



# Survival of Rubber Licensees in the Rubber Industry: A Case Study in Kerling, Hulu Selangor

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**Abstract.** Malaysia's rubber industry has its problems, like making sure that rubber production is always at its best. But despite the desire, the problems in the rubber industry do not just affect rubber tappers. They also affect rubber licensees who have registered with the Malaysian Rubber Board. Therefore, the objective of this study is to identify the challenges and obstacles faced by rubber licensees to continue being in the rubber industry, in addition to looking at the perspective of rubber licensees regarding the challenges of the rubber industry today. A qualitative approach used a single case study involving rubber licensees registered by Malaysian Rubber Board (LGM). Semi-structured interviews were conducted with the respondents using the open-ended question method. The study has been conducted in Kampung Kerling, Hulu Selangor. As a result of the interviews conducted, two main challenges have been identified by rubber licensees: the current low rubber pricing rate and the decreasing interest of rubber tappers in the rubber industry due to the age factor of today's rubber tappers, which ultimately causes a decrease in rubber sales to rubber licensees. In addition, the results of the study also looked at the efforts made by rubber licensees to continue to remain in the rubber industry, in addition to looking at the direction of the rubber industry and the individuals who play an important role in ensuring that the rubber industry continues to be at the highest level.

**Keywords:** Challenges, Rubber Licensing, Industry Rubber.

## 1 Introduction

After the palm oil and rice industries, the rubber industry is the third most important industry in the country. The contribution of the rubber industry to the Malaysian economy has a substantial impact on the overall Malaysian economic landscape. According to [1], the rubber industry's scenario is driven not only by external causes, but the country's productivity also adds to the issue of rubber production at the community level. As a result, rubber licensees play a role and contribute to the Malaysian natural rubber industrial chain. Rubber licensees are individuals who play a key role in supervising the procurement of rubber from rubber tappers. Rubber licensees are primarily those who have been registered with the Malaysian Rubber Board (LGM), and those who have been registered are obligated by [2], as amended by the Malaysian Rubber Board

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(Licensing and Permit) Regulations 2014. Although they only have the right to buy and sell rubber from rubber farmers and larger rubber mills, their function in the rubber sector is essential. Their presence in the rubber industry has an indirect effect on the rubber industry's process network at the community level. Rubber licensees and the rubber industry, in general, have difficulty as the impact of rubber production declines year after year. According to [3], Malaysian rubber production is on the decline. Malaysia produced 469.7 thousand metric tons of natural rubber, a decline of 8.7% from the previous year, according to statistics. Although the rate of raw rubber consumption in Malaysia would fall by 2021 to 502.0 thousand tons, a 3.2% decrease, the disparity between natural rubber production and consumption in Malaysia remains large, demonstrating that there is a demand for natural rubber in our own country. Although the issue of reduced rubber production is considered in the context of rubber farmers, the rubber licensees involved are also affected by the fall in rubber prices in the framework of the rubber industry cycle. Also, [4] reported that Malaysia's natural rubber production fell 11.8% to 28,048 tons in November 2022, down from 31,795 tons in October 2022. Rubber licensing is linked to the country's volatile rubber pricing. Rubber tappers and rubber licensees who buy rubber are both affected by the price of rubber, which is impacted by a variety of variables. The fluctuation of the rubber price market is out of control, and the price is completely reliant on the supply and demand of the worldwide rubber market. This impacts not only rubber tappers but also rubber licensees who buy rubber from small rubber farmers in general.

## 2 Literature Review

An economy's export performance is influenced by a variety of factors on both the consumption and production sides. Due to their assumption that the supply function is endlessly elastic, many economists have underlined the estimation provided by the demand-side model. Conversely, proponents of the supply inelasticity theory determined that limitations on the exports' supply side are mostly to blame for the less developed countries' (LDC) exports' slower development. The main supply-side restrictions are those related to manufacturing capacity, relative profitability, and production cost-related issues. According to [5] who utilised the price of crude oil as one of the factors, the finding is considered as substantial. Therefore, it is crucial to factor in crude oil prices when calculating the price of natural rubber globally. Using time series data from 1971 to 2008, [6] looked for a relationship between Malaysia's exchange rate and economic development. The ARDL model is used to examine the relationship between research variables over the short and long terms. According to the ARDL approach's findings, the Malaysian economy is growing as a result of the value of the exchange rate declining. As stated by [7], investment-specific technology shock is the second-most important fundamental driver of macroeconomic variation in the United States of America after commodity price shocks. From 1955 through 2007, the researchers used quarterly data. The Structured Vector Auto-Regressive model (SVAR) is the research methodology. Using data from 1971 to 2011, [8] discovered that energy consumption has a favorable influence on growth in China.

