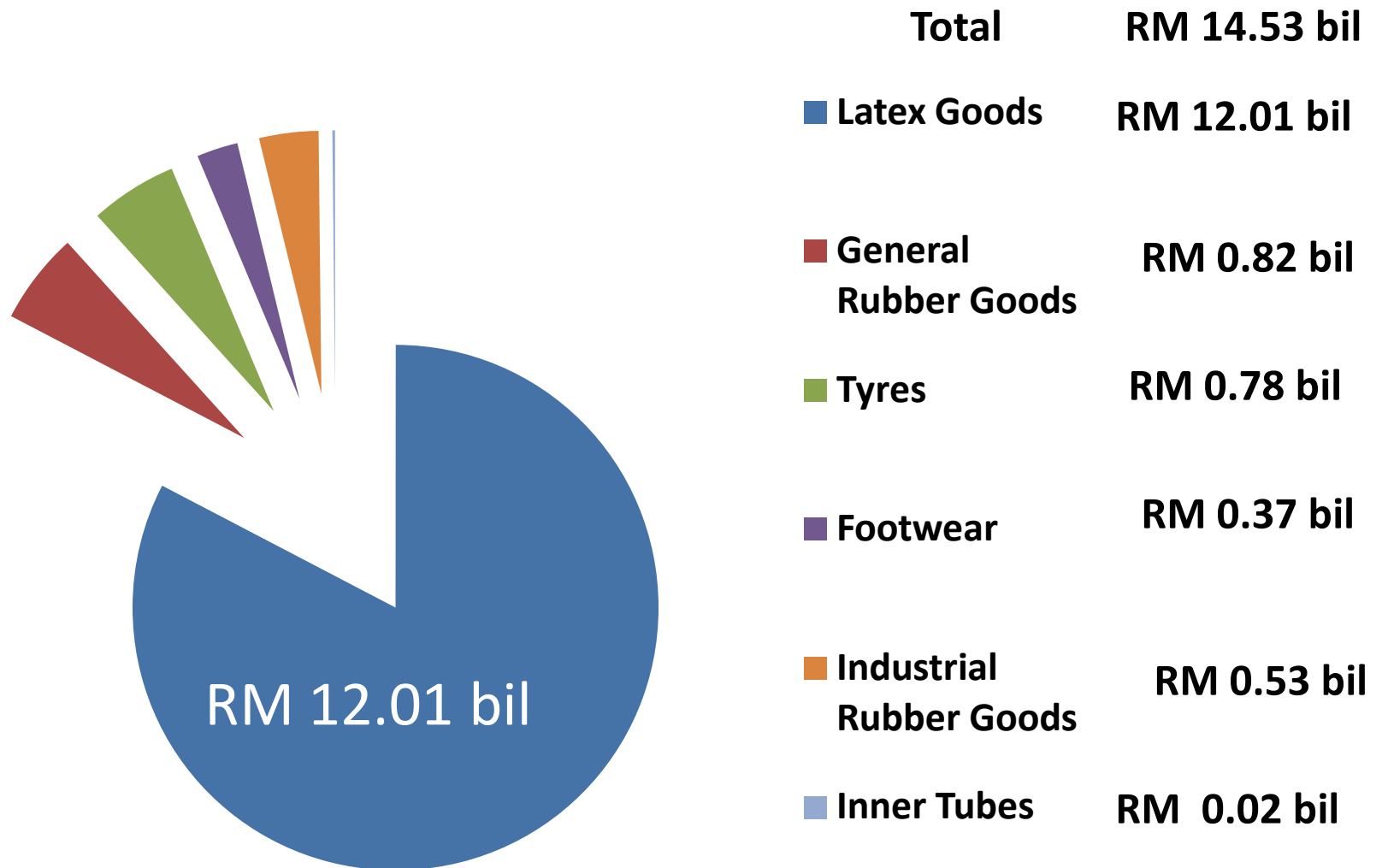
Source: MRB, Dept of Statistics

# Malaysia Export of Rubber Products (RM million)



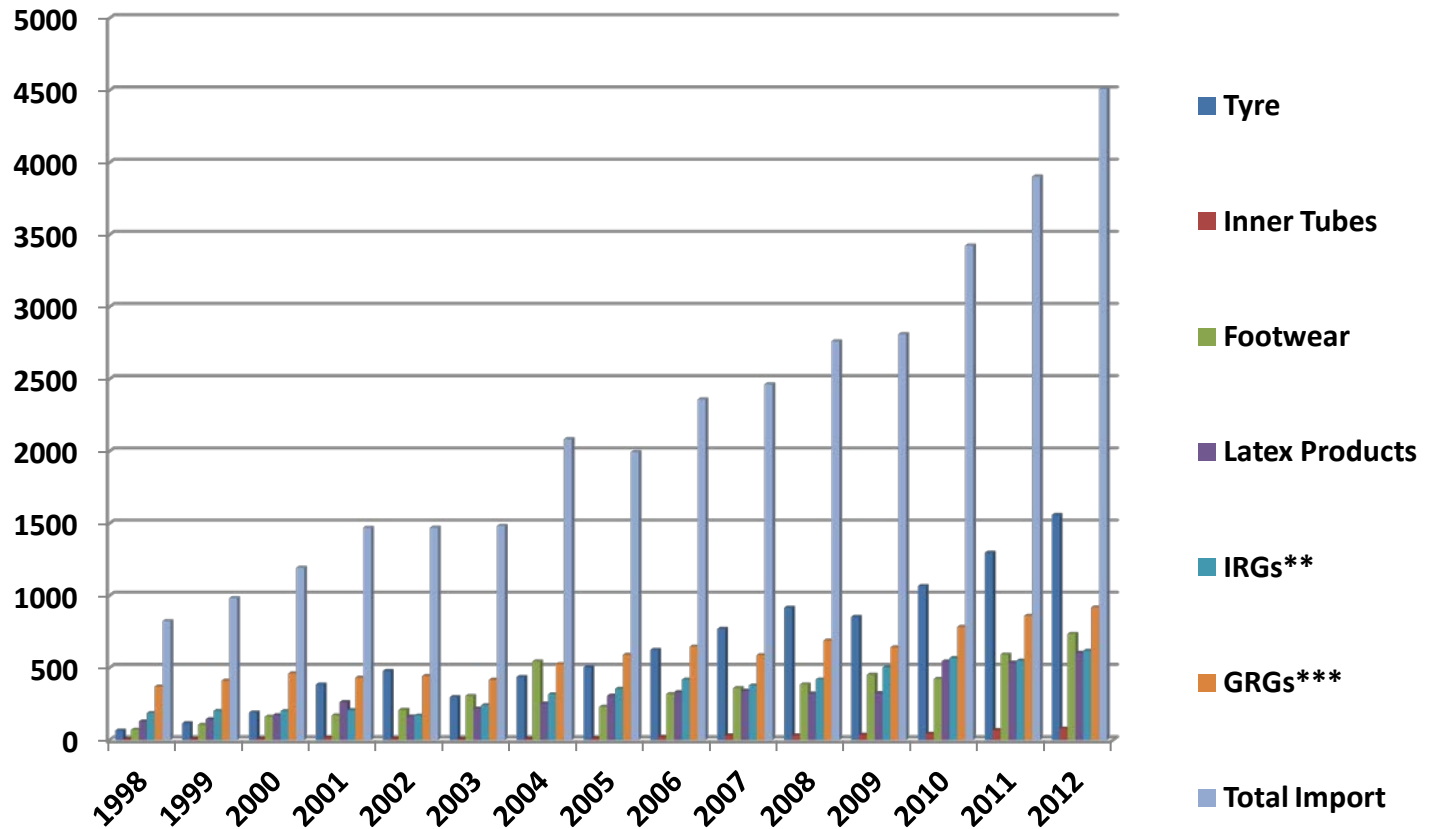
Source: MRB, Dept of Statistics

# Malaysia's Exports of Rubber Products by Product Sector 