

OUTLOOK FOR NATURAL RUBBER

Viewing the situation as a whole we can safely say that our natural rubber can still compete with synthetic rubber for the balance of the 40% on the basis of price, but whether she will do this profitably or not is another matter which will depend to a great extent on the biological development and cooperation from the producers of natural rubber. It is true that yield can be increased with the application of stimulants and various types of fertilizers. But are the smallholders convinced of that extra cost will benefit them in the long run? So education of the smallholders to rubber techniques and methods of tapping are very important aspects that must need be looked into. The smallholders are very important producers of rubber and if they can be convinced that the only way for them to meet competition and still survive is to increase our yield and so lower the cost of production then it can be safely said that the battle is already half won, as the smallholders are a very important unit in our production of rubber.

The market lost by natural rubber in 1962 can never hoped to be recovered again and neither can natural rubber hope to encroach on the synthetic rubber market. Natural rubber can now only hope to retain its share through increase production but not to increase it. The low and extremely stable price structure, constant technological developments which improve the qualities and properties of synthetic rubber and the uniformity in grade specifications and various marketing advantages arising from domestic trade prove synthetic rubber to be a better buy. Now that the low heat build-up property of natural rubber has been copied by the new stereo-regular, natural rubber monopolistic power in the field of heavy tyre industry has been jeopardized.

Moreover the stockpile policy has influenced on the Malayan rubber prices. The recent discussion on stockpile release has forced the price of natural rubber in Malaya down. But what is more important is that in a few years time there may not be any stockpile purchase at all. Synthetic natural rubber can be manufactured in the plants so that there is no need for stockpiles at all.

Cost reductions should ideally bring the price of natural rubber down to the point where it becomes unprofitable to produce synthetic rubber in the existing plants let alone to create new capacity. The price that would discourage the creation of new synthetic plants in the U.S. was recently estimated to be 23.8 US cents for SBR and 26 US cents for P.B. Cost reductions may be possible in the estates of Malaya but smallholdings may not be able to meet this low price. The reason lies simply in the fact that output per acre for smallholders has not yet reached such a high level of production as

to allow the cost to be reduced so much. Moreover with the replanting programmes going on at the moment new trees cannot yield anything at least for another 6 to 7 years and by that time, the cost in the synthetic rubber industry may have been lowered, and so becomes competitive even at such prices as US 23.3g for SBR and P.B. respectively.

The recently discovered stimulants (hormones) have now for sometime artificially maintained fairly high latex production. But we are not sure whether these stimulants will exhaust the tree in the near future. If they do not retain their high yield these trees may even be worse off than other normal trees. Furthermore, it is believed that budded trees tend to give lower production during the wintering period than seedling trees. So now with increasing number of new trees (budded trees) all over the country then the wintering fall-off is going to be even more marked. The estates had replanted largely with budded trees, so there will be a tendency for production to decline from them every year during the period of wintering.

By 1975 production from Malayan rubber is expected to reach 1.5 million tons, i.e. almost double production in 1961. This new estimate depends heavily on the fact that new planting and replanting will carry on as usual. The recent increase in production from small-holdings should not be taken too seriously as a guide. This is because fragmentation of estates during the beginning of the scheme (replanting) increased the smallholders acreage and production.

Even now the Malayan rubber industry is fighting a defensive battle and trying frantically to keep the old share of the market. With increase in yield per acre and per man output the battle can still be fought on equal basis. But if production is not increased to offset the falling price of rubber, which seemed to be very likely in the near future then who knows in a few years time Malaya may be fighting not a defensive battle but a losing one.

Increasing production is the best way to compete in the market with synthetic rubber, i.e. maintaining our revenue through increase production because of lower price of rubber, but there are also other improvements to be made in the marketing and grading of natural rubber to enhance its competitive position with synthetic rubber. Last year new form of rubber, the Standard Malaysia Rubber (SMR) has, ^{been} successfully developed and with time this development hopes to compete with synthetic rubber and jostles for its share in the market. Besides this, a more aggressive sales promotion is taking place to convince the consumers that natural rubber is undoubtedly the best.

So with all this taking place natural rubber can still compete with synthetic rubber on the basis of both price and quality.

Experiments are now being undertaken on a labour-saving system of tapping involving tapping the whole circumference of the rubber tree once in every 6 days instead of 1/2 circumference in every 2 or 3 days. This method is expected to increase yield per tapper and contribute higher production.¹

¹Bank Negara Report 1965

The country's dependence on rubber is too well-known to need any stress. It is true that we need to diversify the country's economy so that less and less dependence will be placed on rubber. But we must be aware that for many years to come natural rubber will still be our main pillar of the economy. Its glorious days may have been over but it is still a very important crop to Malaya and its people. So it is of absolute necessity to modernise, as much as possible and equally as quickly, the area at present planted with rubber.