A study by [9] used the Autoregressive Distributed Lag (ARDL) model to assess how agricultural production affected Algeria's economic growth. This study showed that when governmental support was exclusively given to the production side of the agricultural sector, agriculture's long-term influence on economic growth was negative. Otherwise, the impact turns out to be favourable when the agricultural industry is supported as a whole. To investigate the driving forces behind the natural rubber industry, [10] carried out an econometric analysis of the Malaysian natural rubber market. The findings showed that natural rubber output in the Malaysian market is influenced by government spending, temporal trends, rubber per hectare, and palm oil prices. Additionally, it was discovered that the domestic inventory and the global natural rubber price both have an impact on the local natural rubber pricing. Using the autoregressive distributed Lag (ARDL) bounds test and the error correction model (ECM), [11] demonstrated the presence of a short- and long-run link between price shocks on crude oil, crude palm oil, and rubber towards the economic growth of Malaysia. The outcome demonstrates that there is no statistically significant correlation between rubber price shocks and GDP growth. Data from 1960 to 2015 were utilized by [12] to adopt an ARDL technique and report unidirectional causation between energy and growth in Ghana. The ARDL method was also reported by [13], who also discovered unidirectional causation in Sudan's energy increase.

### 3 Method

Various methods can be used to gather research information in the field. However, the selection of the appropriate method for the study is important to ensure that the information obtained meets the objectives of the study. In the implementation of this study, the researcher used a qualitative method. Generally, qualitative research is inductive in nature and involves the exploration of the meaning and view of a situation that occurs [14]. According to [15], the qualitative study uses a purposive sampling method through interviews in a structured, semi-structured context and open interviews with respondents. Therefore, in this study, the researcher used a qualitative method with a single case study design. According to [16], a case study is a concept and term that refer to the exploration of individuals, groups, or phenomena that occurs. In addition, [17] explained that a case study is a situation where the researcher explores something related to processes and activities individually or more in-depth. Purposive sampling is used a lot in qualitative research because it is thought to be a good way to choose the study and get information about the thing being studied [18]. Therefore, the researcher has established several conditions for this study, including:

- i. A rubber licensee registered with the Malaysian Rubber Board (LGM);
- ii. Rubber licensees who actively buy rubber from small rubber farmers or rubber owners;
- iii. Registered rubber licensee with the Rubber Board for more than five years; and
- iv. Agree to be involved in this study voluntarily.

Using the single-case approach, the researcher may thoroughly explore the phenomena in order to offer a detailed description and explanation. A single instance can also be utilized as a pilot study for a research topic that requires multiple examples, particularly if the study is exploratory in character. As a result, by doing a single case study, the researcher will acquire more detailed data on the challenges that arise in the scenario encountered by rubber licensees.

### **3.1 Respondent Information**

By using single case study, only one respondent was involved in this study. The respondent in this study is a rubber peddler who had registered with the Malaysian Rubber Board (LGM) for 26 years. The respondent is a Chinese who lives at Kampung Kerling, Hulu Selangor. He inherited the rubber business from his family, and he is the second generation to be involved in the rubber business. In addition, the respondent is also one of the rubber dealers who has the busiest number of rubber buyers in Selangor area, involving more than 250 people. From the educational background of the respondent, he received education which makes him in the middle rank rather than a lower rank as he is also involved with a rubber company. He increased the level of convenience at his family's rubber factory by using computer technology and machines related to the activity of purchasing rubber rather than cutting rubber. In addition, the respondent is assisted by his younger brother who is also directly involved in the rubber industry.

This study assumes that the involvement of family members in the rubber industry is a principle in which the company's rubber industry involves a trade that needs to be inherited by family members. The respondent is also a rubber peddler who is very active in courses recommended by government and private agencies related to the rubber industry. In addition, he participated in discussions involving the direction of the rubber industry to rubber peddlers registered with the Malaysian Rubber Institute. The researcher selected the respondent to engage in this study because the individual is a rubber licensee who has the most rubber tappers in Hulu Selangor and has been involved in the business of buying rubber from the tappers since his previous family members started the business.

