

Chapter 3

Analysis of Industry

3.1. Market Analysis

Because of the human need to use goods that are resistant from broken and elastic is high, there is estimated that the needs of rubber will continue to grow and increase in line with the growth of the automotive industry, the needs of hospitals, health equipment and household needs, and so forth. Therefore, it is estimated that in the future will be more and more products that use raw materials from rubber, so the needs of rubber material will continue to increase. This will be a good opportunity for Indonesia to export processed rubber and develop rubber industries in Indonesia to be able compete with other producer countries. To support all of this, we need to consider the development of rubber plantations, from the upstream industry to downstream industries.

Utilization of natural rubber in Indonesia is still very low. It's because there is not significant development of rubber processing industry in Indonesia. Currently, level of natural rubber consumption in Indonesia only around 7% from total national rubber production. The opportunities in the natural rubber market in the country will be increased when the rubber processing industry is also growing. Thus, the current condition of natural rubber's marketing tends for global market. When the rubber processing industry developing and the export in finished goods form was made, it will be more profitable and generate added value for the country's income. Low utilization of natural rubber in Indonesia, it's because there are many problems existing in the rubber plantations and related industry. This problem also caused by lack of investment in rubber commodity. So in the future is expected that the investment will support the development of rubber commodity in Indonesia.

National rubber industry experienced a significant growth seen from the increased export of Indonesia rubber, both production capacity and selling price of the rubber commodity. Currently, the rubber commodity itself is one

of the superior products that bring a high income for Indonesia. Demands not only come from overseas industries, but also from local industries, thereby reducing our dependence to foreign parties. Although the current demand portion from foreign rubber industries are larger than national rubber industries, hopefully with the development of national rubber industries by government, it could increase the portion of the natural rubber demand from national rubber industries. Currently, Indonesia also must compete with other producing commodities countries, such as Malaysia, Thailand, Brazil, and others. Therefore, Indonesia needs a significant development, like do a research to provide a great seeds that can provide superior results and high quality.

During the survey to locations around the plantation in Bangka, the author discuss with some of the rubber business entity and rubber farmers in Bangka, which is directly related to rubber industry. The author concludes that there is very big potential that can be developed when there are companies that are really capable managed professionally the rubber plantation in Bangka. Previously, rubber plantation is not a major source of income of communities on the Bangka, because the yield generated from the tin mining is greater than become rubber farmer. But after the restrictions of tin mining from the local government for reason of damage the natural environment and the difficulty of tin, most people in Bangka going lost their jobs. So the plantation sector, such as rubber and palm oil become favourable again, by both local investors and the people who was a tin miner. Local governments continue to encourage people to switch their jobs to plantation farmers, because the local government see the other provinces are able to enjoy higher income without damage the natural environment due to increased prices of plantation commodities such as oil palm and rubber. One of the local government efforts is by distribute free rubber seedlings to farmers throughout Bangka, with the hope can attract the interest of the farmers to plant rubber, and this program quiet success to transform people jobs.

From the infrastructure, is also much improving, such as roads that have been paved in all areas of Bangka; telecommunications, which is also

cover all areas of Bangka; additional port in several areas of Bangka, to so can help reduce delivery time. This was observed directly by the author during the survey to Bangka. Although currently there are still some shortcomings, such as electricity, which not yet perfect cover all areas of Bangka. Hopefully the local government can continue to improve the local infrastructure to increase economic activities in Bangka.

The development of the world natural rubber market in the last four years is relative conducive for the producers, it could be seen from the level of price that relatively high. This happening because of there is increasing demand from China, India, Brazil and the countries that have a high economic growth in the Asia-Pacific region. According to IRSG (International Rubber Study Group), it is estimated there will be a shortage of supply of natural rubber in the next two-decade.

Year	2005	2006	2007	2008 Q1
NATURAL RUBBER PRODUCTION				
LatinAmerica	200	203	216	58
Africa	411	423	449	113
Asia	8,377	9,284	9384	2402
Total	8,882	9,645	9700	2496
NATURAL RUBBER CONSUMPTION				
NorthAmerica	1,316	1,148	1157	275
LatinAmerica	538	520	544	141
EuropeanUnion	1,318	1,280	1376	326
OtherEurope	227	177	204	58
Africa	120	118	123	29
Asia/Oceania	5,563	5,964	6378	1631
Total	9,082	9,226	9783	2461
WORLD SUPPLY-DEMAND SURPLUS/DEFICIT	- 200	419	-83	35
WORLD STOCKS	1,568	1,987	2025	2060

