



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2008
JANUARY

Natural Rubber market review

January

The beginning of the new year saw the Kuala Lumpur rubber market regaining strength on shortcovering activity. Prices of latex grades rose across the board, brought on by consumer interest amid tight supply caused by unfavourable weather, while the price of SMR 20 showed a slight decline due to uncertainty in the US economy. Compared with levels on 31 December, the price of SMR 20 declined by 14.5 sen/kg or 1.7% to close at 820.50 sen/kg whilst latex concentrate gained 40.0 sen/kg or 7.4% to close at 548.0 sen/kg. The price movements of selected grades of rubber in January are shown in **Table 1**.

The first month of the new year saw the rubber market on firmer ground, extending from the previous year-end trend. Prices rose in the light of shortcovering interest

prompted by the continued shortage in supplies and high crude oil prices. Crude oil prices recorded a high of USD 100.09 a barrel on 3 January on concerns over tight US crude stockpiles. Looming US recession and falling global equities prices exerted downward pressure on physical and futures prices during the third week but both the markets rebounded owing to strong demand from major tyre manufacturers in China and Japan and shortcovering activities.

During the month, the president of the China Rubber Industry Association (CRIA) informed that tyre output is expected to expand by 12 to 15% in 2008, due to cuts in tax rebates on exports and measures to tighten monetary policy. Also, in 2007, Chinese official customs data show NR imports rose by 2%, to 1.65 million tonnes, while synthetic rubber imports rose by 9 % to 1.41 million tonnes. The real growth rate of NR was expected to be much higher, because the data did not include compound rubber, imported with the purpose of tax evasion.

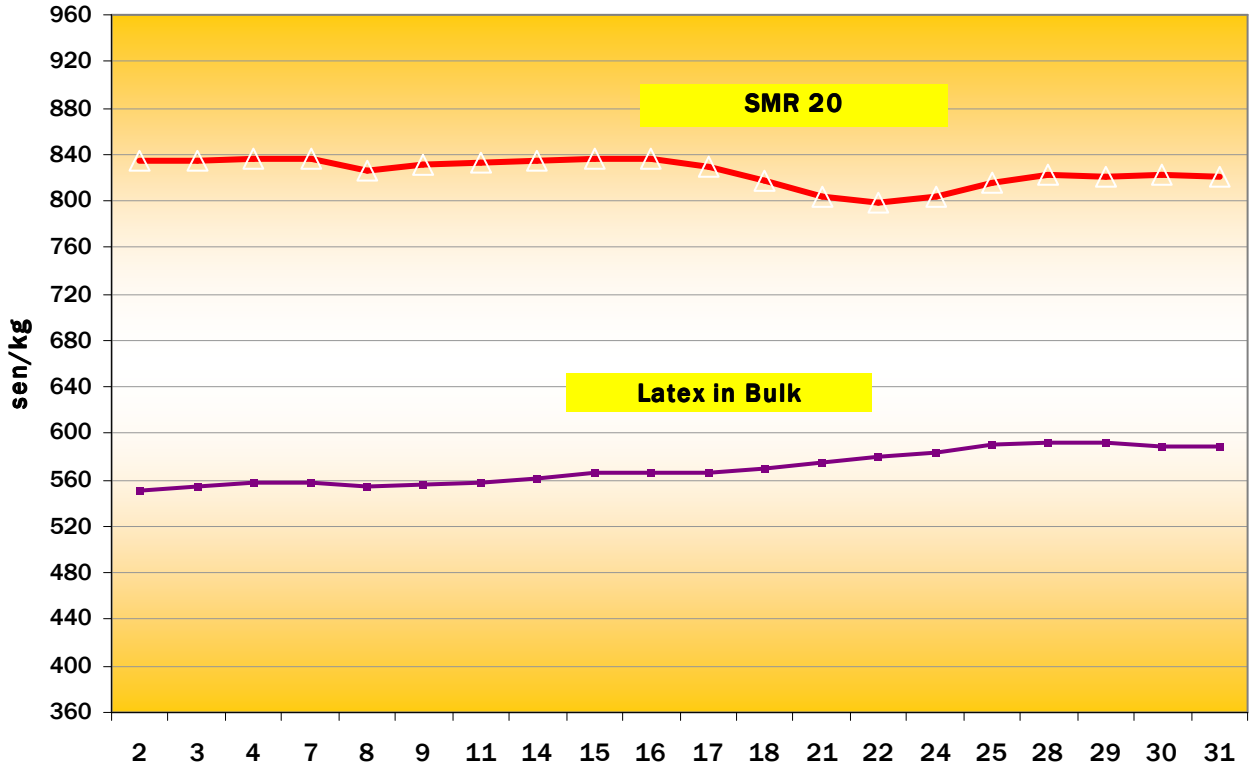
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, January 2008 (sen/kg)