### **3.2 Data Collection**

The collection of research data is through interview with the respondent. Face-to-face interview with the respondent was conducted and the interview technique used by the researcher with the respondent was semi-structured. The duration of the interview conducted with the respondent was 45 minutes and the respondent was allowed to provide views and feedback based on the questions given by the researcher. Because this study uses the case study technique, the conversation between the researcher and the respondent was recorded with the consent of the respondent to record the interview. Before the interview was held, the researcher briefly explained the purpose of the interview and the estimated duration of the interview.

Five questions were asked to the respondent which covered matters regarding the direction and future of rubber licensing in Malaysia. The following are the questions items asked by the researcher during the interview:

- i. What are the challenges faced by the respondent as rubber licensor nowadays?
- ii. How does the respondent manage the challenges faced to stay in the rubber industry?
- iii. Who plays a role in ensuring that the respondent can remain in the rubber industry?
- iv. How does the respondent see the direction of the rubber industry and the impact on rubber licensees registered with the Rubber Board in the future?
- v. What is the respondent's view to ensure that these rubber licensees remain as registered rubber licensees and carry out their duties as licensees under LGM?

The questions given to the respondent in the study take into consideration the present difficulties confronting the rubber sector. Furthermore, the subject centers around the perspectives and ideas that licensors can offer on the path of current rubber licensors. Based on the five questions, the respondent was allowed to express his views and opinions as rubber licensees registered with LGM.

## **4 Data Analysis and Research Finding**

For the results of the interview with the study respondent, the researcher used the verbatim method to identify the themes and constructs found during the interview. A verbatim transcript provides context that a cleaned-up transcript does not. Because truly verbatim transcripts contain non-speech noises such as "mm-hmm (affirmative)" or "mm-mm (negative)," they are especially valuable when conducting a focus group, referencing a source, or obtaining a legal transcription. The following is the information from the results of interview conducted with the respondent.

### **4.1 Challenges faced by the rubber licensees**

According to his assessment, many issues have been identified as obstacles to rubber lenders based on the conclusions of the reviewer. One of the major concerns for lenders is the volatile situation of rubber prices. The current market price of sap, which is budgeted at RM2.40 to RM2.60, is a serious concern for latex planters. Uncertain market prices, as well as external factors such as the weather, have driven many groups of rubber planters, sap cutters, or sap owners to stop harvesting sap and instead work in other jobs that pay even more. As a result, rubber dealers no longer have a big number of customers who sell rubber, which has an impact on their business of buying rubber from rubber planters, rubber harvesters, or rubber owners. The second difficulty concerns the age of rubber tappers who sell rubber to licensees. According to the findings of the interview, 70% to 80% of rubber farmers, rubber owners, and rubber tappers are over 50 years old and physically unable to tap rubber on rubber plantations. Most young people are no longer interested in working in the rubber business since the results of

rubber tapping are not profitable, which affects the results of rubber manufacturing and ultimately impacts the rubber licensees who buy rubber from rubber tappers.

#### **4.2 Managing the challenges faced by rubber licensees**

Because the problem of maintaining business in the rubber industry is the most significant item, the respondent indicated that he has delved into other industries that are seen to have better economic prospects to secure his business and position as a rubber licensor. Real estate investment, oil palm farms, and durian orchards are among the areas viewed as having a long-term survival probability. The outcome of these investments and operations is expected to keep his position and business as a rubber licensor. The second option is to minimize labour costs at his level. As a long-time rubber licensee, he confessed that the involvement of foreign workers to assist with matters relating to the acquisition of rubber with rubber tappers, rubber producers, or rubber licensees is an impediment. As a result of the purchase of rubber farmers, the workers who worked for him have to be laid off or have their working hours reduced. Its effect was visible during the Pandemic COVID-19 when he had to lay off workers owing to the inability to pay wages, which hampered him in managing affairs about the procurement of rubber.

