

United Nations Conference on Trade and Development

Multi-Year Expert Meeting on Commodities and Development

8-9 February 2021, Geneva

Natural Rubber Economy: A Strategic Approach

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



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International Rubber Study Group (IRSG)
Salvatore Pinizzotto, Secretary General

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About International Rubber Study Group (IRSG)

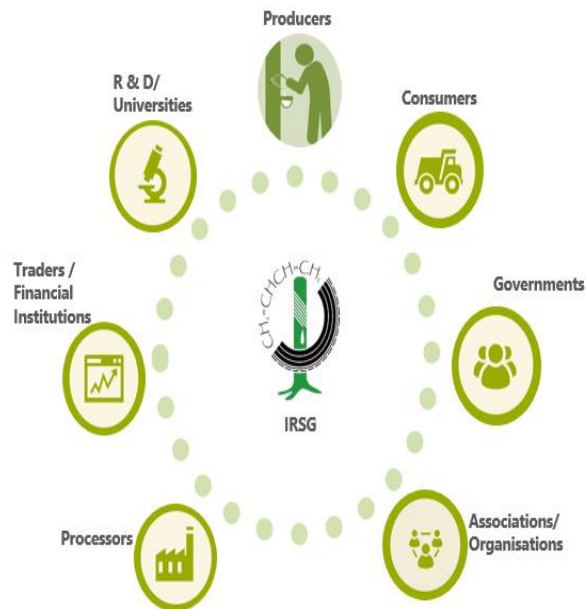
Who are we?

Established in 1944 as an **inter-governmental** organisation, headquartered in London, UK. As of July 2008, the Group has been based in **Singapore**.

IRSG is the **forum for discussion** of matters affecting the supply and demand for natural as well as synthetic rubber.

Authoritative source of statistical **data and analysis** for all aspects of the rubber industry.

IRSG is the Global Platform for the Rubber Sector



IRSG Sustainability Agenda

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The Agenda considers nine among the UN Sustainable Development Goals (SDGs) that are the main pillars of the IRSG activities on Sustainability



Collaboration with other organisations



Natural Rubber- A Strategic Raw Material

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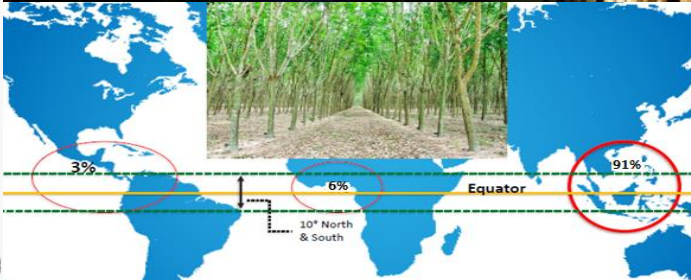
Above 13 M ha

13.6 M tonnes/year

90% Small Farmers

1.2 Tonnes/ha

70% usage in tyre



IRSG Photo Competition

Environmental, Social and Economic Risks

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- **Concerns around Deforestation and CO2 emissions**
- **Rising inequality, negative effect on income of women, migrant workers and low-skilled occupations (ILO)**
- **Loss of jobs or incomes cut... Steady increase unemployment rates across all economies as a result.**
- **Limited access to infrastructure and technology**
- **Growing insecurity and extreme weather pose additional risks**
- **The COVID-19 pandemic-linked consumption loss likely to cause ≈ \$4 billion loss to NR sector in 2020**



COVID-19 Impact on NR Economy: Macro Level

Direct effect

- **Steep decline in prices earlier in the year due to the pandemic. SGX TSR 20 prices declined by 26% during lockdown (months of Apr-Jun over January level in 2020)**
- **Sharp drop in NR imports and consumption in 2020**
- **The pandemic-linked consumption loss likely to cause \approx \$4 billion loss to NR sector in 2020**

Long-term effect

- **Gradual change in global pattern of production and consumption**



Climate Change and Natural Rubber Systems

(Photo: Paddy O Sullivan on Unsplash)



Climate Change Adaptation and Mitigation a Priority

- **Natural rubber sustains 40 million people with their families around the globe with supply chain generating more than U\$300 billion**
- **Climate change is clearly making the weather more extreme.**
- **Global production can be safeguarded and sustainably increased on a lasting basis by strengthening climate resilience and successfully contribute to climate mitigation goals**
- **Digital traceability system will enable the production and supply chain of the rubber to be evaluated in detail**
- **To ensure greater transparency and accountability in supply chain traceability is key and joint & coordinated stakeholders' effort is needed in deploying shared, reliable technical solutions**



Natural Rubber Economy: Challenges

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Natural rubber is livelihood source for millions of farmers and their family



❖ Farming less attractive

❖ Labour intensive farming

❖ Availability of labour

❖ Production costs are increasing while productivity is declining

❖ Limitations to access to finance

❖ Age profile of family Farms. Participation of youths and women

❖ Climate change likely shifting production?



Photos: IRSG



Impact on the Global Tyre Industry

- The automotive industry is a globally interconnected industry with a large economic footprint and contraction registered in 2020 due to Covid-19.
- Rapidly moving towards emission-free mobility by making the transition to electrification as part of green recovery/meeting net zero targets.
- Sharing will significantly increase the average utilization of the vehicles; higher mileage per car.
- Increasing share of fully EV is expected to reduce technical rubber per car; hybrid vehicles with combustion engine will soften decrease for rubber applications in electric vehicles;
- *From Tyre Manufacturer to a Solutions Provider*



Key Areas for Consultative Discussion

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- **Price related volatility and social safety nets (among producers, market actors, public sector and international organisations)**
- **Risk and value distribution in the value chain**
- **Unprocessed/semi processed rubber differentiation**
- **Market actors increasingly looking for “sustainable” raw material and producers looking for competitiveness in meeting such requirements; utmost urgency to address this for recovery in rubber sector**
- **Efficient market information and benchmark on production & living costs; traceability & supply chain partnership, financing options for small farmers.**
- **Due diligence on unfair practices, export /trade**



Priority Actions: Value Addition and Sustainable Practices

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- **Improving quality of rubber and enable producers to tap in sustainable market segment, reduce cost & increase competitiveness**
- **Investment at farm /processing to improve quality**
- **Create enabling environment for investment**
 - **Optimal mix between company actions, pre-competitive initiative and government policies**
 - **Industry initiatives**
 - **Government regulation/policies to create level playing field**



Strategies for the Future

- **Agri-tech investment in smallholdings to empower small farmers to enhance their farm income**
- **Attracting venture capital for making impactful changes in small farming**
- **Baseline data generation to support sustainability credentials of natural rubber**
- **Mapping GHG emission from land to latex to bring support for carbon offset accounting within NDC**
- **Financial support to small farmers in sustainable reinvest in lands**



Strategies for the Future

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- **Re-planting options with focus on diversification of income and risk mitigation**
- **Carbon disclosure and supply chain traceability through digitalisation**
- **Small farm business model assuring competitive sustainability**
- **Green recovery and supply chain's optimization with circularity**
- **High raw material efficiency and lower CO2 emission**



THANK YOU FOR YOUR ATTENTION !

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