2012



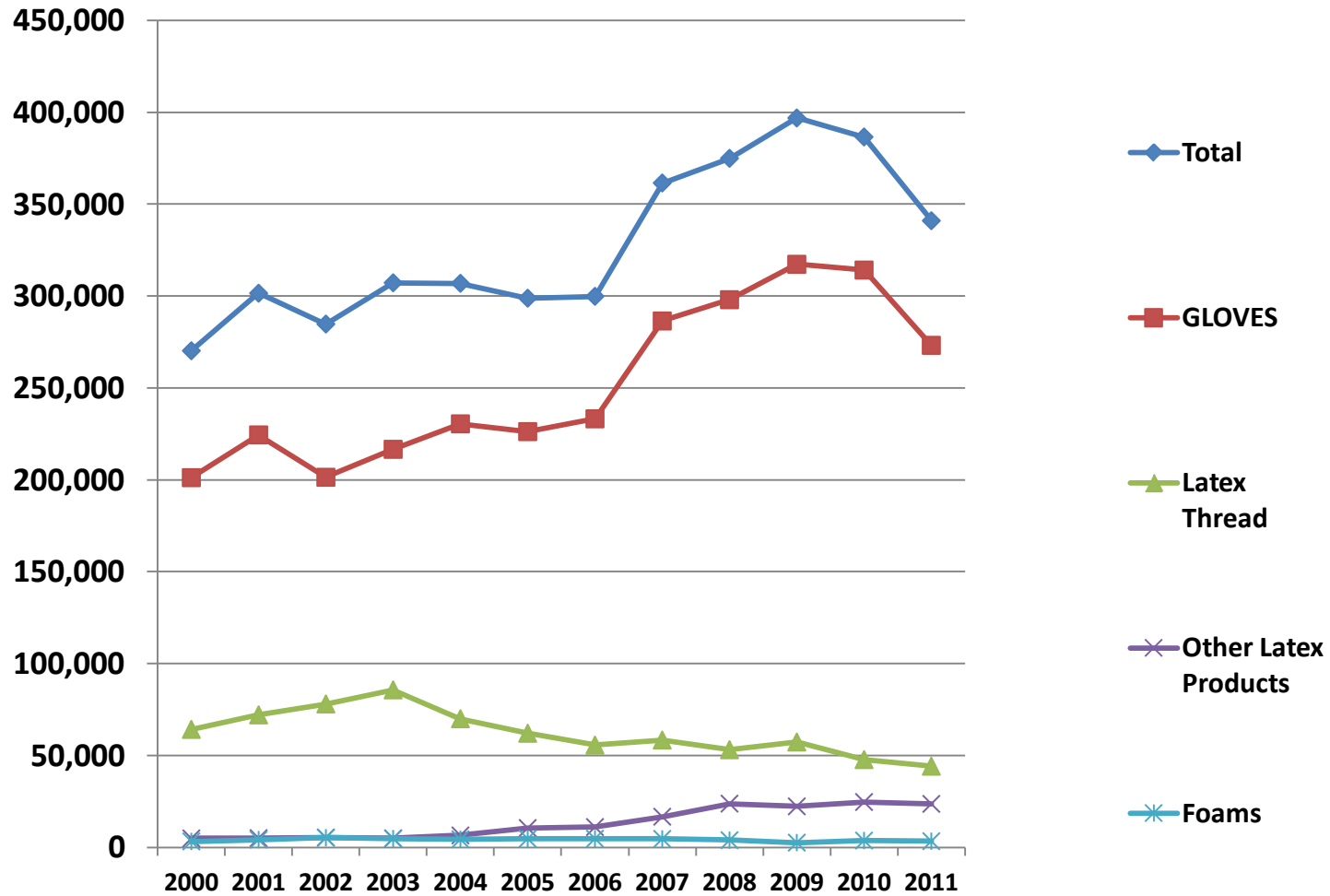
Source: MRB

# Malaysia Import of Rubber Products (RM million)



Source: MRB, Dept of Statistics

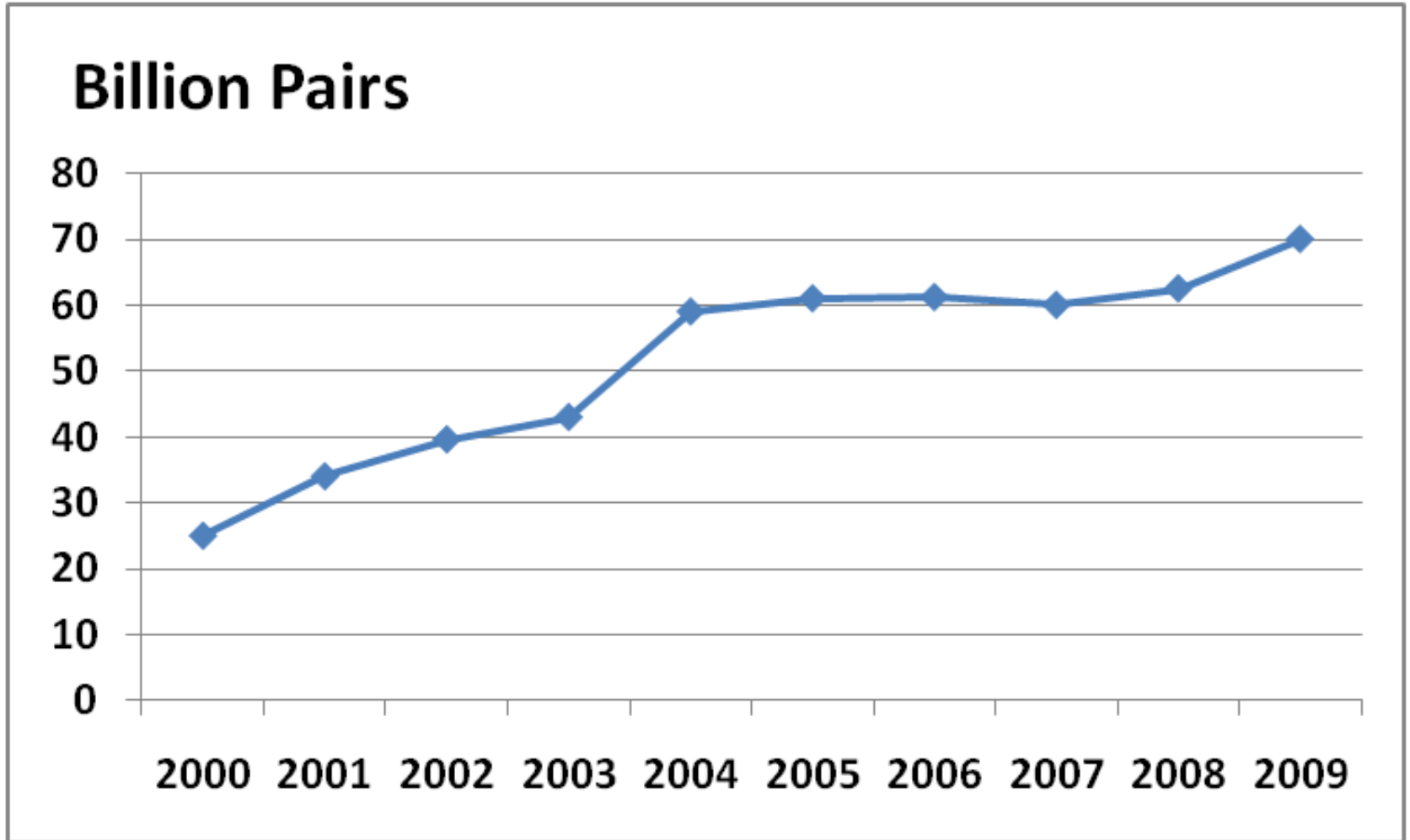
# Malaysian consumption of NR latex by latex product sectors (tonnes)