	SMR CV	SMR 20	Latex Concentrate
Highest	895.50	837.00	592.50
Lowest	874.50	798.00	550.50
Average	883.65	824.53	570.48
Change from the last day of the previous month	18.00	-14.50	40.50

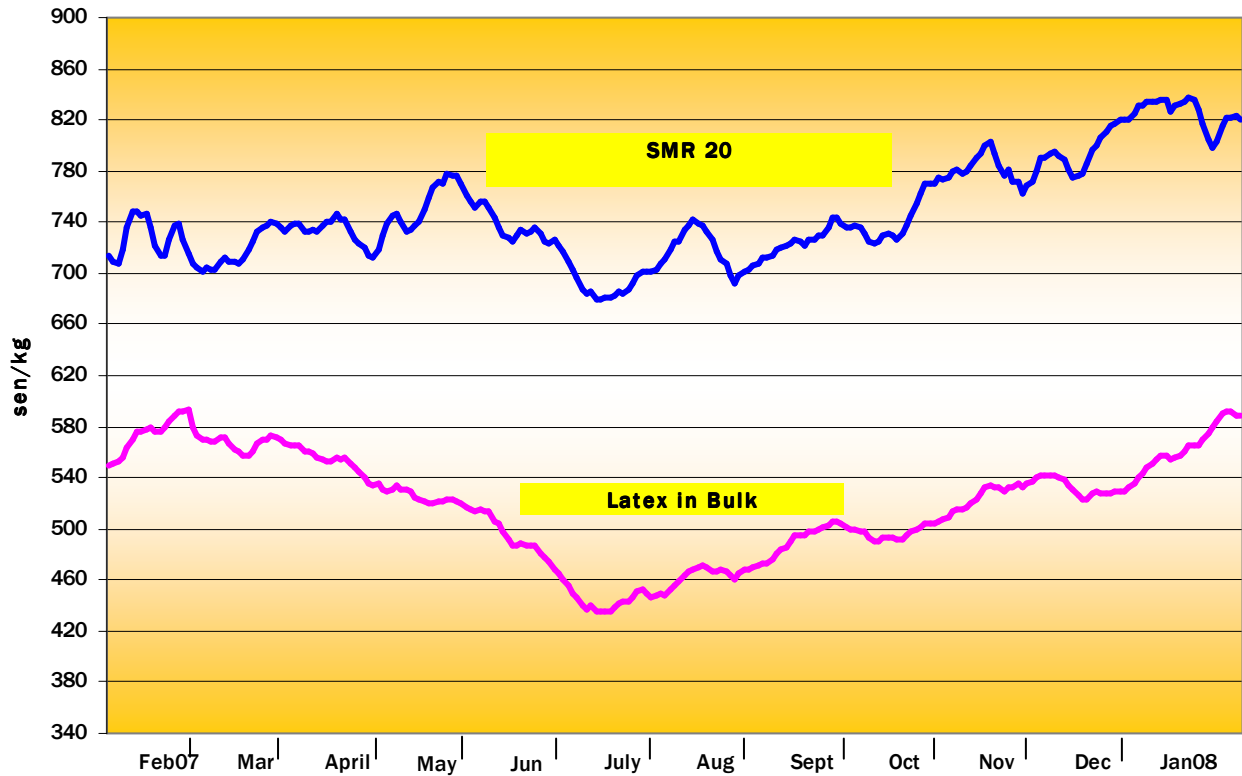
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, January 2008



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
(02/02/2007-31/01/2008)



Outlook

In the near term, the Kuala Lumpur rubber prices are likely to hold well. Supply is expected to remain tight as wintering progresses while demand from consuming countries is likely to edge up slightly in the coming months.

