

A new century for rubber

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Photo by: Jeremy Mullins

Rubber drips from a tapped tree in Kampong Cham's Tboung Khmum district. The province has become the heart of Cambodian rubber production.

Kampong Cham province

The Kingdom's natural rubber industry is primed to grow dramatically in coming years, industry experts say, as Cambodia fetes 100 years of domestic rubber plantations.

The French protectorate planted the first trees in what is now Preah Sihanouk province in 1910. By 1924 plantations were moving further inland to Kampong Cham province – which today is the heart of Cambodia's natural rubber industry.

Chub rubber plantation – presently the Kingdom's largest – now covers 17,000 hectares in Kampong Cham, producing between 33 and 38 tonnes of rubber per day. All of its trees date from 1986 or later, except for fifteen hectares of old trees that have been preserved since 1924.

The site has become a tourist attraction, but also draws back former workers to see the rubber plantations they worked on before the Khmer Rouge. Chub protects the trees

standing on the fifteen hectares by regularly clearing back the brush.

“We preserve these trees from vanishing,” says Chub technical director Meas Meannith.

“They are evidence of the beginning of rubber in Cambodia. If we cut the trees down, we lose an important mark in the line of events since the beginning.”

Ly Phalla, general director of the General Directorate of Rubber, says cultivation originally began in coastal areas, but Kampong Cham’s strong growing conditions had made it the centre of the domestic industry.

By 1979, domestic rubber plantations totalled 45,750 hectares, largely left over from the French regime. Today it totals 166,750 hectares, and could reach 250,000 hectares by 2015, according to Chub managing director Mak Kim Hong.

But the industry in Cambodia is still small compared to many neighbouring countries. The Association of Natural Rubber Producing Countries – which claims its members constitute 92 percent of global output – compiled statistics showing Cambodia produces less than 0.5 percent of the association’s total. Thailand and Indonesia each produce close to one third of the Association’s output.

Nevertheless, experts say the domestic sector has strong upside potential.

Agriculture is the traditional backbone of Cambodia’s economy, according to Leopard Capital CEO Douglas Clayton.

“[It] is a great sector to develop now that commodity prices are trending upwards,” he says.

“Rubber will once again become an important industry here just as it was before the war, when Cambodia used to manufacture tyres.”

Rubber prices hit an all-time high this month, selling for over US\$5,000 per tonne in trading on the Malaysian Rubber Exchange this week. Prices have risen rapidly this year as demand outstrips supply. A tonne fetched \$2,955 on the last day of trading in 2009.

Recently, persistent rains have hit supply among major exporters, including Thailand, the world’s largest, while international demand remains strong.

After the Khmer Rouge period brought production to a halt, the domestic industry was restarted in 1979 by seven state-owned companies, including Chub, which were later privatised by 2008.

However, though many point to strong prospects for the future of Cambodian rubber, the sector is not without its challenges.

One problem, Clayton says, is that much of Cambodia's best farmland is tied up under long term concessions to speculators with no intention of farming.

"The government should steadily increase taxes on concessions that haven't fulfilled their business plans," he says.

Domestic rubber producers have also complained of difficulties in measuring market data, claiming fewer available means to store rubber and arrange future contracts can put them at a disadvantage.

Cambodia's rubber industry enjoys several advantages, such as lower wages and a business-friendly government, though other costs remain higher, according to Mak Kim Hong. Electricity, and petrol used for transport are often more costly than in neighbouring countries, he says.

Prominent Cambodian businessman Mong Reththy has advocated building rubber plantations near the coast, where the original French rubber plantations first sat 100 years ago. The scheme has its pros and cons, according to Mak Kim Hong. On one hand, the cost of transporting the rubber to Sihanoukville port for export is lower, but on the other hand, stronger winds and rains could make cultivation more challenging.

A plastic rain guard can be fitted to protect tapped trees from the rain, but the wind is more difficult to protect against. Kampong Cham's rusty-coloured soil is also superbly suited to rubber.

"Red soil is rich soil," Mak Kim Hong says.

Another major obstacle to increasing production has been convincing the world of the quality of Cambodian rubber.

Cambodian rubber fetched some 20 to 25 percent less than prices for Malaysian rubber in the 1990s, Mak Kim Hong says, but he claims the gap is closing.

Cambodia has joined several international organisations in a bid to earn global recognition of its produce. The Association for Rubber Development of Cambodia has joined the ASEAN Rubber Business Council, for instance – a six-member organisation it joined ahead of regional rubber producers Laos or the Philippines.

The ARBC and other organisations have provided a forum for Cambodia to showcase the quality of its products.

Last week, Chub plantation rubber earned the ISO 9001:2008 certification from the QMS Australia standards company, which Mak Kim Hong claims is the highest standard ever obtained by a Cambodian rubber producer.

“This certificate has more conditions, very strict conditions [governing the quality of our rubber],” he says. “We can sell for higher prices with this certificate.”

During a visit to Phnom Penh this month, France’s Secretary of State for Foreign Trade Pierre Lellouche said that French expertise had played a role in helping establish a successful industry in Cambodia. The French Embassy held an event to mark the 100-year anniversary during his visit.

Yet despite rubber’s century-long history in the Kingdom, some in the industry claim little knowledge of the sector’s past.

Quickly tapping trees in Kampong Cham’s Tboung Khmum district, 20-year-old rubber worker Sin Sreylen told The Post she had never asked why there were so many rubber trees growing in Kampong Cham.

But local life revolves around the rubber plantation, she says.

She was born on a rubber plantation, and has lived to see the constant cycle of worn-out trees being cut down and replanted. She said she had noticed an increase in local living standards on the back of the burgeoning rubber industry.

“I used to hear my parents complain about difficulties making ends meet, but now I never hear those complaints,” she said. “I hope in the future that more rubber trees will grow and I will get more work and a higher salary.”