Source: MRB, Dept of Statistics

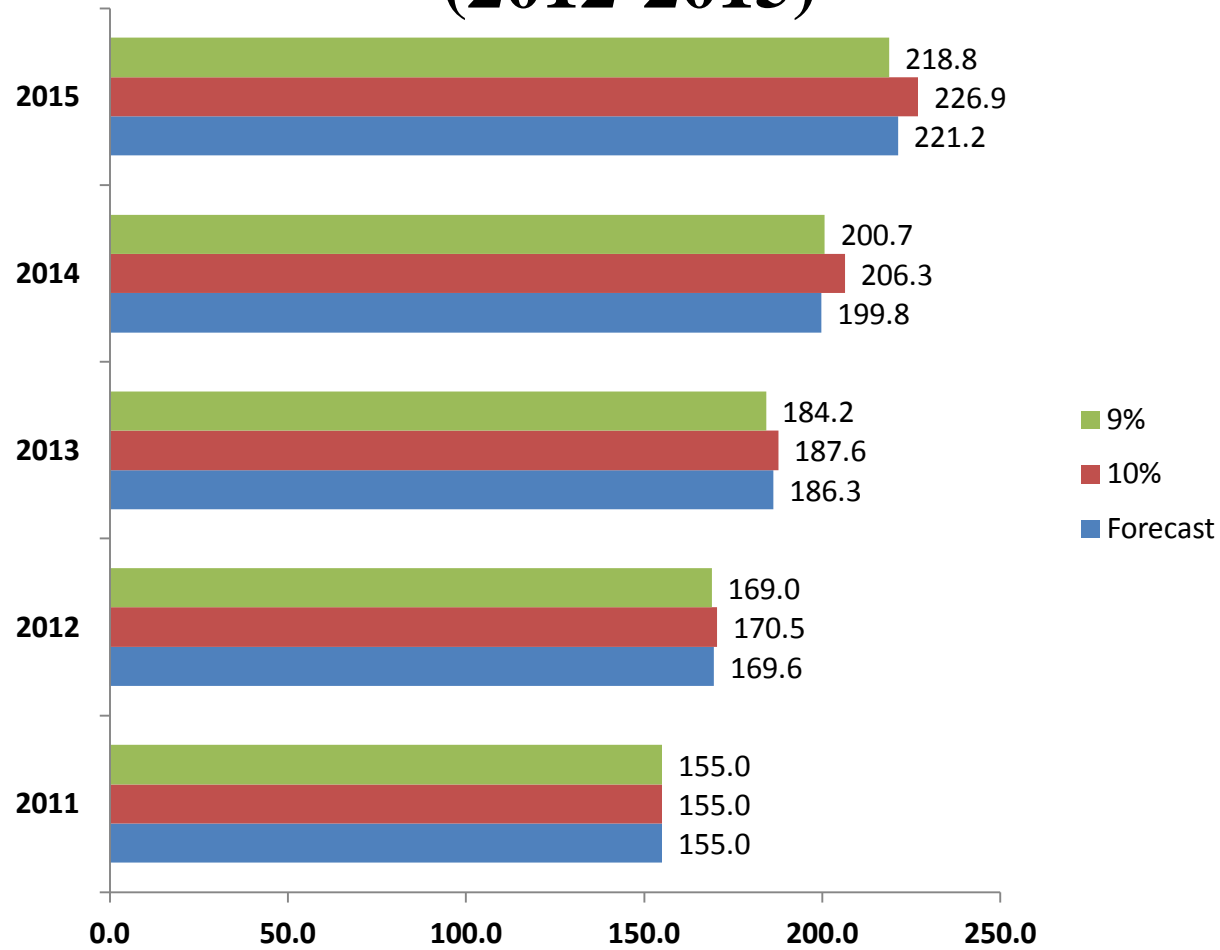


# Global Glove Exports in Billion Pairs (2000-2009)



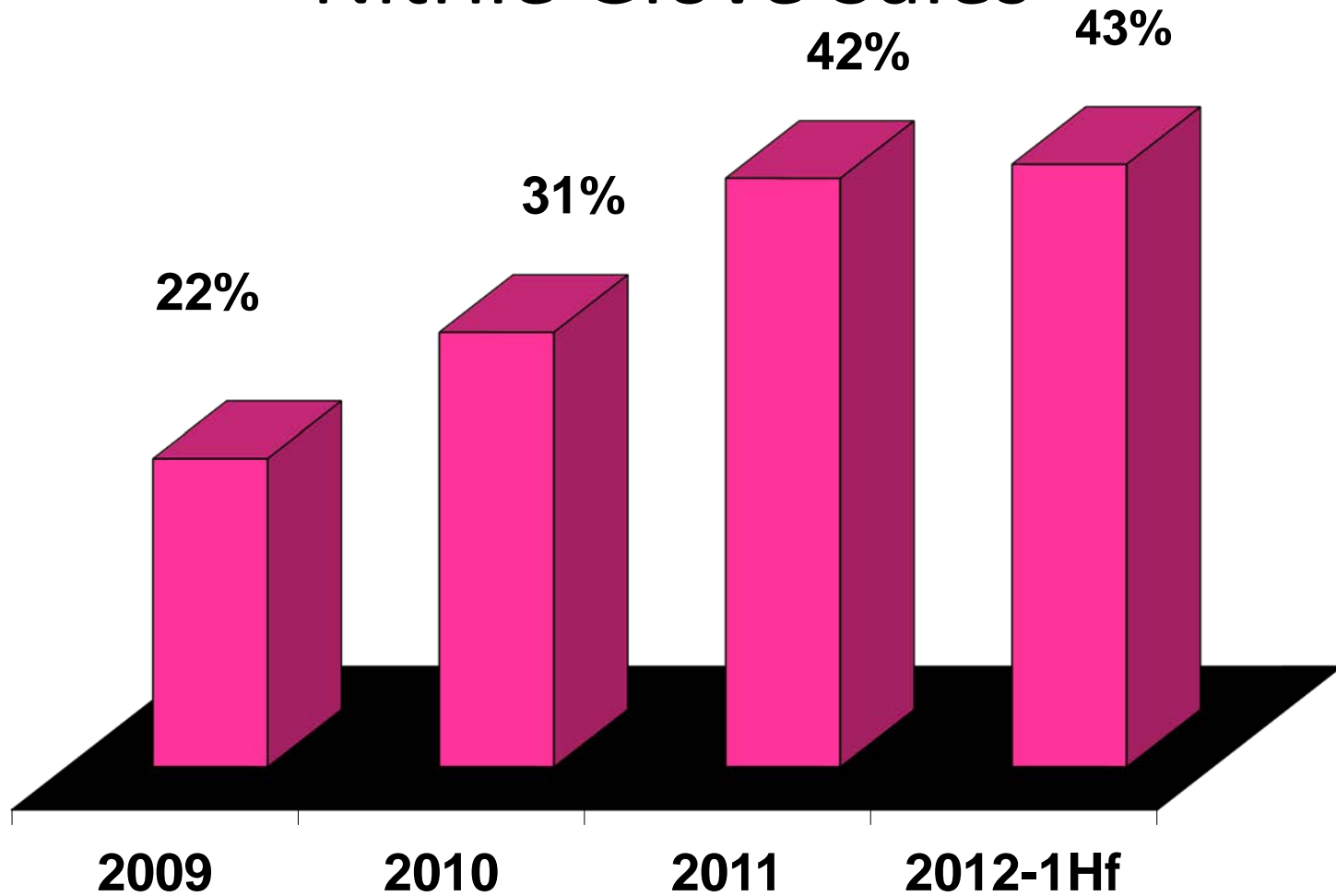
Source GTA/ITC, MREPC

# Global Glove Export Forecast in Billion Pieces (2012-2015)



Source: MARGMA

# Malaysian Synthetic Nitrile Glove Sales



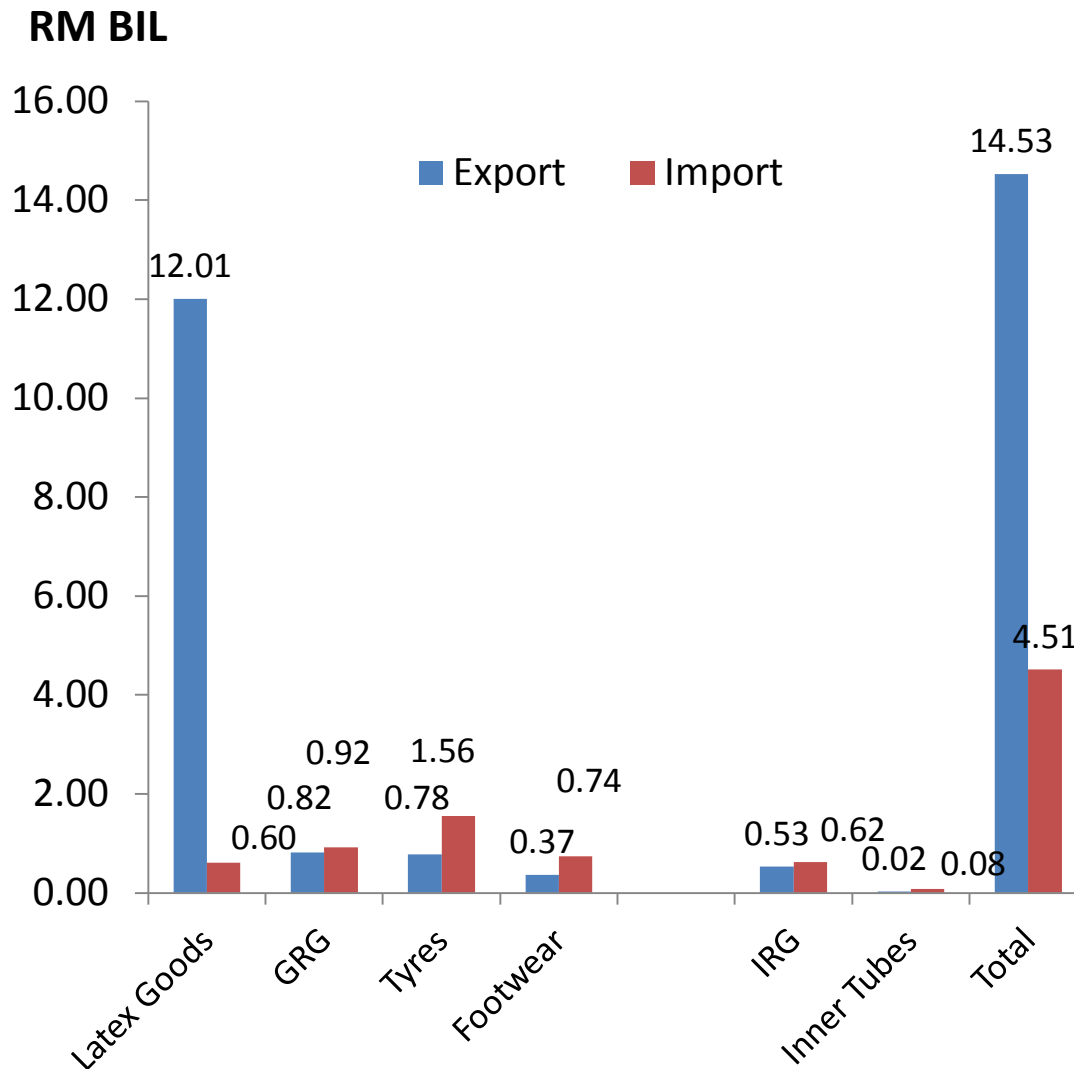
# Economics of glove industry structure

- 62%-65% of global glove market share
- Demand will increase by 8 to 10 % annually
- Key manufacturers are expanding outputs
- Percentage of nitrile gloves increasing
- Government support of natural rubber price
- Government's policy on foreign workers
- Increase in cost of raw materials, skilled and semi-skilled workers, energy and utility

Does Malaysia has a competitive advantage in the glove industry and can it be sustainable?

What about the other rubber product sectors?

# Malaysia import and export of rubber products in 2012



Source: MRB, Dept of Statistics

