

PROSPECTS FOR RUBBER INDUSTRY

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1. HISTORY OF RUBBER IN PNG

Rubber has been in the country for almost a century but kept a very low profile. The actual planting kick started after the 2nd World War with over 15,000 hectares mostly in Estates owned by large companies operating in PNG at that time namely, Steamships, Burns Philip and British New Guinea. The smallholder sector and resettlement schemes started taking shape in early 60's with new plantings in 8 lowland Provinces. All the latex from the trees was turned into RSS (ribbed smoked sheet) which at that time suited well for the simple farmer which needed very little capital input.

As years passed, the Estates owned by the large companies started diverting their business from agriculture to merchandise. Some of the Estates were abandoned or given to the land owners. Currently, the only rubber estate still in existence is British New Guinea Development which was taken over by s.a. SIPEF n.v Belgium in 1983 under the name of Galley Reach Holdings. The large run down plantations are tapped irregularly by the landowner groups.

The introduction of SMR (Standard Malaysian Rubber) brought a new life to the rubber industry in the year 1965. It was not until 1978, the technical rubber was first introduced in PNG at DOA FACTORY in Central Province and graded it as PNGCR (PNG CLASSIFIED RUBBER). The latex in the cup is allowed to coagulate itself and picked up on the second or third day after tapping. The cup lumps can be stored for many years with no quality problem. This system works very well as the farmer can keep the rubber and sell the rubber anytime when money is needed. In other words the rubber is like a

cash which grows on trees. What is needed is to get up in the early hours of the morning and tap the 500 trees block and that is already like a cash in the bank for the farmer provided a ready market is in place. As mentioned above, Rubber is the most suited smallholder crop for the farmer in the remote parts of the country. Rubber collected from the tree can be stored for a longer period of time. No problem with disease or pest. No huge expenses to the farmer once the trees are in production.

There is a good demand for Rubberwood throughout the world. The trees are exploited after 20 years for their timber which is mostly used for good class furnitures. The first Rubberwood sawmill in the country was established at Doa Plantation in Central Province in 1997. Most of the sawn timbers are exported to Europe and Asia.

2. PRESENT LEVEL OF THE INDUSTRY

The current planting comprises of the following:

1. Estates	5000 ha	37.5%
2. Scheme/Village	8300 ha	62.2%
3. Research Stations	50 ha	0.3%
Total:		13350 ha 100%

The production from the above hectares can be easily turned around 12,000 tonnes per annum compared to the current 4,400 tonnes. There are various reasons for the low output.

3. CONSTRAINTS

1. All roads between points in the remote areas of the rubber growing areas are not accessi-

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ble by vehicles. There are virtually no links between point A and point B for bringing the crop for marketing,

2. With the Provincial reforms, the DPI officers are handicapped as there are no funds for them to operate and purchase the rubber from the farmers.
3. The farmers are not being regularly paid for their produce. Regular buying of at least once or twice a month will be more rewarding and boost the morale of the simple man in the Block.
4. At the moment Galley Reach Holding (GRH) has taken the task of helping the farmers with tapping tools and also various other forms of assistance on credit terms.
5. The management of Galley Reach Holdings has been visiting the farmers in the remote areas of the rubber growing provinces and buying the farmers' produce with no profit at all to the company. This is simply to keep the industry moving and to show that the little man that, there is still market for his rubber and also to encourage him to increase his production. Such an area which last visited is in Amazon Bay of the Central Province and also in the remote area of Ombisusu in Oro Province. We have made number of field trips to most parts of the rubber growing regions to see and hear the problems faced by the farmers.
6. The industry is not receiving any support from the Government since 1997. This is due to reform, which is not benefitting the farmers directly. The DPI officers and DAL have been operating with limited resources with no vehicles to move around to inspect the blocks. Worst of all, no funds provided for produce purchase. In other words, the farmers who planted and waited for six long years to harvest and sell the produce on fortnightly or monthly basis have nothing to look forward for their hard work.
7. There are about 6,000 families directly involved in the industry, all in the rural areas in different parts of the country. With the dependants, we are looking at about 20,000 people whose basic daily needs depends on the proceeds from their rubber sales.
8. The current price of rubber in the World market is all time (30 year) low. The down turn in price is due to Indonesia dumping the market for hard currency. The Asian crisis has also contributed to downward trend. There are other contributing factors to the current low price.
9. The farmers are paid according to the World price. The prices are adjusted every month.
10. The transport and shipping the produce within the country is very expensive. There should be some sort of a subsidy from the Government to keep the cost down or otherwise the shipping companies should be more realistic in their charges for the agriculture produce. This has been brought up in previous meetings but nothing has been done to rectify the situation.

