

Plantation and rubber industries of malaysia of malaysia economics essay

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Malaysia is centrally located within the Association of South-East Asian Nations (ASEAN). Consisting of two regions divided by the South China Sea and the Malaysian Peninsula and the states of Sabah and Sarawak on the island of Borneo — Malaysia is a federation of 13 states and three federal territories. The former British colony gained its freedom in 1957. Since it had been ruled by Britishers, the beginning of Rubber plantation which was initially as a trial bases from the Brazil forests, today Malaysia is very well known for the rubber industries, natural rubber, oil and other natural base industries in the world which are contributing a big amount into the GDP of the country. Malaysia's territory comprises approx. 330, 000 sq km, four fifths of which are covered by tropical rainforest. Owing to its bio-diverse range of flora and fauna offering outstanding beaches and brilliant panorama, the country is one of the region's key touristic destinations. Malaysia is a multi-ethnic, multicultural and multilingual society with 28. 66 million members. Cultural Malays make up the majority of the population at 57. 1% followed by Chinese at 24. 6%, Indian at 7. 3% and other local ethnicities at 11%. The Malaysian constitution guarantees freedom of religion, although Islam is the largest and official religion. Approx. 61. 4% of the population practice Islam, 19. 9% Buddhism, 9. 3% Christianity, 6. 3% Hinduism, and 2. 6% practice Confucianism and other traditional Chinese religions. The official language of Malaysia is Bahasa Malaysia, but English as well as Chinese are the business languages.

Introduction

Malaysia is the leading producer of natural rubber in the world. Being a leader producer of natural rubber, Malaysia is contributing around 46% of

total rubber production in the world. The rubber plantation was started in Malaysia in 1877. First, the seedlings were brought from the Amazon Basin, and were planted here on a trial basis. Then after when the rubber seedlings were successfully planted, certain efforts were made to produce it on a saleable. The British people, who ruled the region and introduced rubber tree, provided the capital for clearing the forest and planting rubber trees.

Favorable conditions for rubber plantation

A mean temperature of 27°C, never falling below 22°C. Heavy rainfall above 200 cm. with no drought. Deep rich soils with good drainage preferably brittle, well-oxidized and acidic in reaction. Sufficient supply of labour is an important factor for the collection and plantation of rubber over large holdings.

Area of Production

In Malaysia, Rubber can grow anywhere, because of the suitability of climate and top soil; but most of the rubber estates are strenuous in the western coastal plains of Malaysia. The plantation in coastal zone gets the benefit of nearest port for its export. Yet very low areas are avoided in order not to suffer from stagnation of water. The greatest production is in its Jahore State of Southern Malaysia. Over here Rubber cultivation occupies about 4-2 million acres or about 66% of the total cultivated area in the nation.

Part: 2

Rubber Sector Overview

Brief Introduction

Malaysia is the leading producer of natural rubber in the world. About 46% of the total world's rubber is produced in Malaysia. The conception of rubber plantation was made in Malaysia in 1877. Initially, the seedlings were brought from the Amazon Basin, and were planted here on a trial basis. When the rubber seedlings were successfully planted, attempts were made to take it on a commercial scale. The British people, who colonized the county and introduced rubber tree, provided the capital for clearing the forest and planting rubber trees. For the commercial trade of rubber, they also provided the market for it. The required skilled labors were managed from India, especially from south India because both the countries were colonized by Britishers. The rubber products industry can be categorized into the latex, tires and tire- related and industrial as well as general rubber products. For instance, Latex products include rubber cloves, catheters, latex thread, condoms and foam products. Malaysia is the world' s largest exporter of rubber gloves with an average annual GDP of RM6 billion. The rubber gloves industry has been generally recession-proof and has recorded increases in exports since 2000.

H. R. Overview

With regard to the number of employers hired in the rubber estates, there was an increase by 498 persons (4. 8%) in 2012. However, when comparing the monthly figures, there was a decrease of 0. 1% from August to

September. In total, there were 10. 946 people working in the rubber estates
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in September 2012. However, the boost of employees working in this industry is clearly visible during the previous year duration. The sector is clearly proved as employment generator so far in the country.

Production (Ratios of 2012)

The natural rubber production of Malaysia in 2012 - 996, 212 tonnes with comparison to 2011- 939, 245 tonnes. The home consumption of natural rubber for 2012 was 401, 928tonnes. The natural rubber consuming industries for 2012 wereLatex products (80. 4%)Tyres (9. 3%)General rubber products (7. 2%), Industrial rubber products (3. 3%) andOthers (0. 2%). The continuous and rapid growth in the sector holds Malaysia again a leading producer of natural rubber in the world's map. The government continues to encourage the development of Malaysia's resource-based industries to diversify the country's sources of growth. In addition to fiscal incentives which are currently available for promoted products and activities, the government has further fine-tuned the incentives to endorse precise activities among which is the rubber products industry. Also they encourage investments in resource-based industries; local companies in the rubber industry that reinvest to expand their projects are entitled for Pioneer Status or Investment Tax Allowance.