# Number of companies in latex products

| Latex Products      | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Glove               | 107        | 63         | 60         | 56         | 57         | 57         | 58         | 59         |
| Condom              | 14         | 14         | 13         | 12         | 13         | 13         | 13         | 13         |
| Catheters           | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Latex thread        | 4          | 6          | 5          | 3          | 3          | 3          | 2          | 2          |
| Others              | 12         | 44         | 51         | 42         | 45         | 47         | 45         | 44         |
| <i>Sector Total</i> | <i>144</i> | <i>134</i> | <i>136</i> | <i>120</i> | <i>125</i> | <i>127</i> | <i>125</i> | <i>125</i> |

Source: MRB

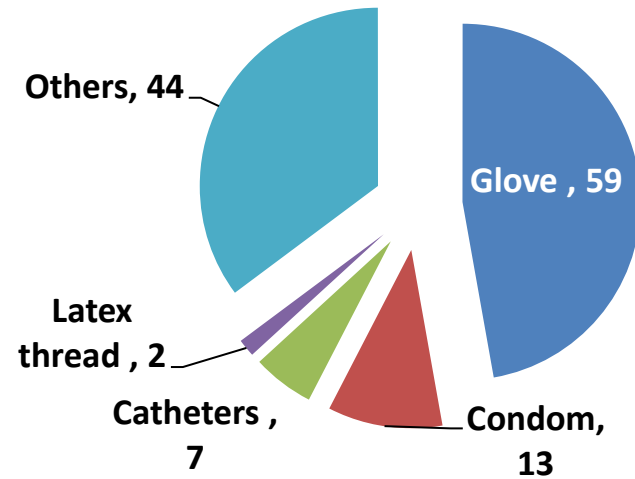
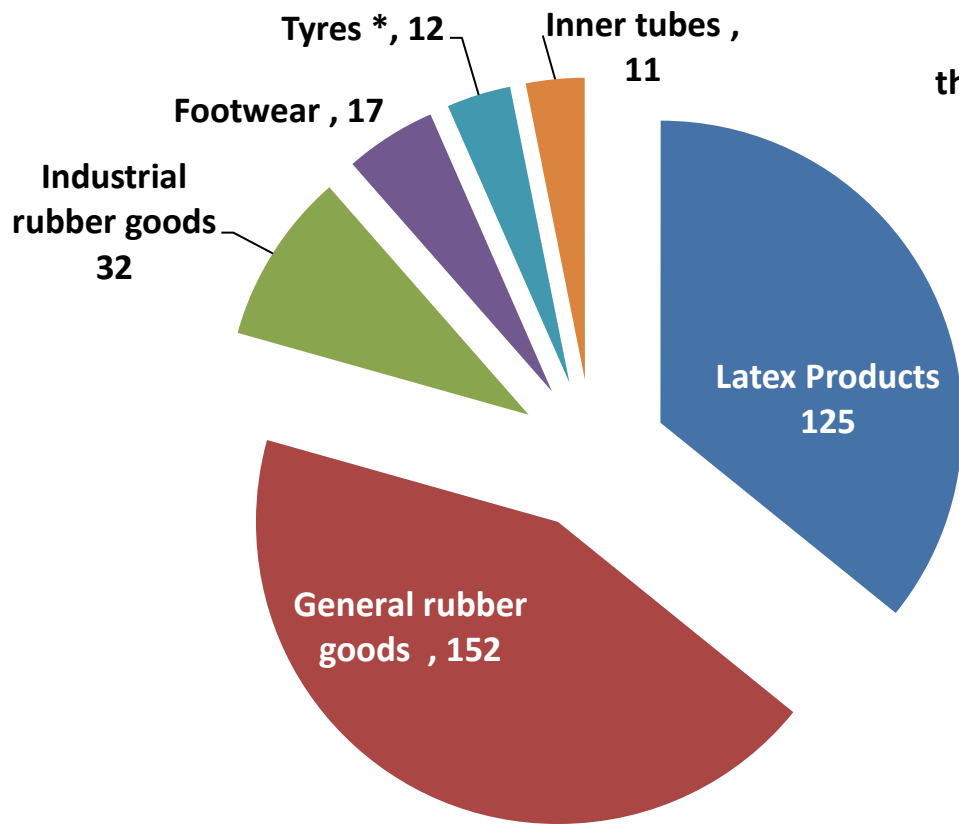
## Malaysian Rubber Product Companies by Product Sector

