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VRG Playing Crucial Role in Vietnam's Rubber Industry Development

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In 1997, the Vietnam Rubber Corporation, now the Vietnam Rubber Group (VRG), was established to manage and develop natural rubber production with the aim of developing the rubber industry into a leading economic sector. This was an important milestone for the Vietnamese rubber industry to gradually position itself as one of key economic sectors of the country. So far, Vietnam's rubber industry, where VRG plays a leading part, has confirmed its important role and strong position. Not only creating economic value, the rubber industry also has made important contributions to social security, sped up rural development, maintained and strengthened national defence and security, and boosted international cooperation.

Rubber has become a key export of Vietnam thanks to its high profit margin and high localisation content. It has made practical contributions to new countryside construction, poverty reduction, the increase of capital and foreign currency for the country. In many localities, rubber is one the strategic crops for sustainable social and economic development.

Vietnam has nearly 1 million ha of rubber as of 2014, of which VRG directly manages about 411,947 ha and employs about 124,000 workers in total, including more than 33,000 ethnic minority people and nearly 49,000 women. Employees' average monthly income is estimated at VND4.9 million in 2014, with better care for their health, livelihood, education and skill training. In 2014, its revenue was projected at VND25.55 trillion (US\$1.2 billion) and profit before tax was forecast at VND3.29 trillion, 1.6 percent higher than the initial plan.

In implementing its plans and tasks from 2011 to 2015, VRG has enlarged its rubber area, particularly in foreign countries, invested in wood processing and rubber processing to increase the value of rubber trees and restructure investment portfolios.

In the period, the group made VND138 trillion of revenue with estimated VND31 trillion of profit, paid approximately VND25 trillion to the State Budget, increased owner's equity to VND30 trillion, and ensured profit margin of about 20 percent. Most importantly, rubber timber and rubber industrial products, two strategic items aimed at maximising added value chain for rubber industry, saw incremental proportion in revenue structure, with 24 percent in 2014 and 29 percent in 2015, although the overall rate in the five-year period was just 16 percent.

During the period, VRG planted 122,480 ha of rubber trees, mainly in foreign countries with over 80,000 ha and replanted over 55,000 ha. This is an important foundation for the group to increase its production capacity in the next period. The rubber acreage of the group is expected to reach 415,000 ha by the end of 2015, including approximately 111,000 ha abroad. Possessing a wide area enables the group to secure a deeper position in global rubber value chain and promote its brand name worldwide.

To expand scale and restructure production and business activities, VRG has invested approximately VND55 trillion for the 2011 - 2015 period, of which rubber trees accounted for VND41 trillion, or 80 percent of total investment value. Up to 70 percent of the value came from the group's accumulative capital and

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the low borrowing rate ensured its operational safety.

VRG's CEO Tran Ngoc Thuan confirmed that, with its firm steps, well-prepared strategies and solid calibre plus strong human resources, glorious and heroic tradition, so far Vietnam's rubber industry has asserted its position as one of leading economic sectors of the country and an important component in the cause of national industrialisation and modernisation.

Besides, VRG and the Vietnam Rubber Trade Union collaborated with rubber companies to organise many meaningful activities like the 85-year rubber history contest, sports events, exhibit collections, scholarship granting, and outstanding employee honour.

In recognition of enormous contributions of the rubber industry, the Party and the State has awarded the Gold Star Order and many other honours to VRG. The group has also been appreciated by the Governments and peoples of Laos and Cambodia for its business presence, as well as contributions to poverty reduction and employment. Some of its members like Dau Tieng Vietnam - Laos Company and Vietnam - Laos Rubber Company are doing effective business in Laos.

Although slow sales and falling latex prices affected livelihoods, jobs and incomes of workers, VRG and rubber companies have struggled to ensure business efficiency, employment and income for its workers.

On January 5, 2013, the Prime Minister issued Decision 38/QĐ-TTg approving the VRG restructuring scheme in the 2012 - 2015 period. Currently, VRG is pushing up the implementation of this restructuring plan, with focus on divestment from non-core business fields. Besides, it is accelerating the equitisation of member units as scheduled. On the other hand, the group continues to diversify products, expand markets and enhance downstream processing to increase added value for its rubber products.

Mr Thuan said that VRG is determined to become a powerful group of the country. With its well-defined strategies, active international integration and deep focus on core business lines and personnel training, VRG is confident to lead the industry to sustainable development and prosperity.

Thu Ha

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