#### **4.3 Rubber licensing to remain relevant in the rubber industry**

The first of the reserves proposed by the respondent involves floating reserves in the price of Malaysian sap. Every week, this concept is viewed as the same as the price concept for fuel RON 95, RON 97, and diesel. This floating price reserve can be employed as a government initiative, particularly to assist planters, woodcutters, and sap owners in ensuring that there is a ceiling price for them. The price level of rubber, which is impacted by the western rubber sector and, in particular, the state of Singapore, may pose a challenge to the government, but efforts must be taken to ensure that rubber prices stay balanced. The second involves the rubber sector, namely special studies on rubber quality and more efficient resin production. This unique study includes not just sap production but also all of the key participants in the latex business at the tuber level, including gardeners, Olsen, incisors, and sap owners. Most sap plantation owners have switched to other more secure crops such as oil palm, fruits such as durian and mangosteen, and other plants. As a result, industry participants must exercise caution in ensuring that those who have land ownership with the status of a sap plant remain permanent because the final impression is on the sap renters who buy the sap from them. The third involves the ownership of a financial agency that can help rubber licensees stay in the rubber business, as well as involving rubber dealers to voice their opinions and ideas on emerging rubber industry concerns.

#### **4.4 Individual or group interests in the rubber industry**

The respondent believed that rubber licensing can improve in the future with the support of many different groups, particularly those with an interest in the rubber sector.

A good and steady rubber price control assures the respondent that the situation will have a significant influence on rubber licensees. The natural rubber industry's competitiveness with synthetic and recovered rubber influences the overall pricing of the rubber market. According to the respondent, activities from government parties involved in research and innovation, such as the Malaysian Rubber Council, the Malaysian Rubber Board, and RISDA, can aid in the manufacture of more innovative goods, particularly those incorporating natural rubber. According to the answer, the Malaysian rubber sector can compete in terms of quality provided that the interested parties intervene in the industry. The government's monsoon season assistance can be adjusted and improved to strengthen the support system for rubber tappers, thereby improving the rubber production chain involving rubber licensees. Nonetheless, the respondent believed that rubber licensees should be provided with more expertise and information about the rubber sector to improve the future sales of rubber products.

#### **4.5 Driving the rubber industry and the impact on rubber lubricants in the future**

Since the most important problem is sustaining business in the rubber industry, the respondent indicated that he has delved into other industries believed to have greater economic prospects to secure his business and position as a rubber licensor. Real estate investment, oil palm farms, and durian orchards are among the areas viewed as having a long-term possibility of survival. These investments and initiatives are expected to help him keep his position and business as a rubber licensor. The second option is to cut labour costs to his level. As a long-time rubber licensee, he confessed that the involvement of foreign workers to help manage concerns relating to the acquisition of rubber with rubber tappers, rubber producers, or rubber licensees is an impediment. Because the purchase of rubber from rubber farmers is no longer as profitable as it once was, the workers who worked for him have to be laid off or have their working hours reduced. Its effect was especially seen during the Pandemic COVID-19 when he had to lay off workers owing to the inability to pay wages, which hampered him in managing affairs about the procurement of rubber. Furthermore, the respondent overcame the problems in the rubber business by improving and upgrading the machines and tools utilized in his plant. Although no rubber-related authorities give information or training, the respondent believed that as a rubber licensee, he has to develop his knowledge, abilities, and knowledge of the rubber sector so that he can help the rubber farmers who sell rubber to him achieve higher yields.

## **5 Conclusions**

According to the study's findings, various topics may be covered in this study, the first of which is the impact of the country's current rubber price. Rubber price volatility affects not only rubber tappers but also rubber licensees who buy rubber from them. Because of the dropping price of rubber, many young people are no longer interested in tapping rubber; instead, they want to work for themselves or food delivery services

like Foodpanda, Grab, or Lalamove because they are more flexible and have more income compared to rubber tapping. Furthermore, because rubber licensees play an essential role in the natural rubber chain, the government should pay special attention to their ability to stay in the rubber industry. The government's help to small rubber farmers during the flood season may be considered for them as well.

Rubber licensees are also considered as needing to diversify their abilities, particularly their understanding of the application of technology in rubber processors at their level, to control labour and expenses connected to the use of energy resources. Because this study uses a single case study, it cannot be generalized to all rubber tapping situations, but based on the current scenario that is seen hitting the rubber industry, especially involving rubber prices that are decreasing and unstable, the results of this study can help the researchers who would like to get an overview of what is faced by rubber licensees and those affected by the drop and instability of rubber prices in addition to related issues experienced by them.

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