



# SPECIAL SUBJECT

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## **THE VIETNAM RUBBER ASSOCIATION**

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## **NEW DEVELOPMENTS IN VIETNAM'S NATURAL RUBBER INDUSTRY**

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### **Introduction**

Natural rubber (NR) exports in Vietnam have been increased significantly in recent years. In 2006, Vietnam NR exports reached the highest level, around 707,900 tons, an increase of 20.6 %, totaling nearly US\$ 1.3 billion, 60 % higher than 2005. NR has been the second largest exporting agricultural commodities following rice since 2005, accounting for 3.25 % of Vietnam's export turnover in 2006.

NR production was estimated for 540,000 tons, a rise in output of 16.3% compared to last year. The production rose not only thanks to the larger tapped areas, but also thanks to the rise of productivity and effective management on estate plantations.

Higher prices and benefits from natural rubber in recent years encouraged Vietnamese companies to invest in new rubber planting in the country and neighboring countries like Laos and Cambodia.

## **Vietnam's NR production in recent years**

In 2006, the total production was estimated for 540,000 tons, 16% higher than the last year. NR was dominated by estate which the production occupied around 80 % of the total output.

The total areas under rubber were estimated around 490,200 ha, 2 % higher than 2005. The rise of rubber areas was mainly in smallholding and private sector, accounting around 40 % of the total area under rubber.

The tapped areas reached about 374,000 ha, 13% higher than previous year. The average yield was around 1,440 tons/ha.

The Vietnam Rubber Group (VRG), the biggest NR producer in Vietnam, reached 325,900 tons in 2006, 60 % of the Vietnam NR production and 7.35 % higher than 2005. The average yield was 1.83 tons/ha, with highest level in the Southeast (1.96 tons/ha) and lower in Highlands and Coastal regions due to some environmental conditions such as low temperature, heavy rains, 1.27 tons/ha and 1.45 tons/ha respectively. There were 7 company members reached more than 2 tons/ha in 2006, namely Binh Long, Dau Tieng, Dong Phu, Loc Ninh, Phuoc Hoa, Tan Bien and Tay Ninh.

The high productivity of estate plantations was resulted from the use of high yielding clones, advanced techniques and good management.

The yield of smallholding sector was still lower than estate plantations due to younger plantations and low investment and poor skill. However, some private sector can reach 2 tons/ha in favorable conditions.

The Government has a policy to support the development of rubber smallholding for increasing their productivity and the areas of this sector to improve the living conditions of farmers.

### NR production of Vietnam in 6 recent years 2001-2006

Year	Area (ha)	Production (tons)	Yield (kg/ha/yr)
2001	415 800	312 600	1 299
2002	428 800	331 400	1 360
2003	440 800	363 500	1 363
2004	454 100	419 000	1 428
2005	480 200	468 600	1 414
2006	490 200	540 000	1 442

Source: General Statistical Office, 2006: Estimated by VRA

### Vietnam's NR export

In 2006, Vietnam exported totally 707,900 tons to more than 40 countries from 85 % of the NR production and the NR import from other countries, mainly from Thailand (24.5 %), Cambodia (16.1 %), Indonesia (11.5 %) and Malaysia (4.9 %).

China has been the biggest importer of Vietnam's NR with 469.3 million tons in 2006, accounting 66.4 % of the total NR export. Other top importers are Korea, Germany, Taiwan, Russia and USA.

### NR exports of Vietnam in 6 recent years 2001-2006

Year	Export (tons)	Import (tons)	Net export (tons)
2001	308 100	24 900	283 200
2002	454 800	140 000	314 800
2003	433 106	119 000	314 106
2004	513 252	153 000	360 252
2005	587 110	141 510	445 600
2006	707 895	234 360	473 535

Source: General Statistical Office and Ministry of Trade

## Vietnam NR export by country and continent in 2005 and 2006

Importer	Quantity (tons)			Percent (%)		
	2004	2005	2006	2004	2005	2006
China	303 521	369 764	469 356	59.1	62.9	66.4
Korea	27 815	29 053	32 184	5.4	4.9	4.5
Germany	18 408	20 718	29 939	3.6	3.5	4.2
Taiwan	18 755	22 518	22 425	3.7	3.8	3.2
Russia	15 092	19 159	20 476	2.9	3.3	2.9
USA	16 058	19 216	17 318	3.1	3.3	2.4
Asia	387 000	456 504	580 616	75.4	77.7	82.0
Europe	96 606	98 289	93 856	18.8	16.7	13.2
America	19 306	26 380	26 146	3.7	4.5	3.7
Others	10 340	5 937	33 513	2.0	1.0	1.0
<b>Total</b>	<b>513 252</b>	<b>587 110</b>	<b>707 985</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Rise (%)</b>		<b>14.4</b>	<b>20.6</b>			

Source: Ministry of Trade, compiled by VRA

The major type of the NR export were SVR 3L, accounting 39.7 % of the total export, followed by SVR 10 (15.7 %) and latex concentrate (12.2 %), which rose up to 3.43 % compared with the level in 2005.

