

FUTURE-PROOFING THE RUBBER INDUSTRY

MRC's focus on closing ecosystem gaps vital for sustainability



ALTHOUGH Covid-19 has proven to be a boon for Malaysia's export of rubber-related medical devices, it is time for the rubber sector and its players to start looking beyond the temporary demand surge and implement proactive measures to remain competitive post-pandemic - while it's still ahead of the curve.

Taking the lead role in driving the future of the sector is the Malaysian Rubber Council (MRC), helmed by its new chief executive officer Nurul Islam Mohamed Yusoff.

With the goal of ensuring the rubber industry's continued resilience and sustainability, MRC is undertaking the critical task of linking the downstream sector with its mid-stream and upstream counterparts.

In doing so, it will address the gaps in the rubber sector's ecosystem and along its supply chain for growth.

The council will also drive initiatives to address other immediate and future obstacles, while enabling industry players to move up the global value chain.

This direction is in line with its rebranding exercise and enlarged scope of responsibilities in 2020, announced by Plantation Industries and Commodities Minister Datuk Dr Mohd Khairuddin Aman Razali in conjunction with the council's 20th anniversary.

He said, "MRC remains relentless in our pursuit to drive the growth of the nation's rubber and rubber-related product sector."

"Our new strategic direction and broader mandate reflects the expansion of the council's role in capacity building for the downstream rubber industry, domestic promotion, talent development and advanced technology adoption, as well as investment promotion for the rubber industry."

Taking proactive action

There is no denying the stellar performance of the rubber sector last year, contributing RM40.96bil or almost 4.2% to the country's exports Nurul Islam said.

Globally, Malaysia supplied more than 65% of the demand for gloves and 80% for catheters in 2020.

The outlook for the sector remains positive this year. MRC estimates that the country's share in the rubber gloves market could expand to 68% this year, with global demand maintaining its upward trajectory as countries all over the world continue battling against subsequent Covid-19 infection waves.

But Nurul Islam cautions against complacency, which can threaten Malaysia's position as a global leader in the production and export of rubber and rubber products.

Competition is expected to intensify in the glove market as new players enter the market and other countries, such as China and Thailand, step up efforts to establish large-scale glove production capacities.

"Collectively, as an industry, it is imperative for us to step up from doing business as usual and compel innovation at all levels - implementing new ways of working with focused execution at pace," he shared.

Starting from ground up

There are a few core aspects that contribute towards ensuring the resilience and competitiveness of Malaysia's rubber industry, even in the face of future headwinds.

One of the keys is consistent labour supply.

The onset of the pandemic last year that saw the closure of the country's borders was a harsh lesson demonstrating that any business - or any industry, for that matter - is only as good as its people.

Rubber glove producers, for example, raced against time to boost production capacity to meet escalating demand, despite lacking manpower.

In response, MRC set up a special RM36mil fund to encourage the downstream industry, especially glove makers, to hire more local workers. Under the initiative, the council provides an RM300 wage subsidy per local hire for 12 months.

It aims to create approximately 10,000 job opportunities for Malaysians to work in more than 200 manufacturing companies involved in downstream activities.

The fund serves the dual purpose of addressing the immediate concern by tapping into an existing pool of talent and the Government's bid to reduce reliance on foreign workers through its new policy of prioritising local hires and job opportunities for Malaysians.

In addition, MRC is also taking a long-term view with the upcoming establishment of its Sustainability Unit, which has a central role in ensuring that a social compliance policy is in place to safeguard the welfare of Malaysians working in the rubber sector, especially those involved in upstream activities like rubber tappers.

The unit will provide these workers with support through welfare programmes and offer their children scholarship opportunities, which will help uplift their standards of living, improve their family's socioeconomic status and overall livelihood.

In addition, encouraging the second generation to further their careers into the rubber industry also ties in with MRC's succession planning efforts to develop the right pipeline of talent for the future.

Currently, as part of its succession planning efforts, MRC already provides scholarship opportunities for students to continue their undergraduate studies or embark on the Professional Graduateship of Rubber Technology graduate diploma course.

A potential area that the unit could look into, Nurul Islam said, is to leverage and optimise existing resources to circumvent possible supply disruptions in the future - another difficult lesson many learnt during the pandemic - by creating a steady local supply of raw material for the rubber industry.