|                         | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Latex Products          | 144         | 134         | 136         | 120         | 125         | 127         | 125         | 125         |
| General rubber goods    | 136         | 152         | 155         | 151         | 154         | 153         | 152         | 152         |
| Industrial rubber goods | 60          | 33          | 30          | 28          | 31          | 34          | 33          | 32          |
| Footwear                | 14          | 29          | 20          | 18          | 17          | 17          | 17          | 17          |
| Tyres                   | 3           | 10          | 10          | 11          | 11          | 12          | 11          | 12          |
| Inner tubes             |             | 11          | 11          | 11          | 10          | 11          | 12          | 11          |
| <b>Industry Total</b>   | <b>357</b>  | <b>369</b>  | <b>362</b>  | <b>339</b>  | <b>348</b>  | <b>354</b>  | <b>350</b>  | <b>349</b>  |

*\* Started from 2006, figures represent all types of pneumatic tyres and solid tyres excluding retreaded tyres*

*Source: MRB*

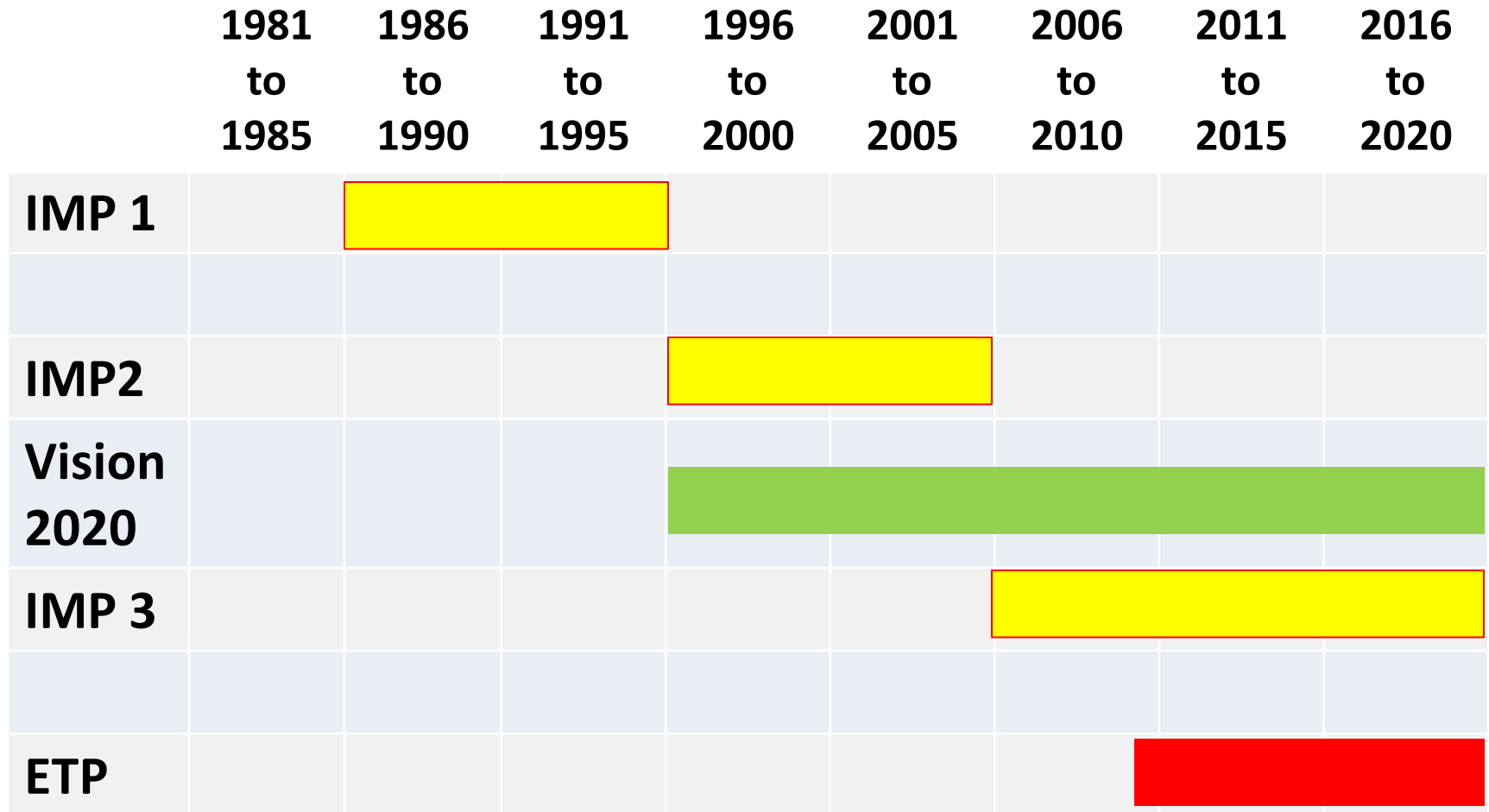




Source: MRB, Dept of Statistics

# Government Policy on Rubber-based Industry

*Industrial Master Plan (IMP); Economy Transformation Program (ETP)*



Revised Rubber Strategy

Revised Malaysian Rubber Industry Strategy  
2010-2020



- Setting up RTC
- TAS
- Testing support

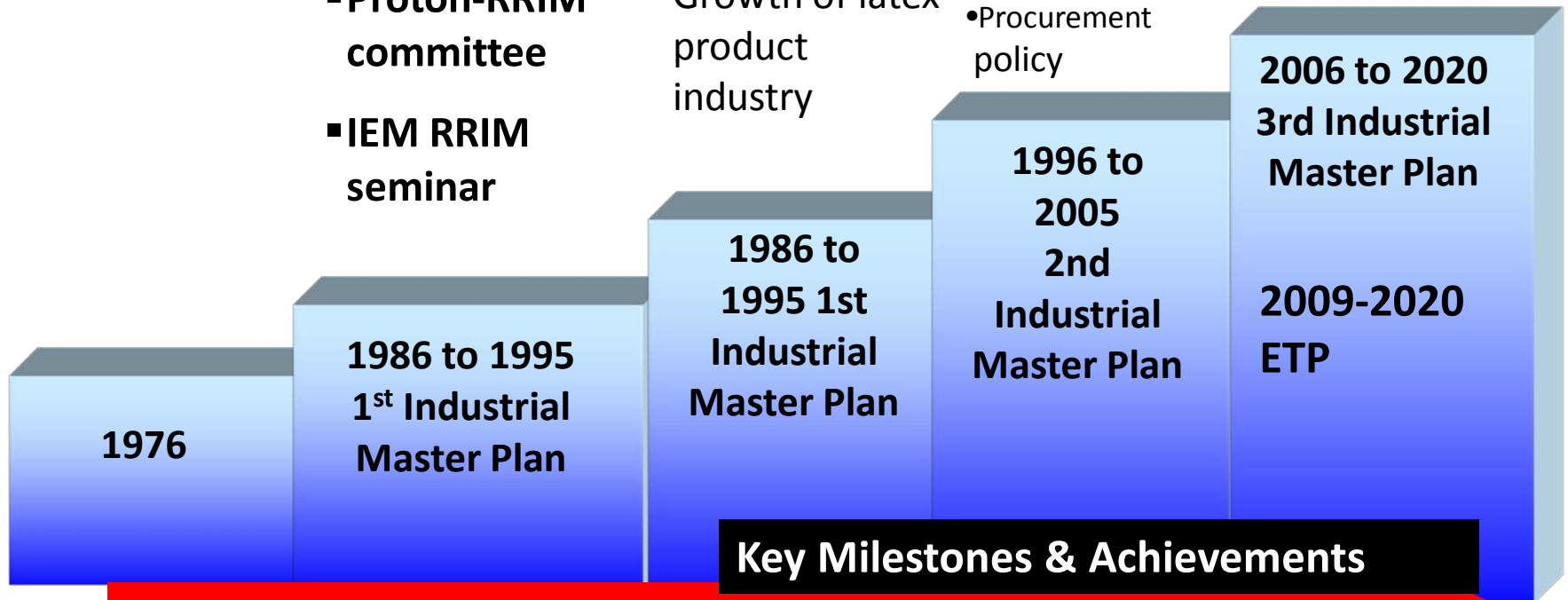
- **More than 8000 pieces of bridge bearings used in Penang bridge**
- **Proton-RRIM committee**
- **IEM RRIM seminar**

- Domestic Production of seismic bearings 1991.
- Consuming 350,000 tonnes of NR in 1995.
- Growth of latex product industry

- Cluster concept
- Revised Rubber Strategy
- Malaysian Rubber Export Promotion Council (MREPC).
- Overcoming health related issues
- Consortium
- Procurement policy

***MALAYSIA – Towards global competitiveness***

***MALAYSIA – Towards High Income Economy***



**Key Milestones & Achievements**

# Malaysia Export of NR and Rubber Products in RM

1985

NR RM 2.59 bil

Rubber products RM 0.31 bil

1990

NR RM 2.70 bil

Rubber products RM 1.67 bil

1995

NR RM 4.04 bil

Rubber products RM 3.89 bil

2000

NR RM 2.57 bil

Rubber products RM 5.51 bil

2005

NR RM 5.97 bil

Rubber products RM 8.32 bil

2010

NR RM 9.13 bil

Rubber products RM 12.96 bil

2012

NR RM 7.86 bil

Rubber products RM 14.53 bil



# Issues faced by manufacturers.

**SMI  
dominated**

**Narrow  
product  
base**

**No  
recognized  
brand name**

**Lack of  
R&D**

**Lack of  
market  
intelligence**

**Labour  
shortage**

**Competition  
from Thailand,  
Indonesia and  
China**

**Effluent and  
pollution**

**Negative  
publicity**

# MRB's Revised Rubber Strategy 1999

## *Issues of the downstream sector*

- SMI domination
- Narrow product base
- Health related problems
- Raw material supply and support industries
- High import of rubber products
- Quality of manufacturing technology and products

# MRB's Revised Rubber Strategy 1999

## *Key Areas For Action*

- Promoting the Standard Malaysian Glove SMG scheme
- Promoting import substitution and export
- Establishment of synthetic rubber plants
- Quality assurance of manufacturing process and products

# Challenges and Issues faced in Malaysia.

**Poor uptake of technologies due to high capital investments**

**No recognised brand name for IRG & GRG**

**Not consumer-friendly in terms of responding to enquiries and complaints**

**Rising material and fuel costs**

**SMEs are unable to compete or to diversify into new products due to high cost of tools**

**Delays in loan & tax exemption applications**

**Facing stiff competition from FDI and imported products**

**Most SMEs have constraints on: funding, R&D, capacity, product range, market intelligence.**

**Inconsistent quality: Not able to meet some international standards**



# Challenges faced by the Rubber-based manufacturing industry (2005)

- Widening of rubber product range