Key problems in the sector

Troubles of the Rubber Industry currently, the policies of the Malaysian Government are not as encouraging to foreign investors as previously. The Government regulations, regarding benefits and wages to local workers, are more stringent, and the taxes are higher. The rubber planters also face the

problem of additional production (it is because the huge areas are obtainable for the rubber plantation), which results in lowered prices and profits. The copious production of synthetic rubber in the United States and other countries has also given a great set back to marketing. The synthetic rubber, which is made from petroleum, coal, alcohol or other materials, is obtained at a very low cost of production. Another problem is the need to replace a large amount of the trees, which are very old, with new ones of very high yield. The Malaysian Government has laid a special tax on exported rubber, and the money as a result, raised is utilized for the cost of replanting trees. Because of all these hazards, the rubber planters are now converting the rubber estates to that of palm. But it does not mean that the rubber plantation system will discontinue. The artificial rubber is excellent for certain purposes, but it is not yet as satisfactory as natural rubber for general purposes, such as tyres. As such, with an expanded role of the Government in the management of the rubber plantation, the production of rubber in Malaysia will undoubtedly continue, and, perhaps even increase in significance.

Adopting new technologies

To defeat the productivity hesitant blocks, Malaysian Rubber Board presented its newly hatched technologies to make life easier for rubber producers and increase productivity too. Introducing the Automatic Rubber Tapping System (ARTS), the Director-General of MRB, said the newly introduced technology, which is in a pre-commercial trials now, was developed to first and foremost address labour shortages (and to reduce dependency on foreign workers) and increase output. The Rubber tappers

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have to be at the plantations early in the morning when the turgor pressure is high and more latex can be tapped, the director added. A mechanized and automated device, ARTS is able to undertake the task without any human administration. The solar-powered device is attached to a rubber tree and at a programmed time can perform the tapping without the need of any field administrator. The system has a moving blade to skin the bark with accuracy to expose the latex vessels. It can also cut at precise depth and thickness. The tapping time is also programmable and has a short tapping length of 1 inch. A piping system is also attached at each tree to collect the latex.

Industries in Malaysia

Rubber-based Industry

The Malaysian rubber products industry is a combination of more than 500 manufacturers producing latex products; tyres and tyre-related products, and industrial and general rubber products. The industry contributed 18. 2 billion to the country's export earnings in 2012. The Rubber products accounted for 3. 8 per cent of Malaysia's total exports for manufacturing products. The latex products sub-sector is the largest sub-sector within the rubber products industry and comprises 125 manufacturers producing gloves, condom, catheters, latex thread and others. This sub-sector accounted for 81 per cent of the rubber total value of exports, largely contributed by gloves, catheters and latex threads. Malaysia continued to maintain its position as the world's leading producer and exporter of catheters, latex threads and natural rubber medical gloves. There are presently 120 companies in the tyres and tyre-related products sub-sector comprising nine tyre producers while the remaining companies produce

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retreads, tyre treads for retreading, valves and other accessories. There are three main tyre producers producing passenger car tyres, commercial vehicle tyres and earthmover tyres, and another nine manufacturing other types of tyres. Exports value of rubber tyres flaps and inner tubes in 2011 amounted to RM779. 4 million. The industrial and general rubber products sub-sector comprises 185 companies producing a wide range of rubber products such as mountings, beltings, hoses, tubing's, seals, and sheeting's for the automotive, electrical & electronics, machinery & equipment and construction industries, largely for the domestic market. The rubber products industry will need to diversify further, emphasizing on high value-added and high technology rubber products, such as products for engineering, construction and marine applications. These rubber products need to have diversified utilization in certain pre mentioned sectors so far. The new enabled technology will help to meet this need in near future. The government continues to promote the development of Malaysia's resource-based industries to diversify the country's sources of growth. In addition to fiscal incentives which are currently available for promoted products and activities, the government has further fine-tuned the incentives to promote specific activities among which is the rubber products industry. To further encourage investments in resource-based industries, local companies in the rubber industry that reinvest to expand their projects are eligible for Pioneer Status or Investment Tax Allowance.

Rubber Export

Malaysia produces about 1-5 million tons of natural rubber annually. A major part of it is sent to Singapore or Penang, from where it is exported all over

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the world. The chief rubber-importing countries are:(i) Singapore (for re-export),(ii) Russia and European countries,(iii) U. S. A.,(iv) Japan,(v) India.

Malaysia's Export Partner

Note: India is indirect importer of Malaysian rubber from Singapore.

Uses of Rubber

Rubber is used for making numerous articles ranging from footwear, sports goods, cushions, insulated material for cable, and pencil erasers to tyres and tubes. However, it is its use for making tyres and tubes of automobiles which is of greatest importance. Thus, indirectly, rubber helps in promoting the system of modern transport and communication. Malaysia will continue to play its dominant role in world's rubber production and export.

Part: 3 Expansions

Malaysia eyes rubber, oil plantations in MyanmarMalaysia is planning to expand the rubber plantation by going globally in certain countries. Recently in a press conference the Minister of oil and plantation, Malaysia has announced to go for rubber plantation in Myanmar.