At present, more than half of the country's 10.8 million hectares of areas planted with rubber trees have been abandoned due to the low price of the commodity, which he pointed out can be repurposed through preemptive measures.

Keeping up pace

Another key focus area for MRC this year is to assist industry players in moving up the global value chain, by exploring the channels and programmes offered by international development organisations (IDOs).



Nurul Islam said that the rubber industry needs to collectively compel innovation at all levels.

He opined, "Strategic positioning of the Malaysian rubber industry requires building a reputation in sustainability, supported by strength in technology, innovation and value creation. The inclusion of these elements in companies' business models can unlock bigger opportunities."

MRC will utilise a three-pronged approach to equip rubber industry players with the required tools to



Moving up the value chain: Enhancing the industry by focusing on high potential products will benefit the country, said Nurul Islam. - ART CHEN/The Star

take their businesses to the next level, leveraging IDO programmes.

The council will identify and evaluate potential prospects, in order to facilitate capacity building through training and coaching among others, as well as organising networking sessions.

Nurul Islam highlights the dry rubber sub-sector - which comprises the four key products of tyres, hoses, footwear as well as plates and sheets - as an area with strong potential for growth, which is one of the reasons why MRC launched the Pathfinder programme.

"Enhancing the industry by focusing on high potential products such as tyres will certainly benefit the country in terms of investments, which helps to reduce imports."

"This will elevate the expansion of local product portfolios in the tyre segment and ultimately help in achieving higher export revenue. It would also help strengthen Malaysian tyre companies, thus improving job prospects as well as creating more opportunities for local vendors," he explained.

Under the programme, MRC will nurture small and medium-sized industries, especially from the dry rubber sector, to explore the international market.

There are four components for the Pathfinder programme, namely funding and grants; technical support; training and development; as well as export marketing and branding. That said, programmes will be designed with applicable forward-looking strategies that meet the needs and potential of the selected companies.

Other important anchors of MRC's industry development agenda include digital and technology transformation, as well as research and development (R&D) through a line-up of various programmes throughout the year.

This includes the RM20mil Automation and Green Technology Fund, which has utilised RM6.5mil since its establishment in 2019, to realise its goal of alleviating productivity challenges through improved automation in production lines, thus further reducing the need for human labour in the downstream sector.

As for R&D, the Industry Linkage Fund seeks to foster closer industry-academia collaboration, by funding research projects with the potential to increase the country's rubber products export and enhance the industry's competitive-

ness in the global marketplace.

MRC has plans to introduce the 3+1 challenge, aiming to improve engagement with the research community via R&D for prototype and product commercialisation.

Expanding markets

In line with MRC's new strategy, initiatives to tap into new opportunities and potential markets are not just limited to exports, but also attracting foreign direct investment and domestic investments.

As such, the council is looking to explore investment promotion activities that will assist in identifying and facilitating new domestic and foreign investments will be a critical aspect of its programmes starting 2021.

Several of the key markets it has identified for these exploratory efforts include East Asia, the Middle East and Southeast Asia.

Nurul Islam said, "This is critical as it would help to facilitate investors' intent to expand their existing businesses or establish new rubber product manufacturing facilities in Malaysia through joint ventures or partnerships with local companies or agencies, particularly for automotive products."

Moreover, adapting to the increasingly digital nature of doing business, the council is planning to introduce the MRC Virtual Showcase this year with a virtual gallery, live chat, online business matching and webinars.

Furthering its aim of improving access for global buyers to source genuine Malaysian rubber-related products, the MRC Virtual Showcase builds on MRC's prior experience in the 2020 launch of its online business matching platform e-Global Sourcing Mission, in order to deliver a holistic online experience for buyers to explore Malaysian rubber products.

Stressing that MRC is also committed to providing opportunities that ultimately help society reach its full potential moving forward, Nurul Islam concludes, "MRC will continuously push the boundaries in enhancing our value proposition, placing our customers and key stakeholders at heart of all things that we do."

"To me, MRC's ultimate success will be realised when our stakeholders and customers regard us - beyond a vendor for products and services - as a valuable and trusted industry partner."



Strengthening sectoral growth: Gloves lead the way (left), but MRC also wants to increase the export of other Malaysian-made rubber products, such as tyres.