

**Study of**  
**DYNAMIC OF AGRIBUSINESS AND RUBBER INDUSTRY IN INDONESIA**  
**IN THE GLOBAL MARKET COMPETITION**

**October 2009**

Currently, Indonesia is in the second position as the largest natural rubber producing country in the world. The first rank is Thailand, while Malaysia is in the third position. From the plantation area point of view, Indonesia could be proud because having the largest rubber plantation in the world. According to the record of the Directorate General of Plantation of the Department of Agriculture, until the year 2008, rubber plantation area in Indonesia reached about 3.47 million hectares, with total natural rubber production of 2,921,872 tons. In 2009, total rubber plantation area is estimated to increase to become 3,524,583 hectares, with total production of 3,040,111 tons.

However, the ratio between the rubber production volumes with the existing plantation area width indicates low productivity, because about 85% of the total rubber plantation in Indonesia is society's plantation. According to several survey results, society's rubber plantation productivity is still very low, which is about 600 – 800 kg per hectare per year. Society's plantation is generally has not used rubber seed from the superior clone, the maintenance is still simple, and many rubber plants that has aged and damaged. Whereas, in Thailand, by using rubber seed from the superior clone, with good maintenance, the productivity could reach 1,500 – 2,000 kg per hectare per year.

Through the plantation revitalization program, the government tried to provide rubber seed from the superior clone, expanding planting area, and rejuvenation of aged and damaged rubber plants. This program has been started since 2006, and until 2010, it is expected to rejuvenate society's rubber plantation about 736,000 hectares.

In the agribusiness sector and this rubber industry, the Indonesian government has an obsession to overpass Thailand in the first rank as the largest natural rubber producing country in the world. The prospect and opportunity towards this objective is already

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opened. According to the prediction of global rubber marketing expert, Dr. Hidde P. Smit, which is also the Secretary General of International Rubber Study Group (IRSG), that the prospect of global natural rubber trading is very good. In the long term, natural rubber consumption development would have significant increase from 9.23 million tons in 2006, it is predicted to become 11.9 million tons in 2020.

Meanwhile, two out of three largest natural rubber producing countries, which is Malaysia and Thailand, with their economic strength that rapidly developed, there would probably the new generation of Newly Industrialized Countries (NICs), so both countries would leave rubber agro business. This momentum should be benefited by Indonesia to fill the lack of rubber supply for the global needs. The Indonesian government has determined the target of natural rubber production increase of about 3 – 4 million tons per year by the year 2020.

This production increase effort would certainly need profitable rubber product price encouragement. Such as occurred in the middle of 2006, global natural rubber price reached US\$ 2.5 per kg. This price encouraged the farmer and other rubber business players. It was more phenomenal that at the middle of 2008, global rubber price reached US\$ 3.4 per kg. This was the highest natural rubber price during the last 50 years.

Unfortunately, this high price did not last long. By the end of 2008, natural rubber price at the global market was decreased to its lowest level of US\$ 1.2 per kg. This was caused by the decrease of global crude oil price, and the occurrence of the financial crisis in the United States of America. Whereas, America was the largest natural rubber importer in the world together with China and Japan. The impact of this financial crisis that several motor vehicle industries are collapsed, so the tire demand was reduced and the further impact was the decrease of demand on natural rubber raw material.

While Indonesia has not able to utilize the natural rubber product optimally. Out of about 2.9 million tons of national rubber product, about 85% was exported in form of raw material (crumb rubber, sheet, latex, and so on). And only about 15% or 435,000 tons of natural rubber products that was absorbed by the domestic engineering industry.

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Out of 435,000 tons of the rubber products, most of them (55%) were absorbed by the motor vehicle industry. The remaining was absorbed by the rubber gloves, yarn and condom industry (17%), footwear (11%), vulcanizing (11%), and other rubber products (9%). As the global automotive industry condition that was not conducive, it is not possible that the existence of national tire industry would also be threatened.

Those conditions are the prospect and opportunity for the investors to invest in the rubber business in Indonesia. The government should give conducive policy support in order that the agribusiness and national rubber industry could compete in the global market. Besides the effort to increase production and rubber product quality, it is also necessary to push the increase of rubber raw material absorption by the domestic industry.