4. RECOMMENDATIONS

The rubber industry is one of the smallest agriculture export earner compared to other tree crops in the country. It's future and expansion program depends mostly with Government of the day. The future of the rubber in the World market is looking bright. The Industry is going through a rough period at the moment due to the price game between the producers and consumers. There will not be much rubber around when all the major companies in Indonesia & Thailand switch to Oil palm for a better return. It is already happening in some parts of Indonesia. Rubber is most likely to be a 100% smallholder crop in near the future. The World Bank in its forecast, has predicted a better future for Rubber. The Government should find ways to improve and expand the rubber industry for the benefit of the growing population. More rubber

settlements should be created in all parts of the lowlands.

There are currently 4 processing factories in the country with all of them running below capacity. Appended below the processing capacities of each factory per annum.

- a) Galley Reach Holdings (Doa Factory)
Central Province - 4,000 tonnes
- b) Cape Rodney Agri. Project (Moreguina)
Central Province - 3,000 tonnes
- c) North Fly Rubber Co. (Kiunga) Western
Province - 2,000 tonnes
- d) Gavien Factory (Angoram) East Sepik
Province - 1,000 tonnes

The first 3 factories are still on operation. Gavien factory is not in operation at the moment due to machinery problems. We need to upgrade the factory with more updated machinery. Need to inject about K2 million to upgrade with a more advanced and fast moving processing line.

5. CONCLUSIONS

Once again the Department of Agriculture and Livestock should be commended for its effort in assisting and keeping the Industry alive. Goods and services rendered by DPI staff to rubber farmers has come to complete halt in the rural areas. Visit to some of the rubber growing areas will prove that the situation is worse than anybody can expect.

In most areas, DPI has stopped their involvement in buying and selling the produce which was done before the reform. In previous years this worked very well with the farmers. The officers from the DPI visited the blocks and purchased the produce in more regular basis and shipped them across to the Factory for processing. Re-introduce the system by allocating funds for purchasing and getting DPI directly involve in providing the necessary needs of the farmer. The Private sector will also play their part in the marketing.

At the moment, the private sector namely Galley Reach Holdings and North Fly Rubber are involved in buying directly from the farmers in some areas but it will be *more effective if the DPI officers on site, take the task themselves*. The Government has to have close co-operation and co-ordination and work side by side with private sector to improve the Industry. If this can be achieved, the current level of production will be three fold in the next three years.

The current processing facilities in the country is well equipped for the increase in production. As mentioned earlier in the report, all the factories are operating below capacity and any increase in production means better throughput and low cost. This also will benefit the farmers with better returns and stop the influx of youths to the urban centers.

With this, I sincerely thank the Secretary, Mr. Miri Setae & the Acting Secretary, Mr Philip Pondikou and the Department staffs for providing the opportunity to the private sector to express and highlight the difficulties faced by the Rubber Industry.

Table 1. Natural Rubber Export, 1986 - 99 (Quantity in tonnes)

Year	DOA	Cape	Gavien	Mamba	Suma	Kiunga	Total Tonne	Value (K'000)
1985	3,272	880	-	480	272	115	5,019	3,668
1986	3,617	752	16	288	432	-	5,105	3,855
1987	3,429	208	272	161	182	-	4,252	3,397
1988	3,387	1,310	80	144	-	-	4,921	4,859
1989	3,079	1,190	320	316	-	-	4,905	3,359
1990	2,155	441	305	322	-	-	3,223	2,182
1991	1,834	478	460	-	-	-	2,772	1,835
1992	1,657	576	365	-	-	-	2,598	1,880
1993	2,650	237	461	-	-	-	3,438	2,494
1994	3,410	-	327	-	-	478	4,215	4,141
1995	3,557	418	422	-	-	999	5,396	8,946
1996	3,482	1,907	716	-	-	914	7,019	11,932
1997	3,015	1,248	136	-	-	187	4,586	6,709
1998	3,699	1,498	-	-	-	548	4,655	5,576
1999	2,622	1,324	-	-	-	479	4,425	5,651

Source: DAL Rubber Section.