- Enhancing technological and production capability of rubber product manufacturers
- Marketing strategy

# Challenges faced by the Rubber-based manufacturing industry (2005)

## *Widening of rubber product range*

- Medical gloves to gloves for PPE e.g. electrician gloves, chemical resistant gloves etc.
- From urology catheters to coronary catheters
- High-end foam mattresses
- Industrial Rubber Products for automotive and infrastructure usage

# Challenges faced by the Rubber-based manufacturing industry (2005)

## ***Enhancing technological and production capability of rubber product manufacturers***

- Usage of new materials
- R & D and Innovation
- Human resource development
- Automation

# Challenges faced by the Rubber-based manufacturing industry (2005)

## ***Marketing strategy***

- Import substitution
- Trade fair and Exhibition
- QMS and Quality assurance of products
- ICT and e-bidding and e-marketing
- New market ASEAN market after AFTA
- Forming strategic partner with Thailand and China to move into the Asean and China market

# Strategy of MREPC

- To facilitate promotion of products through market missions, exhibitions and trade fairs
- To develop and exploit information from research to enhance marketability and usage
- To engage experts to conduct market research and identify new markets
- To disseminate market information to Malaysian rubber product manufacturers
- To assist in enhancing market competitiveness

# Approaches of MREPC

- Assist participation in market missions, trade fairs and exhibitions
- Assist in improving quality control and quality assurance of rubber products
- Provide market information to access market opportunities
- Assist in improving cost competitiveness
- Assist manufacturers in pooling resources together

## MREPC's survey of SME rubber product manufacturers (2006)

- Difficult to obtain government tax and non-tax incentives
- Difficult to find and identify potential buyers in a target country
- Difficult to obtain information about overseas markets
- Difficult to obtain grants from the government and export financing facilities from the local financial institutions
- Difficult to meet the required product standards of customers

# Issues, Challenges and Future Direction (Downstream sector)

- Narrow product base
- Insufficient supply of domestic latex
- Dominated by SMEs
- Rising cost of production
- Dependence on foreign labour
- Inefficient technologies
- Low utilization of local rubber products in public projects
- Human resource development
- Automation



# Issues, Challenges and Future Direction (Downstream sector)

- Low R & D commercialization
- Lacking standards for rubber products
- Declining foreign direct investment
- E-marketing
- International quality standards
- Lack of knowledge on new material requirements

# Future Direction (Downstream sector)

- Development of advanced materials and high value-added products
- Improvements in processing technology in tandem with greater utilization of advanced materials
- Addressing environmental issues and regulatory requirements in rubber processing and manufacturing sector
- Development of new applications for ENR and DPNR

# Future Direction (Downstream sector)

- Development of new IRGs and GRGs
- Enhancement of CAD and CAM capabilities in mould design
- R & D activities on latex products will be further intensified to address the health and safety issues
- R & D efforts to be geared towards more automation and the adoption of ICT in manufacturing processes