To identify further about the dynamic of agribusiness and rubber industry in Indonesia in the middle of the global market competition, PT Media Data Riset has made a study and prepared them in form of Study Report. This report consisted of about 300 pages and offered to the involved institutions at the price of Rp 5,000,000 (Five million rupiah) per copy for the Indonesian version, or US\$ 750 (Seven hundred and fifty US Dollar) per copy for the English version. For those who are interested, please contact PT Media Data Riset, Jakarta, by phone number 021-8096071. 8093140, Fax number 021-8096071 or mobile phone number 0852 1706 1945. The order form is attached with herein.

Thank you for your kind attention.

Jakarta, October 2009

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# Study of DYNAMIC OF AGRIBUSINESS AND RUBBER INDUSTRY IN INDONESIA IN THE GLOBAL MARKET COMPETITION

October 2009

- I. INTRODUCTION**
    - 1.1. Back Ground
    - 1.2. Scope of Study
    - 1.3. Data and Information Source
  
  - II. BRIEF HISTORY OF PLANTATION IN INDONESIA**
    - 2.1. Plantation Development in the Colony Era
    - 2.2. Development of National Plantation until 2004
    - 2.3. Plantation Development in Agriculture Revitalization Era
      - 2.3.1. GDP growth target
      - 2.3.2. Plantation production target
      - 2.3.3. Export, import, and balance of trade target
      - 2.3.4. Labor productivity target
    - 2.4. Recent Development of National Plantation
      - 2.4.1. Area width, production, and productivity of the main commodity
      - 2.4.2. Evaluation of plantation program implementation in 2008
  
  - III. INDONESIAN RUBBER CHARACTERISTIC**
    - 3.1. Rubber as the Superior Plantation Commodity
    - 3.2. Rubber Plant Requirement to Grow
      - 3.2.1. Climate
      - 3.2.2. Soil for planting media
      - 3.2.3. Planting gap recommendation
    - 3.3. Rubber Clone
      - 3.3.1. Rubber clone recommended
      - 3.3.2. Recommended rubber clone specification
        - 3.3.2.1. Clone IRR 5
          - 3.3.2.2. Clone IRR 42
          - 3.3.2.3. Clone IRR 118
  
  - 3.3.3. Rubber clone based on province
  - 3.4. Natural Rubber Type
    - 3.4.1. Rubber processed material
    - 3.4.2. Latex concentrate
    - 3.4.3. Block rubber
    - 3.4.4. Crumb rubber
    - 3.4.5. Tire rubber
  - 3.5. Rubber Wood
  - 3.6. Tree Diagram of Rubber Industry
- 
- IV. RUBBER PRODUCTION AND CONSUMPTION IN INDONESIA**
  - 4.1. Rubber plantation Area Width Development
    - 4.1.1. Area width based on its cultivation
    - 4.1.2. Area width based on province
  - 4.2. Rubber Production Development
    - 4.2.1. Rubber production based on its cultivation
    - 4.2.2. Rubber production based on province
  - 4.3. Rubber Plantation Productivity
    - 4.3.1. Rubber Plantation Productivity development
    - 4.3.2. State plantation production capacity
  - 4.4. Utilization of rubber wood product
  - 4.5. Production problems
  - 4.6. Rubber consumption
    - 4.6.1. Domestic industry consumption
    - 4.6.2. Rubber industry and rubber product utility
- 
- V. RUBBER PLANTATION REJUVENATION AND EXTENSION**
  - 5.1. Rejuvenation Necessity of Society's Rubber Plantation
  - 5.2. Revitalization and rejuvenation of Rubber Plantation

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- 5.3. Problem solution of the probable rubber seed crisis t
- 5.4. Short Term Rubber Rejuvenation Program
  - 5.4.1. Rejuvenation model
  - 5.4.2. Rejuvenation objective
  - 5.4.3. Implementation organization
- 5.5. Rubber Rejuvenation Program Financing
  - 5.5.1. Financing and investment plan
  - 5.5.2. Financing program for 2008
- 5.6. Policy support

## VI. CONDITION AND COMPETITION OF GLOBAL RUBBER INDUSTRY

- 6.1. Global Natural Rubber Production
- 6.2. Global Rubber Consumption
  - 6.2.1. Natural rubber consumption
  - 6.2.2. Synthetic rubber
- 6.3. The Balance of Global Natural Rubber Demand - Supply
- 6.4. Indonesia's opportunity in the global competition
  - 6.4.1. The opportunity to become the largest producer in the world
  - 6.4.2. Opportunity as the largest rubber supplier