Developments and productivity in the Industry

The top three rubber-producing countries in the world namely Thailand, Indonesia and Malaysia stopped setting export limit quotas following a rise in prices in the year 2009. The higher level of world wide spread of influenza, H1N1 had increased the overall demand for rubber glove during the period. Local rubber glove producers have increased production to their maximum capacity to meet the demand from international markets. The nuisance of

compulsory standards of new tyres and approved permits on selected used tyres had increased the standards of manufactured tyres in the market. The standards have been imposed to reduce the number of tyre-related road accidents in the country. According to the Malaysia Department of Statistics (2011), the ratio of total production to total region tapped was 121. 1Kg per hectare (kg/ha). In comparison to the figures from September, productivity in October increased about 3. 1%. However, the year-on-year productivity recorded a decrease of 16. 8%. The table below is a principal statistic for the years 2010/11 and covers among others the production, export, import and consumption in the rubber sector.

Part: 4

Trade relations between INDIA & MALAYSIA

The legal framework central mutual trade and economic cooperation includes a Trade Agreement signed in October 2000, Bilateral Investment Promotion and Protection Agreement in April 1997 and a Double Taxation Avoidance Agreement signed in May 2001. As far as concern with rubber production, due to the poor performance of local and domestic rubber producers, India will need to have more rubber import from Malaysia during the current year. However India also eyes to have rubber plantation to have natural rubber sources in the various parts of the country.

Opportunities for India

As a part of the expansion of Malaysia's natural based Industrial sectors, India has the opportunity to establish trade relations by welcoming them in

India and accept their business in certain east regions nearby Myanmar-Bangladesh.

Initiative of Apollo Tyres

in the midst of the domestic tyre industry facing a crisis due to the global shortage of natural rubber, according to recent information in corporate Apollo Tyres Ltd has taken on lease about 10, 000 hectares of land in Laos, in South-East Asia, for rubber plantation to have better cycle of rubber production. With this move, Apollo being the first Indian company to acquire a property for growing rubber. It would take 2-7 years for the yield to be tapped, Apollo Chairman and Managing Director Onkar S Kanwar has announced in front of media recently.

Rubber plantation in Gujarat

The rubber plantation in Gujarat is a difficult challenge to take due to obvious reasons. The overall temperature of Gujarat is quite not suitable for the rubber plantation in comparison with Malaysia and other such regions of India. However an attempt has been made recently. The details regarding that attempt are as follows: The Rubber plantation has been introduced for the first time in Gujarat, in the area which is quite nontraditional region for the rubber plantation and cultivation of rubber with the support of such voluntary organizations and the government agencies jointly. First pilot project for the rubber plantation in near about 20 to 22 hectares was launched near lachakhedi village in Valsad district in the month of August current year with the collective efforts of Gujarat Narmada Valley Fertilizer Company, a famous voluntary organization and government undertaking

organization. The assistant development officer of Rubber Board's regional office Dr. B Rajeevan told that UNI that planting of rubber saplings began this year and near about more than 10000 trees will be planted in an area of 20 to 22 hectares during the next five years. As top soil conditions of this hilly covered area is generally much suitable for the rubber plantation like Malaysia the immigration facilities available there would contribute to the success of the rubber plantation programme he added. Further he told that GNFC, the initiative taker, was funding the entire pilot project, which is being implemented by Dhurve with technical and other support from the rubber board. The board of rubber plantation is offering preservation grant and subsidies under different categories to promote the rubber plantation which could offer a stable income from the 8th year of plantation for a further period of near about 20-24 years. While talking about the returns DR. Rajeevan told that the net income per hectare and per year would come near about Rs. 35 to 40 thousand as per the widespread market rate which is at present in the lowest level because of industrial recession. Further he also said that the other suitable places for the plantation are also under consideration of GSFD, Gujarat state forest Development Corporation. To overcome the long development period of rubber plantation which is generally anticipated nearly 7 years, the government rubber board suggesting the farmers to go for inter planting and inter cropping of selected crops in the rubber plantation area and also providing necessary guidance and motivation to farmers to go for this new farming of rubber and to earn extra income during the non-yielding phase. In other states of India which are quite successful in this plantation, the board is collecting samples to

identify the ideal land and suitable conditions for the nontraditional areas for rubber plantation and cultivation. By means of these efforts at some level the rubber board would succeed to try a new element in the farms and in Gujarat it would be a new achievement for the government as well as for the farmers to gain a new heights of agricultural success and to built new trade and agricultural development dimensions

Conclusion

Malaysia has located itself to be the world' s leading producer and exporter of rubber products. One of the challenges for the Malaysian rubber industry is to remain competitive against cheaper products from low-cost producers, particularly the People' s Republic of China and India, through higher productivity and quality. The Malaysian rubber products industry also has to remain flexible in competing with other natural rubber producing countries such as Thailand and Vietnam, as these countries also have easy access to readily available raw materials. Malaysian companies need to focus on R&D activities. Efforts have been made to improve efficiency, productivity, and new product development in the downstream activities to produce high value-added and high-technology rubber products such as for engineering, construction, and marine applications. R&D is also required to fulfill with stringent standards and regulations imposed by export markets.