### Vietnam NR export by type in 2005 and 2006

Type	2006		2005		2006/2005
	Tons	%	Tons	%	
<u>Block rubber</u>	<u>567 403</u>	<u>80.14</u>	<u>457 476</u>	<u>77.92</u>	
SVR L	5 935	0.84			0.84
SVR 3L	280 842	39.67	254 277	43.31	-3.64
SVR 5	9 136	1.29	5 930	1.01	0.28
SVR 10	111 138	15.70	92 646	15.78	-0.08
SVR 20	20 469	2.89	15 852	2.70	0.19
SVR CV60	30 167	4.26	16 087	2.74	1.52
SVR CV50	9 217	1.30	4 227	0.72	0.58
Compound	46 042	6.50	31 997	5.45	1.05
Skim block	6 624	0.94	1 116	0.19	0.75
CSR L	15 337	2.17	35 344	6.02	-3.85
CSR 5	3 077	0.43			0.43
CSR 10	19 679	2.78			2.78
SIR 20	5 959	0.84			0.84
STR 20	3 781	0.53			0.53
Latex	86 345	12.20	51 490	8.77	3.43
RSS 3	26 683	3.77	17 672	3.01	0.76
RSS	10 114	1.43			1.43
Others	17 440	2.46	60 472	10.30	-7.84
<b>Total</b>	<b>707 985</b>	<b>100.00</b>	<b>587 110</b>	<b>100</b>	

Source: Ministry of Trade, compiled by VRA

The NR processing factories are currently compatible with the NR production in Vietnam and most of them have been modernly equipped with their own laboratory controlling the quality of their products. The Standard Laboratory of the Rubber Research Institute of Vietnam (RRIV) authorizes the laboratories of companies to issue permits for quality certification and shipment according to TCVN 3769:2004. The RRIV Standard Laboratory has a program for Round Robin cross-check with other laboratories in the International Rubber Association (IRA) 2 times per year to control the accuracy of the test and equipment. It also has a program for cross-check with all rubber testing laboratories in the country 3 times per year.

## **NR domestic consumption**

Domestic consumption of NR in Vietnam is still low, accounting 10 – 12 % of the total production (60,000 – 65,000 tons/year).

The major rubber-based products are tires and tubes produced for heavy vehicles, motorcycles and bicycles. Latex-based products (gloves, mattress, thread...) have being encouraged to develop.

## **Development of new planting in Laos and Cambodia**

The high demand of NR in the world and favorable price in recent years have encouraged the Government to support the expansion of rubber areas in the country even in sub-optimal regions and in neighboring countries such as Laos and Cambodia.

Vietnam Rubber Group (VRG) and Daklak rubber company have been cultivating around 7,700 ha and 4,400 ha of rubber respectively for the last two years 2005-2006 in Laos. Their target is 100,000 ha for Geruco and 10,000 ha for Daklak Rubber Company in Laos.

VRG has completed soil surveys and chosen 100,000 hectares for planting rubber trees in Kampong Thom and Kratie provinces. In 2007, VRG plans to growth 4,000 ha of rubber plantations.

Daklak Rubber Company also has a project of 10,000 ha in Cambodia which could be started in 2008.

## **Perspectives of Vietnam's natural rubber industry**

The Vietnam Government plans to expand the total rubber area up to 700,000 ha by 2015 or 2020. Under this Plan, new plantations would be grown mainly in the smallholding sector. Vietnam expects to reach 700,000 tons/year by 2010 and 1,000,000 tons/year by 2020. The development of rubber plantations in neighbouring countries like Laos and Cambodia would be totally 200,000 ha.

Developing rubber manufacturing such as tires and non-tire products has been encouraged for domestic market and exportation.

The Plan of replanting would provide rubber wood (sawn timber) around 500,000 m<sup>3</sup> per year by 2010 and 1,000,000<sup>3</sup> per year by 2020 to support rubber-wood products development for exports./.