

THAILAND: WORLD'S TOP SUPPLIER OF NATURAL RUBBER

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Rubber is both an indispensable and renewable natural resource. It is required in the manufacture of many industrial and consumer products, from hoses and vehicle tires to belts, condoms and gloves. Since its introduction in Thailand during the early 1900s, the country has grown to become the world's largest producer and exporter of natural rubber. The first experimental planting area was located in Trang province at the Southern of Thailand. In the first quarter of 2018, a total of almost 3.3 million hectares was being harvested throughout the country.

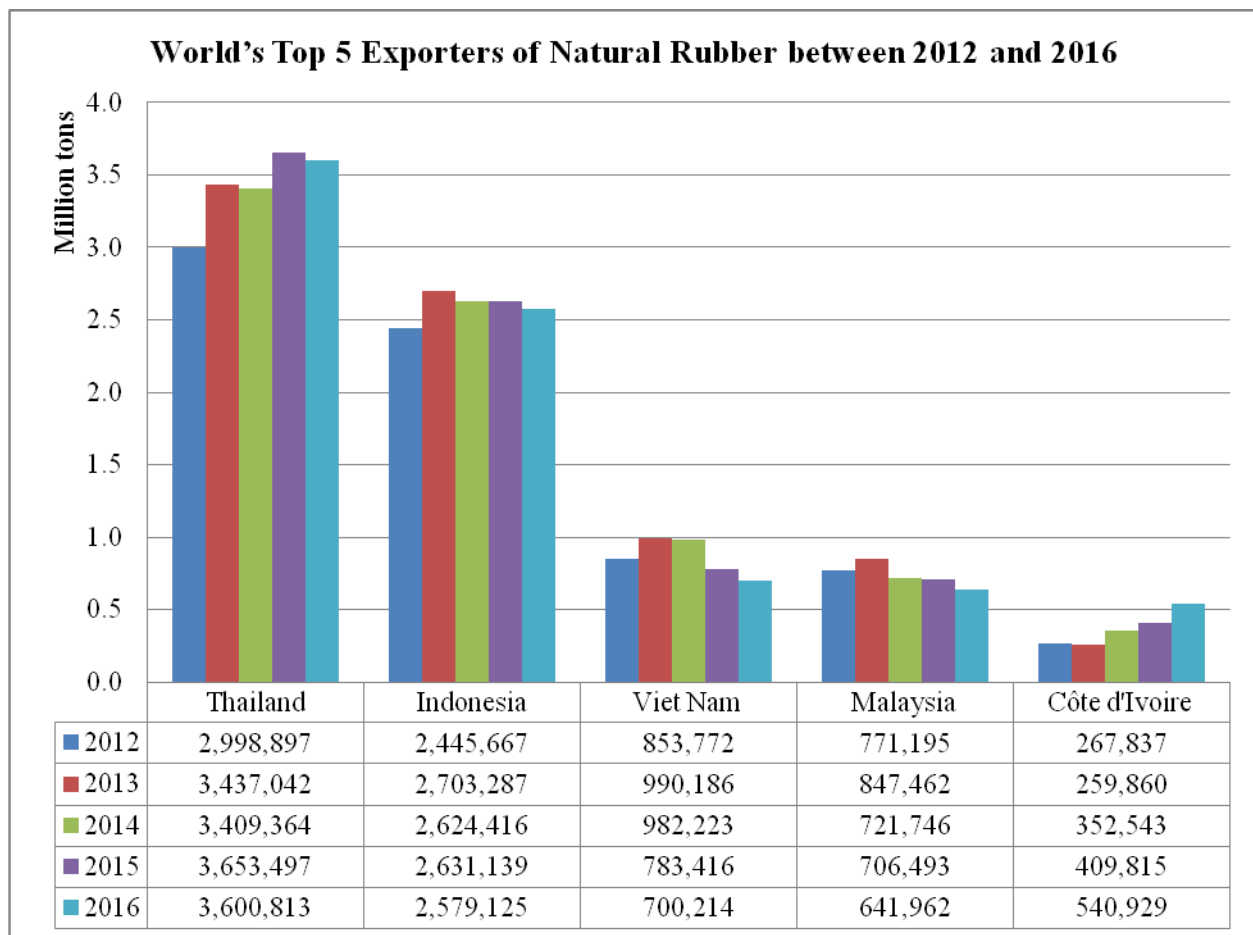
In addition to being the leading exporter and processor of high-quality rubber, Thailand is also a top R&D center for the material. The goal is for the Thai rubber industry to develop sophisticated technology and generate added value, thereby enhancing its competitiveness.