MRB Activities

Seminar on Arbitration for MRE Panel of Arbitrators

The Malaysian Rubber Exchange (MRE) organised a seminar for the MRE Panel of Arbitrators in Kuala Lumpur on 24 January 2008. The seminar was well-attended by members of the Panel. The seminar was officiated by the Director-General MRB *cum* Chairman MRE, Y Bhg Dato' Dr Kamarul Baharain Basir who delivered the keynote address. This was followed by two sessions conducted by Mr Tee Geok Hock from GH Tee and Co., an experienced arbitrator with the Kuala Lumpur Regional Centre of Arbitration and Mr Manjit Singh, MRE's legal adviser.

Mr Tee shared his experience on the Arbitration Act 2005 with special emphasis on section 33 which deals in the form and contents of an award and requirements of a valid and enforceable award and section 37, which deals with the grounds for setting aside the award. These topics have been specially selected as they relate to the strengthening of the MRE arbitration procedures in line with the Arbitration Act 2005.

Mr Manjit Singh, an experienced lawyer who has been involved with some of the complicated arbitration cases of the MRE presented topics which represent the very core of arbitration such as the role and responsibilities of an Arbitrator, procedures at a hearing, enforcement of an arbitration award, etc.



Y Bhg Dato' Dr Kamarul Baharain Basir delivering his keynote address



Participants at the seminar



Chairman MRE with arbitrators and participants

News Brief

Malaysia's economic growth to slow in 2008

Malaysia's economic growth is expected to slow to 5.4% this year from 6.1% in 2007, and could drop as low as 4.0% if the US is hit with a recession, forecasters said recently.

The Malaysian Institute of Economic Research (MIER) said the economy expanded by 6.4% in the fourth quarter of 2007, and it pushed its full-year projection from 5.7% to 6.1 percent.

But the independent think tank said its 2008 forecast is threatened by the risk of recession in the United States as well as rising oil and food prices on the domestic front.

"Our projection is based on the fact that the US will be able to pull from the brink of a recession," MIER director Mohammed Arif told reporters.

Ariff said he expected inflation to reach 3.2% in 2008 due to the expected dumping of oil subsidies and the rising cost of living. Inflation reached 3.6% last year due to spiraling global oil prices.

-factiva.com, 17 Jan

'Allow duty-free import of 1 lakh tonnes rubber'

The All India Rubber Industries Association (AIRIA), citing heavy shortage of natural rubber (NR), has pleaded for the duty-free import of 1 lakh tonnes of rubber through a designated agency for distribution to the domestic sector. This is because 49,800 tonnes of NR, as imported under Duty Exemption Entitlement Certificate license, are meant for export production with no relevance to domestic demand.

The president of AIRIA, Mr M.F. Vohra, said the rubber goods sector needs to be unshackled from many controls that were holding back the industry's growth. He told Business Line that while opportunities exist across all sectors of the rubber industry, key constraints like uncertain supply situation, volatility of NR prices, high import duties on NR and latex, and the extra cost

burden owing to anti-dumping duties (on items like EPDM rubber) need to be eliminated without any further delay.

Citing high input costs and NR availability as the two main constraints currently facing the Indian rubber industry, Mr Vohra said the consumption of NR may well outstrip production, especially after the NR production loss in the last few months owing to Cikunguniya and excess rains. The shortfall could amount to around 1 lakh tonnes, and may also lead to a further spurt in NR prices, it is feared.

Pointing out that an inverted duty structure on rubber and latex has been allowed to continue throughout the year, Mr Vohra said while duties on finished rubber products had been brought down to 10%, duties on NR and latex had remained unaltered at 20% and 70% respectively.

-factiva.com, 12 Jan

Rubber prices in 2008 expected to remain high

Prices for natural and synthetic rubber probably will remain high through 2008, according to representatives of the NR and SR industries.

Both rubber smoked sheets and technically specified rubber traded at or near historic highs in late 2007, according to Dow Jones and other news sources.