Table 3-1 World Production & Consumption Natural Rubber

Source: International Rubber Study Group

To optimize the value-added of natural rubber products, the natural rubber plantation companies can obtain through the development of downstream industries and the use of rubber wood as raw material timber industry. It appears because there are many rubber plant parts that can be use for many kinds of industries, but until now many potential of rubber plant parts that not used optimally, like example old rubber tree wood. Utilization of rubber wood is a new opportunity to increase profit margins for rubber plantation companies, it's because there is a significant price increase of wood commodity. At this time, not only the sap of the natural rubber demand by consumers, but also old rubber wood demand by consumers from both domestic and foreign, because the rubber wood has the bright wood colour and pattern, such as Ramin wood. In addition, rubber wood is also one of the tropical woods that meet the requirements of eco-labelling because this commodity could be cultivated (renewable) with many functions, such as raw materials for household furniture, particle board, parquet, MDF (Medium Density Fibreboard) and others. Therefore, the rubber industry not only oriented to the production of rubber sap, but also to the production of rubber seeds and rubber woods. Even though, the main rubber plant products is latex rubber which can be sold / traded by the form of fresh latex, slab / coagulation or smoke sit / sit wind. Furthermore, these products can be used by the processing factory to produce raw materials for various downstream industries such as tires, rubber shoes, gloves, and others.

With so many parts of the rubber plants that can be used, such as gum rubber, rubber wood and rubber seeds, it makes the rubber plant a high profitable commodity. With so many sectors of industry that can utilize the results that obtained from the rubber plant, the company can reduce dependence on one industry. During this period, demand for rubber latex is very dependent on the industry that produces tires or wheels of the vehicle, so when the demand of vehicle declining, it took the rubber industry affected, such as the decline in the price of rubber sap. But with the development, where the rubber latex can also be used for various purposes, such as sporting equipment, infant equipment, household equipment, and many more, made the

sap of the rubber price is relatively stable. In addition, with many parts of the rubber plants that can be used, making the rubber company can increase profit margins as much as possible.