## **THEME OF IMP3 (2006 to 2020)**

### ***MALAYSIA – TOWARDS GLOBAL COMPETITIVENESS***

- **Malaysia to strive towards developed nation status**
- **Drive industries towards higher level of performance in competitiveness**
- **To achieve long-term global competitiveness through transformation and innovation of manufacturing and services sectors**

## **STRATEGIC THRUSTS**

**Enhancing Malaysia's position as the leading producer and exporter of latex products.**

**Efforts to intensify the promotion of Malaysian brand names and expand the market for latex products.**

**Greater promotion of SMG, to make it recognized and accepted internationally**

## **STRATEGIC THRUSTS**

### **EXPANDING THE EXPORT MARKETS**

**Greater participation in international exhibitions and trade mission organised by MATRADE, KPPK, MRB and MREPC.**

**Exploring new markets, such as Latin America, Africa, and West and Central Asia.**

**Identify end-use potential of rubber products for the automotive, petroleum, construction, marine transportation and power supply industries.**

## **STRATEGIC THRUSTS**

### **DIVERSIFYING THE PRODUCT RANGE.**

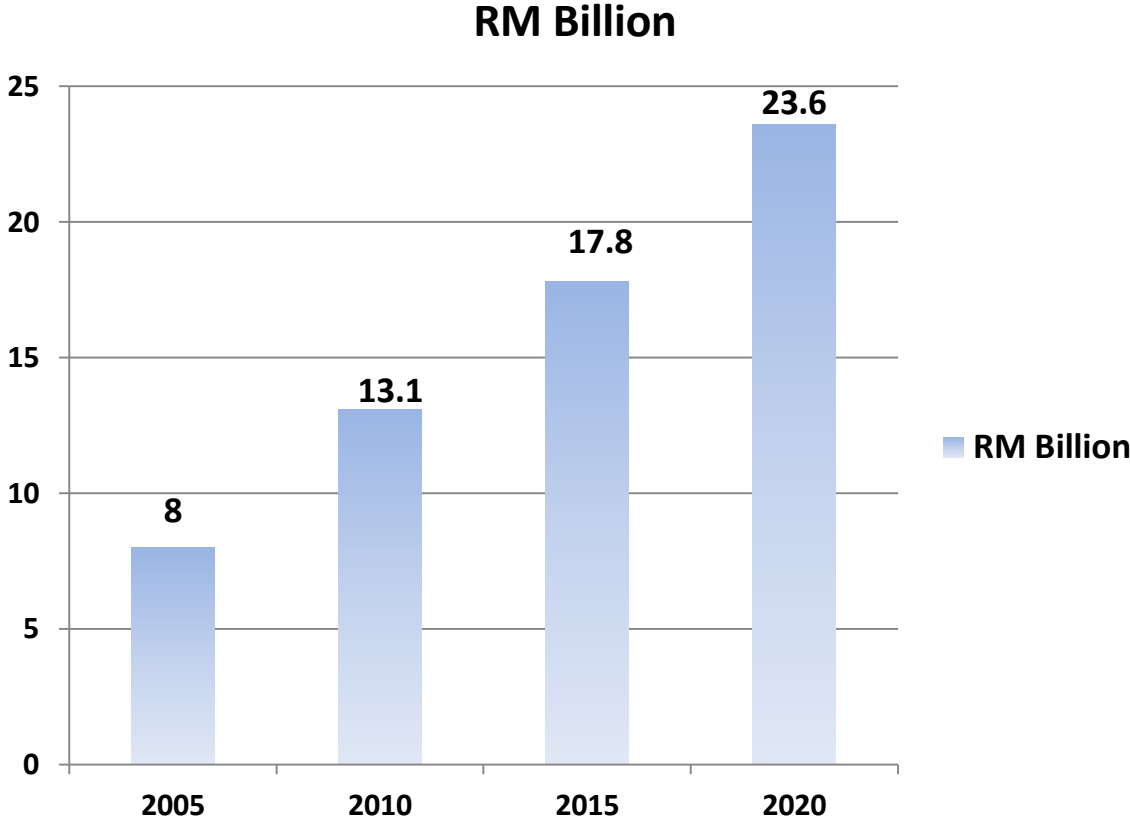
**Greater focus on R&D in advanced manufacturing technologies and higher value-added products, such as:**

- bridge and seismic bearings;**
- engine mountings and marine fenders;**
- advanced, nano and smart materials;**
- environment friendly rubber products;**

