

The sustainable and affordable supply of raw materials is a key factor contributing to the competitiveness of the manufacturing industry. Although Natural Rubber is not part of the non-energy raw materials, the European tyre & rubber manufacturers think essential to take this opportunity to share with the European Commission their priorities for ensuring the proper and affordable supply of one of their strategic raw materials in the coming decades.

### **Natural Rubber (NR) production**

Global NR production has grown by 3.5% per annum, on average, over the last twenty years. Production reached 9.4 million tonnes in 2006 and is dominated by Thailand, Indonesia and Malaysia, which account for close to 75% of global production and 85% of global exports.

#### *Natural rubber production in 2006*

Ranking	NR producing countries	' 000 tonnes	%
1	Thailand	3137	32.4
2	Indonesia	2637	27.3
3	Malaysia	1284	13.3
4	India	853	8.8
5	Vietnam	554	5.7
6	China	533	5.5
7	Ivory Coast	178	1.8
8	Sri Lanka	109	1.1
9	Brazil	108	1.1
10	Liberia	101	1.0

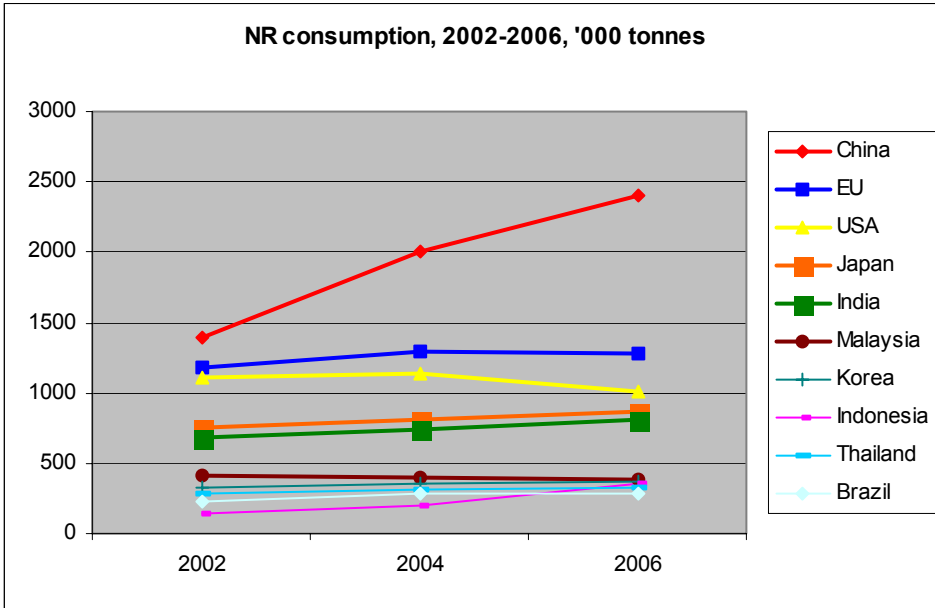
*IRSG, March 2008*

The production is predominantly managed by smallholders and is primarily export oriented. Some uncertainties both for producers and end-users lie in the re-planting of rubber trees whenever returns are insufficient: from 7 to 10 years are necessary to collect latex.