Barring a recession, NR prices could rise another 5 to 15% in 2008, according to an industry source who asked to remain anonymous.

"You've got equal supply and demand right now, with nothing much left over," the source said. "There's been no manipulation on the part of producers; it's just the way it worked out. This market is too disparate to allow for manipulation of prices."

-factiva.com, 14 Jan

Thailand sees flat rubber exports in 2008

Thailand expects no growth in rubber exports this year as a U.S. economic recession could trim global demand, but erratic weather should limit

supply and keep prices high, a senior industry official said recently.

"The 2008 exports may be as same as 2007 because we worry that demand could drop if an economic recession hits the U.S. and we don't expect supply to rise sharply either," Thai Rubber Association president Luckchai Kittipol told Reuters in an interview.

The country is expected to produce 3.1 million tonnes of rubber sheets and block rubber in 2008, up slightly from around 3.0 million tonnes last year due to an expanded planting and replanting scheme, the Agriculture Ministry says.

Some of the small rise in rubber production this year was likely to be used at home, Luckchai said.

"Domestic demand is likely to rise this year as we see several tyre makers expanding production bases in Thailand, which means more rubber should be used here instead of being exported," he said.

-factiva.com, 23 Jan

Rubber business set to reach new heights

The Indonesian Rubber Association (Gapkindo), said 10 new rubber processing plants came into operation by local and foreign firms last year, with the largest being a unit in Jambi owned by Japan's giant trading company Itochu Corporation.

Last year's newcomers, some of them also owned by big rubber players from Thailand and Malaysia, have a combined installed capacity of 360,000 tonnes annually, with Itochu's unit alone contributing around 100,000 tonnes.

In total, the industry now has the capacity to process 3.3 million tonnes of rubber a year.

Gapkindo forecasted this year export was likely to increase by at least 6 to 7%. Since 2001, Indonesia has seen the highest annual export growth, 8.94%, as compared to Thailand's 3.02 percent.

Gapkindo believed this growth was likely to trigger another wave of investments in the processing sector this year, as signaled by a plan from at least nine newcomers to set up plants

with a combined capacity of 230,000 tonnes per year.

-factiva.com, 14 Jan

Largest Industrial Zone (IZ) in Hai Duong

Construction on the first phase of Cong Hoa Industrial Zone began on January 26 in Chi Linh district, Hai Duong province.

The Vietnam Rubber Industry Zones and Urban Development Joint-Stock Company (Vinaruco), under the Vietnam Rubber Industry Group has set aside more than 1 trillion VND (64.63 million USD) for the first phase.

The project is considered to be the biggest industrial zone (IZ) in the province so far.

Cong Hoa IZ will be built in two phases covering 700ha. The zone will include industries such as electronics, IT, electrical equipment production and car manufacturing.

-factiva.com, 31 Jan

Vietnam attracts record amount of foreign direct investment

Vietnam has attracted a record amount of foreign direct investment this year and Japanese automaker Toyota says the company's future in 2008 looks bright.

Vietnam has attracted more than \$20 billion worth of foreign direct investment pledges in 2007, a surge of almost 70% compared to last year. Since the beginning of 2007, almost 1,500 new projects have been licensed. Most of them focus on construction, electronics production, telecommunications and other high-tech areas.

Vietnam's low labor costs and young, highly literate workforce have made the country a popular manufacturing hub in Asia.

-factiva.com, 4 Jan

Rubber highs delay replantation, threaten yield

High rubber prices are enticing Indian growers to milk ageing plants and delay replantation, threatening to reduce yields by half in the long term, industry officials said.

Rubber prices are ruling near a life high, making perfect sense for growers to go slow on replanting and benefit from the demand, they said.

"The delay in replantation could reduce the yield to 850-900 kg (per hectare) in the next 3-4 years against the current yield of 1,800 kg," said James Jacob, Director of the state-run Rubber Research Institute of India.

The rubber plant generally takes seven years to be ready for tapping and has a life of about 30 years in all, after which the yield starts reducing, making replantation necessary.

The Rubber Board plans to replant in 33,500 hectares (82,780 acres) by 2012, but has been able to cover only 5,000 hectares in the last one year, Jacob said.