Note: Value in FOB

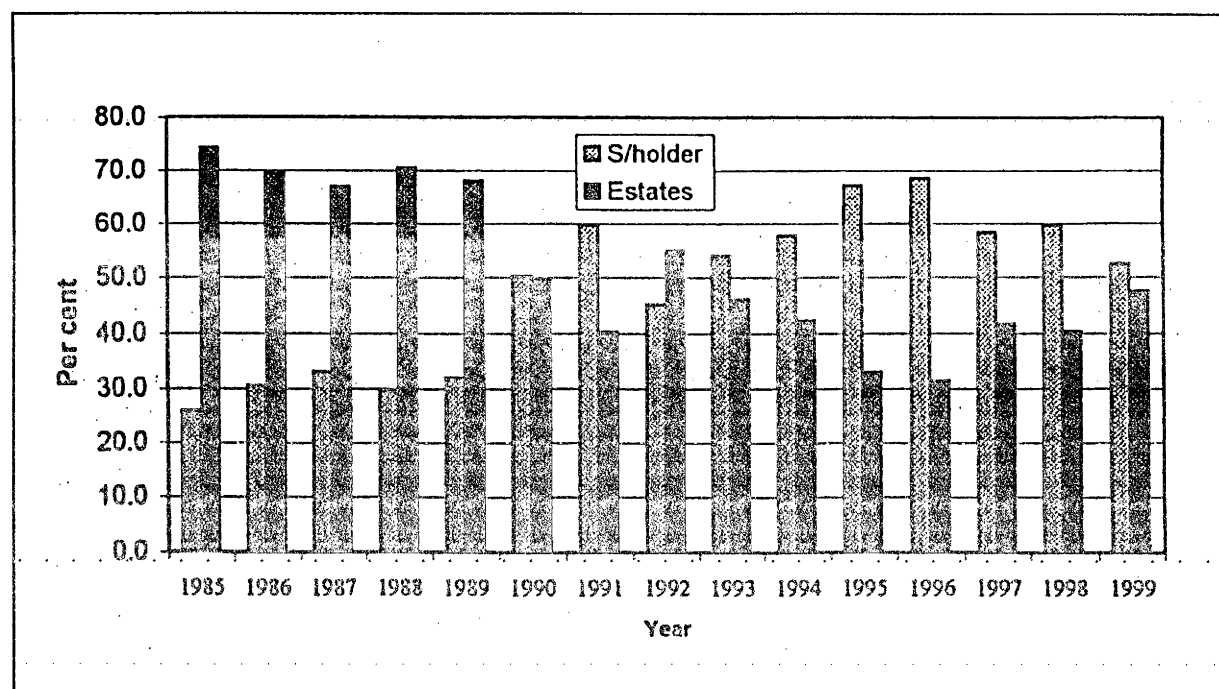
**Figure 1. Rubber Production by Sector, 1985 - 1999**

Table 2. Rubber Production, 1985 - 99 (Quantity in tonnes)

Year	S/holders	(%)	Estates	(%)	Total	Value Kina (FOB)
1985	1,296	25.8	3,723	74.2	5,019	3,668,000
1986	1,556	30.5	3,549	69.5	5,105	3,855,000
1987	1,401	32.9	2,851	67.1	4,252	3,396,500
1988	1,449	29.4	3,472	70.6	4,921	4,858,600
1989	1,610	31.9	3,442	68.1	5,052	3,359,000
1990	1,616	50.1	1,607	49.9	3,223	2,182,300
1991	1,659	59.8	1,113	40.2	2,772	1,835,300
1992	1,745	45.1	2,122	54.9	3,867	2,799,000
1993	2,615	53.9	2,233	46.1	4,848	3,514,800
1994	2,899	57.7	2,124	42.3	5,023	4,935,000
1995	4,368	67.1	2,142	32.9	6,510	10,793,500
1996	4,896	68.6	2,243	31.4	7,139	12,136,300
1997	2,676	58.4	1,910	41.6	4,586	6,709,000
1998	2,779	59.7	1,876	40.3	4,655	5,576,000
1999	2,322	52.5	2,103	47.5	4,425	5,651,000

Source: DAL Rubber Section

Table 3. Smallholder Rubber Production, 1990 - 99 (Quantity in tonnes)

Province	S/holders Growers	Planned Hectare	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Western	1,951	2,006	149	140	116	634	1,200	1,700	1,104	350	548	550
Gulf	104	218	112	40	20	100	75	120	127	12	27	4
Central	795	3,759	610	682	966	1,072	1,014	1,456	1,714	1,544	1,864	1,652
Oro	298	529	322	162	145	208	99	400	500	85	72	33
East Sepik	798	1,134	305	460	422	461	354	522	1,266	656	238	56
West Sepik	526	244	61	50	15	80	100	100	100	12	10	-
Manus	126	151	15	5	5	8	7	10	15	7	10	12
New Ireland	552	550	42	30	36	52	50	60	70	10	10	15
Total	5,150	8,591	1,616	1,569	1,745	2,615	2,899	4,368	4,896	2,676	2,779	2,322

Source: DAL Rubber Section.