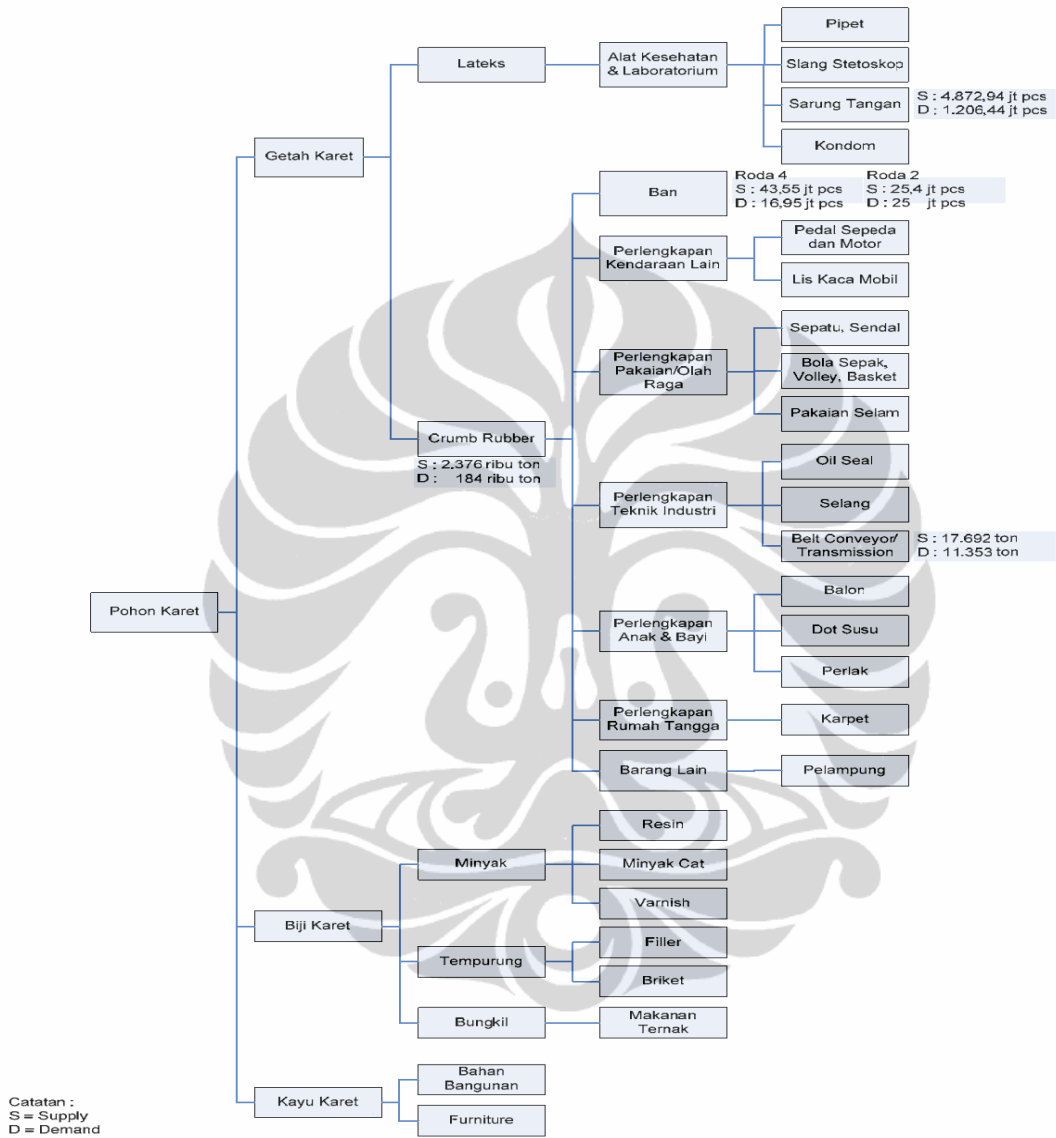


Figure 3-1 Function of Rubber Plant Parts

Sumber: Direktorat Jenderal Industri Agro dan Kimia Departemen Perindustrian

As one of the commodities industry, rubber production is highly dependent on technology and management system applied in the production and process. Rubber products industry needs to be adapted to the needs of a changing market. Indonesia's rubber industry status will be changed from

suppliers of raw materials into finished goods suppliers, which have higher added value, when the Indonesian rubber industry can make further development of the existing natural rubber products. All of this requires the full support of the plantation technology industry, which can be obtained through the research and technology development continuously. Indonesia, in this case has a rubber research institution that provides science, technology and innovation in the field of rubber plantations, but the result not yet maximal.

3.2. Analysis of Customer

The main customer, who will buy natural rubber that produced by PT. Binex, is a rubber-processing companies that located in Bangka, also another areas. With a few rubbers plantation land in Bangka and many rubber processing companies, the author expect there will easy for PT.Binex to sell natural rubber latex, as long as quality can be maintained. Along with the plan PT.Binex to continue developing the company not only as rubber plantation company, but become rubber processing company to get the value added of the products sold, it would be expected to cause a shift change of prospective customers to the companies that produce final goods using rubber elements, both from domestic and overseas. Another customers of PT.Binex are furniture companies, that uses many wood materials as their raw material, and also the production companies that using corn commodity.

3.3. Analysis of Competitor

Number of world rubber consumption increased and it higher than the production amount. Thus, Indonesia will have the opportunity to become the world's largest producer, because the main competitor countries, such as Thailand and Malaysia, have the shortages of land and difficult to get cheap labour as cheap as in Indonesia, so hopefully this could become a comparative and competitive advantages for Indonesia. In this last five years period, the Indonesia's rubber production growth is increasing significantly. This can be

seen from the increase in total commodity export rubber overall from year to year.

Year	Total Export (in million \$)
2003	1402.4
2004	1946.1
2005	2133.4
2006	3690.8
2007	4243.3

Table 3-2 Total Export Indonesian Rubber Commodities



Figure 3-2 Indonesian Exporting Rubber Statistic

Source: Pusdatin Departemen Perindustrian

Although other competitor countries do not have a wide rubber plantation land, like Indonesia have, but the total value of rubber export from the competitor country are higher than Indonesia, it's because competitor countries produce and sell more in synthetic rubber. With the development of rubber industry in Indonesia at this time, Indonesia is still less for synthetic rubber production, but the Indonesia can improve it by increasing production of natural rubber. Synthetic rubber, which is cheaper than natural rubber, makes Indonesia increasing the demand of synthetic rubber and imports it from competitor countries.

Synthetic rubber which is a processed product that has the nature of natural rubber can be said as competitors of natural rubber product itself, because it is a product substitution of natural rubber. However, if compared

with natural rubber, the natural rubber has many advantages compared with synthetic rubber, such as:

- a. Have a more resilient power perfect
- b. Have a better elasticity easier to be processed
- c. Have the power go higher
- d. Not easy to heat
- e. Hold the cracks

With these advantages, the presence of synthetic rubber can not fully replace natural rubber. Furthermore, the synthetic rubber raw materials derived from oil, which is limited and prices increased.

Other competitors that must be faced by PT.Binex are another rubber plantation companies which also produce natural rubber and traditional rubber farmers that manage their plantation independently. With the lack of rubber plantation land areas in Bangka, which is manage professionally, and a high demand for natural rubber from the rubber processing industry in Bangka, it is expected the competition does not strict, especially in the areas of Bangka. One of the tools to maintain competition in order to remain healthy competition, PT. Binex plans to invite companies and traditional rubber farmers in Bangka to establish an organization or association. Here attached map of the number of actors in the business sector, the national rubber plantations that have been managed with a more professional way.



Figure 3-3 Rubber Plantation Company in Each Province

Source: Direktorat Jenderal Industri Agro dan Kimia Departemen Perindustrian

External factor analysis

One of the main factors to be considered by PT.Binex is how to maintain security around the plantation area, so it could prevent theft, who wants steal natural rubber sap at PT.Binex's rubber plantation areas. One of the solutions PT.Binex planned is by recruit workers in the plantation from local villagers, so they already familiar with condition around rubber plantation.

The other factor that needs to be concern is the weather in Bangka which is quite extreme, because of the increase in air temperature. Therefore, companies should look varieties of rubber that is more able to survive in a high temperature condition. The company also must consider how to maintain plantation, such as increasing the intensity sprinkling in the dry season, so it does not reduce the productivity and quality of the rubber plant is produced.

