

Vietnam: Rubber companies in despair as price falls

As rubber companies totally depend on export price, they are likely to fail in achieving their business targets for this year, with rubber prices currently at their lowest. Losing trend in the global rubber market started from 2012, mainly caused by the economic crisis, especially the sovereign-debt crisis in Europe which urged these countries to cut spending, seriously affecting automobile industry, leading to a slump in the rubber processing industry. Experts forecast that rubber prices would rebound in the first quarter of this year as global economy showed signs of recovery and China was expected to gradually regain growth while rubber supply declined, as rubber trees entered a low-productivity period. However, things happened differently. At the end of the first quarter of this year, RSS rubber future price on Tocom trading floor fell 16 percent compared to that in the beginning of this year, due to the ongoing European debt crisis, slow economic growth in main rubber consuming countries, and high inventory in China. Currently, 90 percent of rubber production of Vietnam is for export. Therefore, global rubber price directly affects the country's export turnover. Forecasts showed that rubber export volume this year will drop slightly compared to the previous year with 1 million tons, worth US\$2.58 billion, down 10.5 percent compared to last year. Vietnam Rubber Group forecast that rubber exports will exceed \$2.6 billion, down 6.6 percent over last year. For now, there are five rubber companies listed on the stock markets, including Phuoc Hoa Rubber Joint Stock Company (PHR); Dong Phu Rubber Joint Stock Company (DPR); Tay Ninh Rubber Joint Stock Company (TRC); Hoa Binh Rubber Joint Stock Company (HRC); and Thong Nhat Rubber Joint Stock Company (TNC). The area for rubber trees of most companies increased last year as they expanded growing area in Cambodia. Particularly, PHR enlarged 2,278 hectares in Kampong Thom and DPR added 1,300 hectares in Kratie. As for TRC, according to a research by FPT Securities Company, this company has been putting all efforts in a project to grow rubber trees in an area of 7,600 hectares in Siem Reap. In comparison with total mature rubber tree areas in Vietnam of TRC of 5,407 hectares out of total rubber growing area of 7,300 hectares, the Cambodia-based project is considered as the most important project that affects the company's development in the long term. The company has had land allocated by the Cambodian Government, but it is still waiting for an investment certificate from Vietnam. Thus, TRC has been facing a few obstacles in transferring direct investment capital from Vietnam to Cambodia. Although rubber growing area increased significantly, business performance in the first quarter for rubber companies remained slow as rubber export price declined. Of which, HRC saw a decrease of 97 percent in its income statement; PHR dropped 83 percent; and TNC plunged 75 percent. Hence, this year's business result of rubber companies is expected to drastically drop compared to the previous year and the possibility that they will fail to achieve business targets looms large. saigon-gpdaily.com.vn