## VII. RUBBER EXPORT AND IMPORT DYNAMIC IN INDONESIA

- 7.1. Rubber export dynamic
  - 7.1.1. Rubber export performance 2004 - 2007
    - 7.1.1.1. Export based on type and grade
    - 7.1.1.2. Export based on exporting harbor
    - 7.1.1.3. Export based on destination country
  - 7.1.2. Rubber export performance in 2008
    - 7.1.2.1. Oil fuel price and global financial crisis impact against Indonesian rubber export in 2008
    - 7.1.2.2. Rubber export realization in 2008
    - 7.1.2.3. Rubber export based on destination country

- 7.1.2.4. Contribution of rubber export in the non-oil and gas export
- 7.1.3. Rubber export condition in 2009
  - 7.1.3.1. Export volume decrement policy
  - 7.1.3.2. Realization of rubber export volume, 2009
- 7.2. Rubber Import Dynamic
  - 7.2.1. Rubber import performance until 2007
  - 7.2.2. Rubber import realization in 2008
    - 7.2.2.1. Indonesia's rubber import base on its type
    - 7.2.2.2. Indonesia's rubber import based on its originating country
- 7.3. Rubber Price Dynamic
  - 7.3.1. The rise of rubber price in 2007
  - 7.3.2. Phenomenal price in 2008
  - 7.3.3. The lowest price in 2009

## VIII. RUBBER INDUSTRY PERFORMANCE IN INDONESIA

- 8.1. Land Availability
- 8.2. Rubber Processing Industry Potency
  - 8.2.1. Processing industrial cluster
  - 8.2.2. Business Players
- 8.3. Investment Needs and Realization
  - 8.3.1. Investment and financial analysis of rubber plantation
  - 8.3.2. Investment in upstream sub system (on farm)
  - 8.3.3. Investment in downstream sub system (off farm)
- 8.4. Crumb Rubber Production
  - 8.4.1. Crumb rubber industry development
  - 8.4.2. Development of crumb rubber raw material quality
- 8.5. Rubber Consuming Industry
- 8.6. Footwear Industry
  - 8.6.1. Footwear type
  - 8.6.2. Footwear industry performance
  - 8.6.3. Footwear importing country
  - 8.6.4. Projection
    - 8.6.4.1. Projection of demand and supply

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8.6.4.2. Projection of national export

8.7. Condom Industry

## IX. MOTOR VEHICLE AND TIRE INDUSTRY IN INDONESIA

9.1. Motor Vehicle Industry

9.1.1. Development of production and investment

9.1.1.1. Production development

9.1.1.2. Investment development

9.1.2. Marketing development

9.1.3. Motor vehicle export performance

9.1.4. Policy support

9.2. Vehicle Tire Industry

9.2.1. Tire classification

9.2.2. Domestic tire production and needs

9.2.2.1. Production and Needs development

9.2.2.2. Domestic tire product has fulfill the standard quality

9.2.3. Tire sales development

9.2.4. Tire export and import development

9.2.5. Tire producer performance in Indonesia

9.2.5.1. PT Gajah Tunggal

9.2.5.2. PT Bridgestone Tire Indonesia

9.2.5.3. PT Goodyear Tire and Rubber Company

9.2.5.4. Sumitomo Rubber Industries Ltd.

9.2.5.5. PT Multistrada Arah Sarana Tbk (MASA)

9.2.5.6. Chen Shin Rubber Industry Co Ltd.

9.2.5.7. Dunlop Tires

## X. RUBBER INDUSTRY DEVELOPMENT POLICY IN INDONESIA

10.1. Rubber Agribusiness Development Policy

10.1.1. Policy direction of on farm subsystem

10.1.2. Strategy in on farm subsystem

10.2. Downstream Rubber Industry Development Policy

10.2.1. Medium term action plan

10.2.2. Long term action plan

10.3. Development Steps that has been taken

10.4. Securing Industrial Branches

10.5. Development of Society's Rubber Processing Industry

## XI. CONCLUSION AND PROSPECT

11.1. Conclusion

11.2. Prospect

## ATTACHMENTS

1. Government Policy

2. List of Company Names and Addresses/Rubber Commodity Business Players

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