

Measures to Develop Rubber Industry in Central Highlands

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1. Situation of rubber production in Central Highlands

Central Highlands, although their natural conditions for rubber are not as favorable as ones in Eastern South, have been an important supplier of rubber in Vietnam for ages. Since 1984, the Vietnam Rubber Corporation has tried to increase the rubber area by making more investment in existing plantations. In 1995, there were eight companies under the Corporation, a company run by armed forces and a company run by Dak Lak authority in three provinces in Central Highlands. The rubber area has increased from some 3,000 hectares in 1984 to 41,646 hectares, equaling 18% of the national rubber area. The following table shows the distribution of seven local rubber companies over three prov-



Table 1: Local rubber companies in Central Highlands

Company	Location
Dak Lak Province	
Krongbuk Rubber Company	Krong Näng, Krongbuk District
Eah'Leo Rubber Company	Eah'Leo District
Gia Lai Province	
Chu Sê Rubber Company	Chu Sê District
Chu Prong Rubber Company	Chu Prong District
Mang Yang Rubber Company	Mang Yang District
Chu Pan Rubber Company	Chu Pan District
Kon Tum Province	
Kon Tum Rubber Company	Ngọc Hồi District

inches in this region.

In the past 20 years, in spite of difficulties, these companies have gained many achievements:

- Increasing the rubber area by some 12 times with many plantations yielding latex.

- Building some facilities that helped change the face of local society and ethnic minorities settle.

- Encouraging local residents and private companies to develop rubber plantations.

And of course, they also met with many difficulties and shortcomings:

- Some rubber plantations are established in unsuitable districts because of the poor investigation of soil

and lack of experience, with the result that their yield is low.

- Some companies planned to develop too large plantations and couldn't mobilize enough capital with the result that they couldn't take care of their plantations.

- Intensive farming method hasn't been applied from the beginning so the yield wasn't high because companies didn't have enough funds for caring mature trees and planting new ones.

- Privately-run plantations are developed without planning and most of them didn't get financial support from companies or banks.

- + Planting and caring techniques aren't applied fully.

- + There is no policy to support small-scale plantations, and stabilize market prices when the price in the world market falls with the result that some plantations were neglected or used for planting other crops.

- + Road networks and power supply in many rubber plantations are poor. Nursery gardens failed to reach required standards. Processing factories couldn't handle all latex output.

2. Measures to improve the rubber production

- a. Improving the quality of young plants and farming techniques:

The use of new strains must be based on reasonable plans to distribute different strains on a district in order to prevent the same disease from spreading over a too large area. To achieve this aim, rubber companies must:

- Finding out strain suitable to a specific district.

- Making plans to distribute new strains over different districts.

- Supplying young plants and technical assistance to planters.

- Inspecting and working out results of the new strain in each district, and making changes if necessary.

To gain good yield when the plantation matures, planters should apply suitable techniques from the beginning; such as using only young

plants with two or three layers of leaves; doing basal fertilization carefully; using microbiological fertilizer in order to improve and protect the eco-system, etc.

Besides supplying new strains, full attention must be paid to plant protection. Common diseases in the rubber trees are fungus in young gardens and plaster mould in mature plantations. Other problems could originate from bad techniques of gathering latex. Some effective measures to protect the plants are: zoning areas of 300 - 500 hectares in order to facilitate tasks of detecting signs of diseases and applying suitable cure; establishing close relations with rubber research institutes in order to secure their help when necessary.

After planting, rubber trees need regular trimming to keep them upright. In the first two years, the foot of young plants should be covered with leaf mold at the end of the rainy season to prevent vaporization during the dry season. After the first year, regular weeding becomes necessary. Bean of all kinds could be grown between rows of rubber trees in the first three years in order to prevent weed and improve the quality of soil.

b. Funds for rubber development:

To generate funds for rubber development, we need separate measures that suitable to central, local and private companies.

- Centrally-run companies:

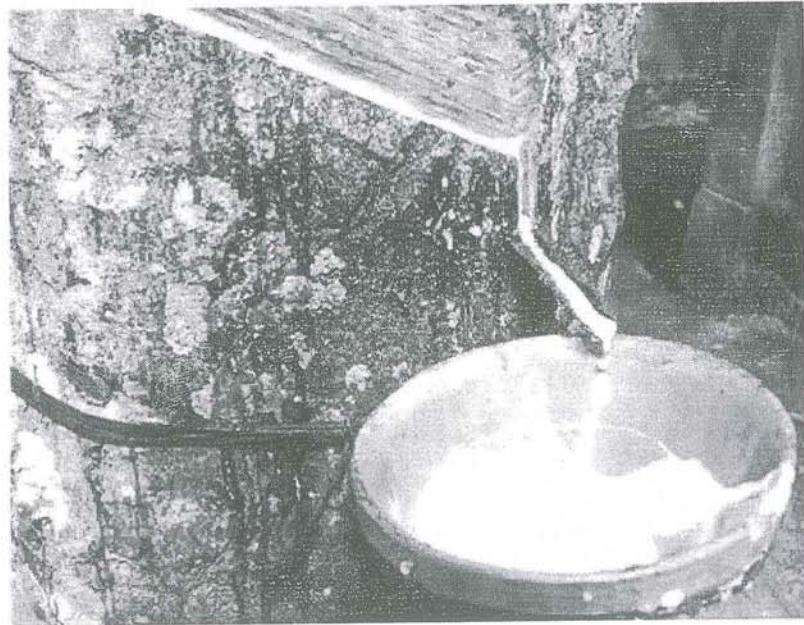
According to the development strategy of Central Highlands rubber companies, they need a total capital



of US\$167.8 million for the years 2005-2010 and they planned to get it from three sources:

+ AFD loan: This source will cover 100% of expenses on land reclaiming, growing new plantations, R&D activity, fertilizer and insecticide; and 50% of labor cost and salary for project management board.

+ Long-term bank loans: This source covers 100% of transport cost; 50% of labor cost and management salary; and 70% of expenses of upgrading and building processing factories.



+ Retained profit and investment from the Vietnam Rubber Corporation: This source is used for building the infrastructure; 50% of management salary; 30% of replacement expenses and 100% of interest payment. When most companies have to repay debts, the fund for new investment will be small and they have to depend on investment from the Vietnam Rubber Corporation.

Another measure is to privatize rubber processing factories because it could help mobilize idle money from the public and improve the business performance of these factories.

- Locally-run and private companies:

As for locally-run companies, they could secure loans from local banks, development supporting funds and private partners to improve existing plantations and replace old trees. Area run by these companies, in the coming years, could hardly increase because of the lack of capital, stock of land and managerial skills.

As for private companies, they have to find capital from private sources because they can hardly get financial support from local governments. However, provincial governments should take measures to help them secure necessary sources of finance, including foreign ones if need be, in order to encourage them to work out long-term plans for their plantations.

Policy to give financial support to private companies could be connected with rural development programs, such as poverty and hunger alleviation, settlement of ethnic minority groups, job creation, etc. In addition, small plantations also need technical assistance and information from agricultural authorities in order to make the best use of their limited resources.

As for local banks, they should reform procedures for supplying loans. Each loan could be divided into small parts according to separate stages of production in order to help planters carry out their plans and use the loan more effectively.

In the future, the government had better adopt policy to encourage foreign investment in the rubber industry, and more incentives should be offered because the infrastructure and other conditions in Central Highlands are not as favorable as other zones in Vietnam. It's worth noting that the rubber industry is producing goods for export and supplying jobs to local residents; and it is important to the national defense and the policy to settle minority groups. ■