**Further develop support industries, such as rubber chemicals, tools and dies, and packaging;**

**Promote the production facility for ethylene propylene rubber and EPDM**

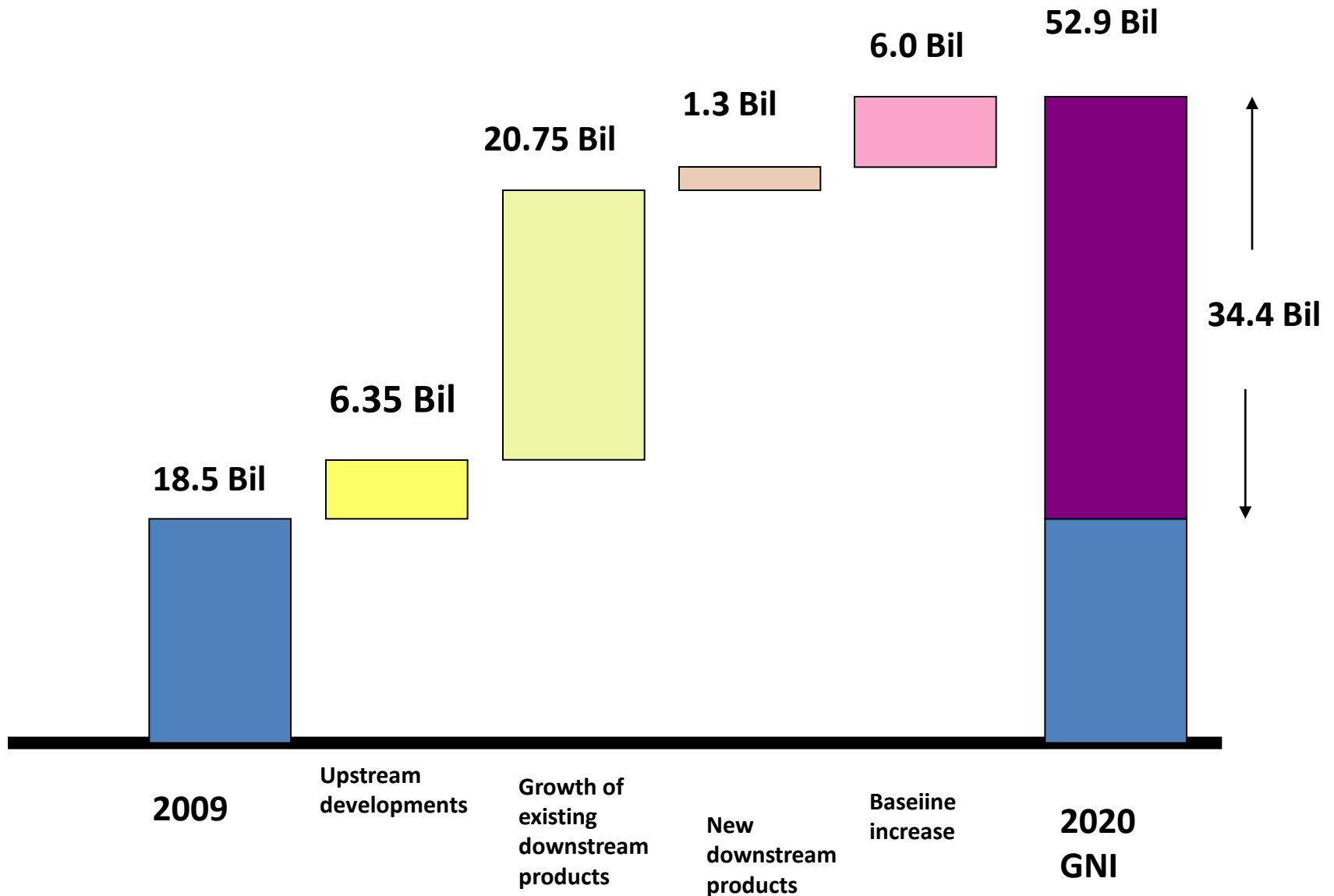
# Export of Rubber Products under IMP 3





# ETP for the Rubber Sector

Original Target  
49.7 Bil



# **Project 1: Stabilising the Rubber Area and Improving Yield**

## **Project 2: Accelerating Growth of Downstream Products**

- Grow Standard Malaysian Rubber (SMR) and latex product revenues by 7 percent over the next 10 years by increasing latex concentrate production to reach 300,000 tonnes per year by 2020.
- Grow tyre revenues by 10 percent over the next 10 years

# Project 2: Accelerating Growth of Downstream Products

- Grow other product revenues by 6 percent over the next 10 years through:
- Increasing production of specialty rubber and value-added products to 300,000 tonnes;
- Reducing processing cost by 30 percent
- Increasing global market share of all types of rubber gloves by 10 percent annually; and
- Increasing local worker participation by 5 percent per year.

## **Project 3: Introducing New Rubber Products**

- Generate new revenues at a growth rate of 7 percent per year through the introduction of new products,
- i.e. diversify and expand dry rubber products to increase export revenue to RM5 billion by 2020.

# Challenges of the Whole Rubber Industry-

## ***MRB Rubber Strategy 2010-2020***

Declining  
plantation area  
&  
production

Unattractive  
latex farm gate  
price

Low  
smallholders  
yield

Unavailability of  
high quality  
planting  
materials

Long supply chain  
Poor price  
determination  
mechanism

Domination of  
smallholder sector  
95%,  
Estates 5%

High labour  
requirement

Old age  
and  
Ergonomic risk

Diminishing SMR  
competitiveness

Increasing  
importation of  
latex

Domination of  
latex based  
products

Low capacity  
utilization of  
processors

Low adoption  
of latest  
technologies

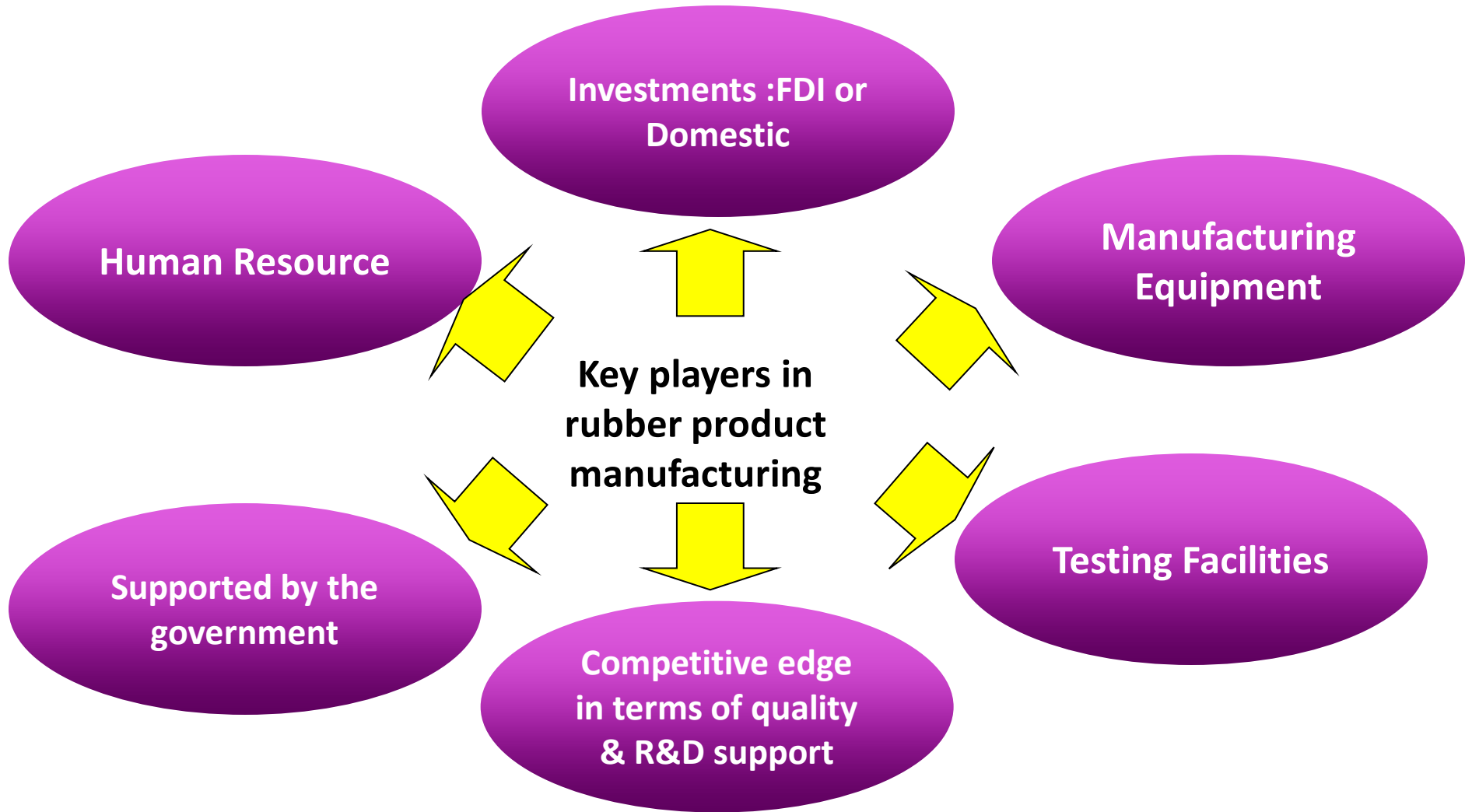
Poor adoption of  
automated and  
mechanised  
technologies

High dependence  
on foreign  
workers

High volatility of  
NR prices

|       | <b>Vision</b>   | <b>Mission</b>  |
|-------|---|---|
| MREPC | Malaysia as a Leading Exporter of Quality Rubber Products | <ul style="list-style-type: none"> <li>•To facilitate and promote the export of quality rubber products</li> <li>•To identify market opportunities and</li> <li>•To enhance market access</li> </ul>  |
| MRB   | World Rubber Hub  | <ul style="list-style-type: none"> <li>•Raw materials</li> <li>•Transparent market</li> <li>•Traders/dealers/office/logistic providers</li> <li>•High income nation</li> <li>•Manufacturers/processors</li> <li>•Consumers</li> <li>•Quality assurance</li> </ul> |

# Critical Success Factors





# *Conclusion*

- The policy of developing and promoting rubber based manufacturing industry by the government has seen different levels of achievement by different rubber product sectors.
- Although there are challenges and issues to be overcome, Malaysia glove product sector can continue to expand its world market share.
- Most of the issues and challenges faced by the dry rubber product sectors are still unresolved.
- Better emphasis and proper push under the ETP should provide rewarding success for the downstream rubber sectors thus contributing to the aspiration of Malaysia to enjoy a high income economy in 2020.

**Thank you for your attention.**

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