In Ivory Coast, global rubber glut erases profits

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Rubber trees take six to seven years to mature before they can be tapped, a process which involves making incisions in the tree's bark to allow its milky sap to collect in a cup attached to the trunk

"We're not earning anything from it any more, we have nothing," says a rubber farmer in Ivory Coast, Africa's top producer, where revenues from natural rubber have been slashed by global oversupply.

Over the past decade, world rubber prices skyrocketed only to quickly slump to the point where they are now a fifth of what they once were because of a glut in the market, with many Ivorian producers seeing their profits vanish into thin air.

Farmers and the country's natural rubber association APROMAC, which represents the sector, also blame the high state taxes.

Ivory Coast accounts for 60 percent of Africa's rubber output and ranks seventh in terms of global production, with a predicted output of 720,000 tonnes in 2018, up from 468,000 tonnes in 2016 and 603,000 last year.

And that figure is set to grow by 20 percent over the next three years.

But despite the increase in production, individual income has fallen.

The history of rubber production in Ivory Coast dates back to France's epic defeat in the 1954 battle of Dien Bien Phu in Vietnam.

That triggered the collapse of France's colonial empire in Indochina, and the loss of its vast rubber plantations in the region, which were key for manufacturers like French tyre maker Michelin.

Ivory Coast has the capacity to transform its natural rubber into semi-finished products before export

It was then that the first rubber seeds were sown in Ivory Coast, which had been under French colonial rule since the late 19th century, although the production of latex there would remain insignificant until 2009.

In that year, rubber production surged thanks to an ambitious investment plan by the rubber development foundation (FDH) worth 40 million euros ($56 million at the time).

Over the past nine years, the plan has funded the creation of 110,000 hectares (270,000 acres) of new rubber plantations as well as new rural roads.

It has also funded training, notably in the art of rubber tapping, a meticulous process in which farmers make circular incisions in the tree's bark to allow its milky sap, or latex, to collect in a cup attached to the trunk.

And the farmers were quickly able to benefit from global prices which back in 2010 reached $5,000 per tonne as Asian rubber production fell, causing a drop in supply at a time when the oil price was also high.

Rubber prices are linked to that of crude because of the tyre industry, which uses a mix of natural and synthetic petroleum-based products.

But the sudden explosion of the rubber industry was to cost the country's all-important cocoa sector, Ivory Coast being the world's biggest producer.

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Even in regions in the east and west of the country where cocoa reigned supreme, farmers caught up in the frenzy pulled up their established crops to plant rubber seedlings.

Rubber trees can be tapped for their latex for 10 months of the year and "generate a consistent monthly income, unlike cocoa which is harvested twice a year," explains rubber producer Justin Okingni.

From boom to bust

But its success was short-lived, and things began going downhill in 2011.

"Today we can hardly get $1,000 a tonne," says APROMAC president Eugene Kremien, a former civil servant who left his job to go into rubber farming some 35 years ago and who owns a manufacturing plant.

Unfortunately for Ivory Coast's 160,000 rubber farmers, the global price is fixed by the Singapore Commodity Exchange (SICOM), a key exchange for trading coffee and rubber.

Singapore is also where Olam International, one of the world's biggest agricultural commodity traders, is based. Olam is also in the rubber business and has plantations all over the world, notably in Ivory Coast.

At a plant in Grand-Lahou, the Ivorian rubber company (Compagnie Ivoirienne d'Hevea) transforms natural rubber into semi-finished rubber granules for export

Rubber trees take six to seven years to mature before they can be tapped, and the fact that some 100,000 hectares of trees reached maturity in Malaysia, which produces around 90 percent of the world's rubber production, had a major impact.

Within three years, world production levels rocketed from nine million tonnes in 2014 to 13 million last year.

And demand has not kept up.

A new dream?

In Alepe, an Ivorian town in the southeast, farmers who had cleared their land of cocoa to cash in on the latex boom see little hope for the future.

"Being a rubber farmer has become a synonym for being poor," Herbert Adou Bokpet says heavily, an expression of defeat on his face as he contemplates his 10-hectare plantation.

Fellow farmer Magloire Mambo blames the state.

Eugene Kremien, who heads the Ivorian natural rubber association APROMAC, has a new dream: that of producing tyres that are 'Made in Ivory Coast'

"Rubber farmers have been reduced to poverty by taxes," he charges, referring to the government's move back in 2011 to levy an additional five percent tax on turnover.

"You don't usually tax turnover, you tax profits," says APROMAC's Kremien, denouncing the measure for "syphoning off the cash flow to factory owners and blocking their processing capacity."

Ivory Coast has the capacity to transform its natural rubber into semi-finished products before export, but its production capacity has barely been able to handle the increased output since the tax was put in place.

APROMAC is urging the government to drop the tax, and it is also demanding exemptions on the import of industrial machinery in the hope of realising a new dream, Kremien says: that of "manufacturing tyres that are 'Made in Ivory Coast' by 2025."

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