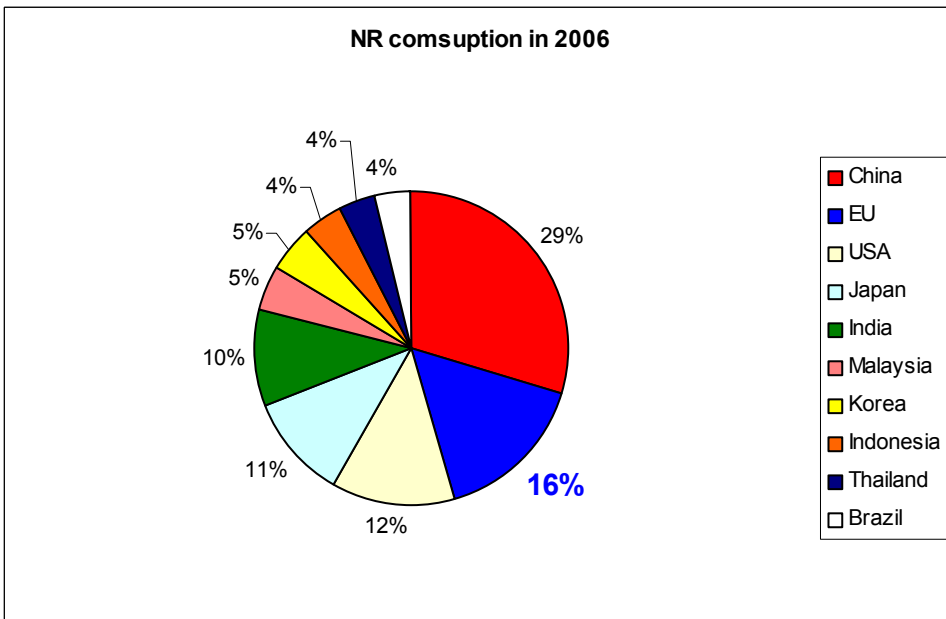


**NR consumption**

The tyre industry is by far the largest end-use market for natural rubber, around 70 % (IRSG). The industrial growth in the emerging economies, especially in China, has resulted in an unprecedented increase in demand for raw materials since 2002. EU is the second biggest consumer.



IRSG, March 2008



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By 2035, it is anticipated that the global natural rubber demand is expected to simply double ! Adequate supply therefore remains a major challenge.



## ON GENERAL ISSUES AND PRIORITIES

**What is your opinion on the following statement?**  
**"There is a need for further action towards ensuring the long term sustainable supply of non-energy raw materials to the EU economy and ensuring a coherent political approach to the key challenges arising." (compulsory)**

Agree, but the main focus should be on national initiatives

Agree, but the main focus should be on international initiatives

Agree, but the main focus should be on EU initiatives

Agree. The initiative should be taken at all levels of public policies

Neither agree or disagree

Disagree

Strongly disagree

An effective raw materials strategy should imply measures at the national, EU and international levels. They must be complementary and mutually enforced with strategies in Member States and on the EU level. Moreover, additional initiatives on the international level (OECD, G8, WTO) would be desirable.

Please give your opinion on the following key challenges					
	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Don't know
increase the sustainable supply of raw materials from European sources (compulsory)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ensure sustainable and a more transparent supply from third countries (compulsory)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
encourage capacity building in developing countries (compulsory)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
encourage greater efficiency in the use of resources (compulsory)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
establish an adequate EU knowledge base on raw materials (compulsory)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Natural Rubber is only produced in developing countries, located mainly in Asia. It is therefore fundamental that the EU can take the necessary actions to ensure a sustainable supply from third markets and encourage sufficient capacity building.

Regarding greater efficiency, for example end of life tyres constitute a significant efficient alternative to existing resources. Support to applications, standardization efforts should therefore be encouraged.



## **ENSURE SUSTAINABLE SUPPLY AND CAPACITY BUILDING IN DEVELOPING COUNTRIES, in particular for Natural Rubber**

The European tyre & rubber manufacturers need a sustainable and affordable supply of Natural Rubber. To this end, they remain dependant of the global production, which comes uniquely from developing countries. However, the NR growing supply is affected by key factors including the limited hevea tree area expansion, the profitability of producing alternative raw materials and the shortage of the required skilled tappers. The EU can certainly contribute to restoring confidence in rubber growing.

The superficies of NR plantations are considerably different between countries. For instance yields in Thailand are over twice those of Indonesia where rubber plantations forms part of an agroforestry production system. The growth in production in recent years has largely been from improved productivity rather than an increase in the planted area.

With the exception of Africa, Vietnam and China, NR production is predominantly assumed by smallholders. The greater profitability of oil palm in recent years has encouraged many of them notably in Malaysia and in Indonesia to re-plant rubber areas with oil palm. The greater profitability of oil palm lies not just in its high price compared to rubber in recent years, but also due to its lower production costs, stemming from lower labour requirements. In 2003, in the Malaysian plantation sector, the profitability of oil palm production was over three times that of rubber production. The challenge will be to secure expansion of rubber production in the other key countries such as Indonesia and Thailand.

Furthermore, beside the re-planting challenge, the limited number of skilled tappers may not facilitate the development of NR plantations. Indeed natural rubber is a labour intensive crop, due to the necessity of performing frequent tapping. This specific action implies relevant skills.

The Natural Rubber has intrinsic properties that could hardly be substituted by synthetic rubber. In the context of a global growing demand, the European tyre & rubber manufacturers believe that the European Union should take policy measures to ensure a sustainable and affordable supply of Natural Rubber. These actions should be complemented at Member States and international levels to guarantee the profitability of producers and the continuous supply. This could be organised through direct foreign investments: private investments and public-private partnerships, through the setting up of mechanisms allowing achieving productivity increases and in inciting to pursuing NR production.

ETRMA is willing to assist the European authorities to reach this ambitious challenge contributing to maintaining Industry competitiveness.

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