Study on the Downstream Sector of the Rubber Industry in the Philippines

Problem

The Philippine Rubber Industry Roadmap 2016-2022 aims to harmonize all programs and projects designed to improve the growth of the rubber industry and contribute to poverty reduction among smallholders. Yet, there is no comprehensive analysis of the current situation of the manufacturing sector in the country, with no reliable and updated baseline data for the downstream sector.

Objective

Develop a comprehensive analysis of the current position and condition of the downstream sector of the rubber industry in the Philippines, which will be the basis for government packaging projects and programs appropriate to the needs of the industry. In addition, the study will be a basis for existing and potential rubber processors and manufacturers to expand and explore opportunities in rubber manufacturing.

Subjects of the Study

Rubber manufacturing and processing companies

Research Method

- Desktop research
- Survey
- Interviews

Results

- The Philippines contributes around 1% to the global natural rubber trade.
- There is an estimated volume of domestic processed rubber of 61,000 MT and an estimated production of semi-processed rubber at 48,438 MT.
- Rubber processing companies utilized about 39% of their full plant capacity.
- There is a compounded annual growth rate (CAGR) of semi-processed rubber at 0.13%.
- The projected value of the rubber industry is PHP 1.47-1.48 billion.
- The manufacturing side has four significant sectors: tires, automotive and sporting goods, footwear, and latex.
- The local manufacturing sector consists of small to medium enterprises or SMEs, averaging 87 regular employees and 69 contractual employees per company.
- The demand for tires is for vehicles, forecasted (2017-2027) per vehicle type:
    - Passenger cars at 6.8%
    - Commercial vehicle segment at 6.1%
    - Motorcycle market at 10%
- The construction of more roads and infrastructure increases the production and volume of industrial rubber goods.
- Industry sources see the possibility of an increase in the use of rubber for its potential use in rubber asphalt roads.
- The increase in full capacity utilization of local vehicle production opens up more opportunities in the automotive value chain, impacting the need for more rubber-based products.
- Dunlop Slazenger uses the rubber sourced in Basilan as a component of the glue that binds the tennis balls they manufacture in the Philippines, contributing to approximately 20% of tennis balls manufactured globally.
- The footwear segment is either MSMEs or large enterprises, and it covers six product categories: leather, non-leather, sports, slippers and sandals, particular use, and parts/accessories. The split among these products in terms of either total export or import values is the same.
- Due to its growing population, the Philippines is considered a viable and healthy market for rubber-based condom manufacturers.

Recommendations

- Increase the utilization of processing plants by increasing the land area for planting and harvesting to help close the gap in the utilization level of processing companies.
- Identify other ways of maximizing the yield of rubber per area planted and possibly explore other areas in Mindanao for expansion.
- Increase productivity by replanting senile trees to yield more new rubber trees.
- Focus efforts on high-opportunity areas where the base value of the industry complements high growth potential.
- Explore the diversification of industries, as the manufacturing industry currently depends on the automotive industry, particularly in tire manufacturing. Potential is high in construction and medical applications.
- Explore steps to transform no-growth segments (i.e., rubber shoe products, expanded and foam rubber products, feeding nipples, hydraulic seals for machines and tires, and rubber products for mechanical use) and convert them to high-growth segments.
- Decide where to focus efforts when planning for the next steps in expanding the reach of rubber - either support industries with technical/specialized products or those with commoditized goods. Each has its pros and cons.