The Southern of Thailand has a monsoon climate, which is highly conducive to rubber tree cultivation. This helps Thai rubber farmers achieve high yields – roughly 1.76 tons of rubber per hectare – and has allowed Thailand to lead the world in natural rubber production since 1991. In 2017 alone, over 4.56 million tons of natural rubber was produced in the country, accounting for almost 36% of the world's total natural rubber production. This was followed by Indonesia (26.0%), Vietnam (8.6%), China (8.0%), Malaysia (5.5%) and India (5.0%).

Small landholders, 90% of which are located in southern Thailand, dominate the rubber plantation landscape, holding 95% of the planting area. However, the rubber sector itself is controlled by large processing plants that purchase the material via local dealers.

Lively Export Sector

Most of Thailand's natural rubber production is for export. More than 3.6 million tons of natural rubber was exported in 2016. Thailand has been the world's largest natural rubber exporter according to the data from International Trade Centre.

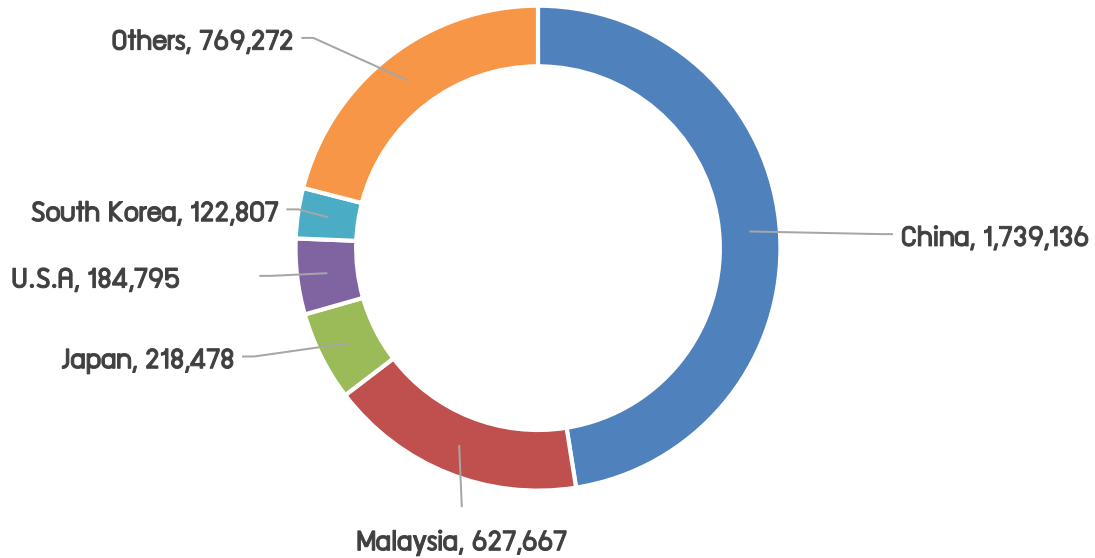


Source: International Trade Centre retrieved 25 September 2017 from

http://www.trademap.org/Country_SelProduct_TS.aspx

Thailand's major customers in 2017 for natural rubber

Total = 3,662,154 metric tons



Source: Thai Rubber Association retrieved September 2018

<http://www.thainr.com/uploadfile/20180328142912.pdf>

Rubber is exported in a number of basic forms, including ribbed smoked sheets (RSS), technically specified rubber (TSR), concentrated latex (CL), and compound rubber (CR). The largest market for Thai rubber products has been China, but presently Thailand is facing increasing competition from neighboring countries such as Cambodia, Laos, Myanmar and Vietnam, which have established their own plantations, many of which have been funded by Chinese companies. Simultaneously, demand growth for rubber in the tire industry has slowed. One bright spot in the export market continues to be demand for concentrated latex, a critical input to the manufacture of latex gloves and condoms. But growth in the overall supply of raw material has generally outpaced growth in demand, particularly as lower oil prices and subsequent high availability of

synthetic rubber has also reduced the percentage of natural rubber used in many applications. This has created an opportunity for businesses to develop value added products which can take advantage of an abundant local supply of raw material at stable prices. Presently, only about 15% of the processed rubber Thailand produces is used domestically, with about 60% of that going to tire manufacturing, 19% to elastics and rubber band production, and 14% to latex glove production.

Opportunities for Investment

Under the government's support for "Thailand 4.0", many opportunities exist for expanding the production of value added products which utilize natural rubber. Particularly, in the medical field, manufacture of medical and surgical gloves, condoms, catheters, feeding tubes and IV tubes all are potential targets for investment. Investments in the automotive and aircraft fields for products such as gaskets and vehicle tires may also qualify under the government's development incentives. As older and unproductive plantations are eventually taken out of production, an increasing amount of rubberwood will become available for use as a substitute for more expensive hardwoods in many applications.