Note: Value in FOB

Figure 2. Smallholder Rubber Production by Province, 1990 - 1999

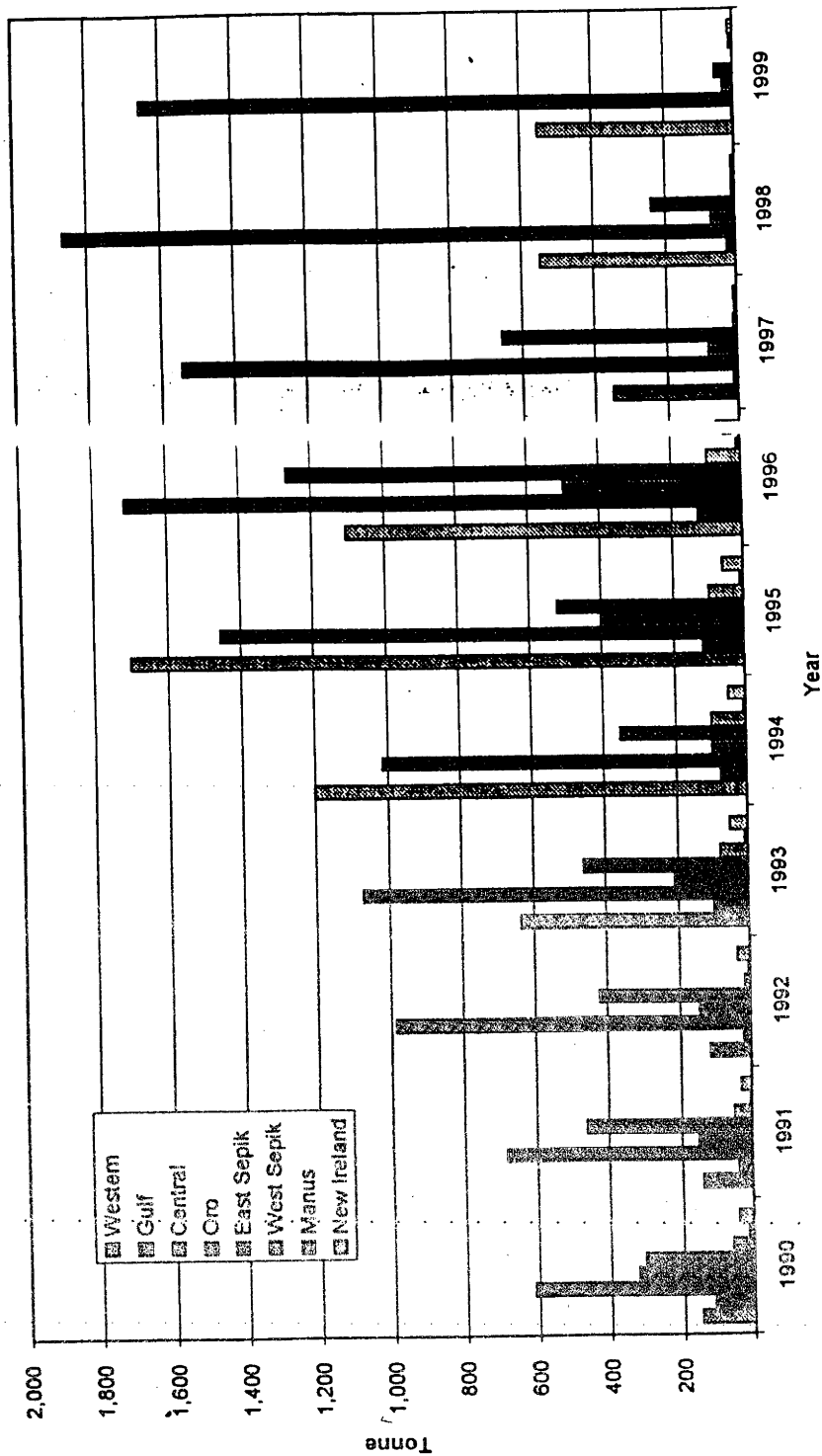


Table 4. Rubber Statistics (Settlement Scheme, Village Planting and Estate Sector), 1999

Settlement Scheme	Settlers	Hectare
Cape Rodney Agricultural Development Project	698	3,400
Bailebo (Central Province)	57	84
Murua (Gulf Province)	36	118
Gavien (East Sepik Province)	154	538
Sub-total	948	538
Village Planting	Growers	Hectare
Western Province	1,999	2,063
Central Province	378	359
Gulf Province	65	100
Oro Province	298	529
East Sepik Province	635	442
West Sepik Province	526	244
Manus Province	128	163
New Ireland Province	333	317
Sub-total	4,362	4,217
Estate Sector	Workers	Hectare
SPEF/BNGD - Belgium Co. Estate	600	5,112
Sogeri Rubber Dev. Corporation (SRDC)	40	1,126
EPO Estate	30	942
Other Small Estate	30	1,083
Sub-total	700	8,263
TOTAL	6,010	16,620
Bisianumu Rubber Station	20	50
GRAND TOTAL	6,030	16,670