"Growers are now feeling that these prices will continue for another couple of years...so instead of replanting, they are continuing the tapping," said George Valy, president, Indian Rubber Dealers Federation.

"Small growers are not showing any interest in replantation, but some large holders are replanting," said Prince Thomas George, secretary of the Association of Planters of Kerala. In India, small growers with half-an-hectare land on average, account for 90% of the total output.

-factiva.com, 23 Jan

Adulteration hits rubber industry

The rubber-based industries, especially the non-tyre sector, are being seriously hit by poor quality of Indian Standard Natural Rubber-20, widely known as crumb rubber. A lot of companies in the non-tyre sector have raised this issue with the Rubber Board.

According to sources, mixing of crumb rubber with poor quality skimmed rubber by a section of processors is the main reason for the poor standard of the product.

Skimmed rubber is produced as a residue while processing latex.

The practice has come to the fore in the last three months. According to sources, of the 60

companies producing crumb rubber, 20% are involved in manufacturing of the poor quality stuff. Most of the firms that are hit by the practice are small- and medium-level companies, who do not have the necessary equipment to check the rubber quality.

So far many companies have rejected poor quality crumb rubber being supplied by 10-12 processors. Industry sources urged immediate intervention of the Rubber Board to check the practice, which was destroying both the processing and the manufacturing sectors.

-factiva.com, 25 Jan

India's Rubber Board to showcase Indian Rubber Brand

India's state-run Rubber Board is creating an 'Indian Rubber' brand to promote rubber produced in India in the international market, the Hindu Businessline newspaper reported recently.

Chairman Sajen Peter said the board is in the process of developing an 'Indian Rubber' brand with support from the Brand Equity Foundation.

The brand, which will cover all varieties of rubber exported from India, will be launched in May this year, the paper said.

-factiva.com, 30 Jan

Bridgestone to raise China tyre prices in March

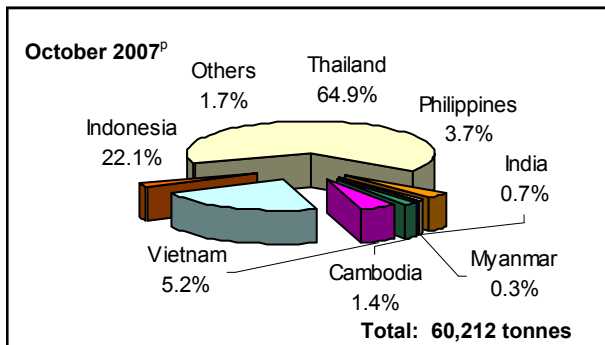
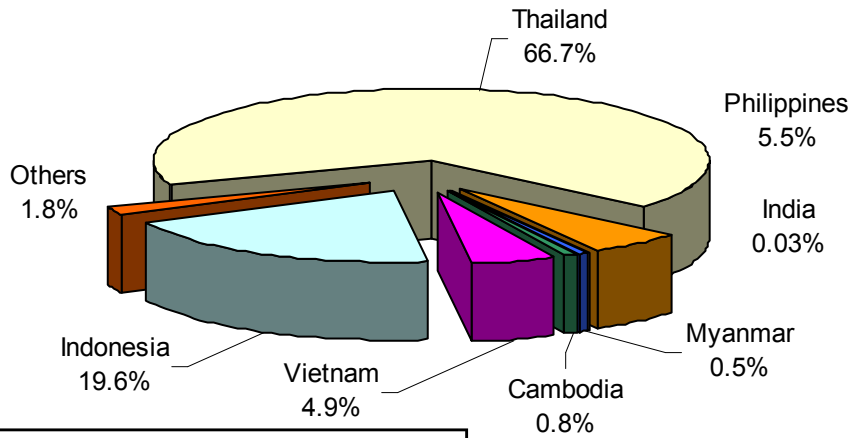
Japan's top tyre maker, Bridgestone Corp, said recently that it will raise prices in China by up to 5% beginning in March due to higher raw material prices.

Bridgestone will mark up prices for its tyres by 3 to 5% because a cost-cutting initiative failed to offset rising raw material costs, it said in a statement. It did not provide the current prices.

Front-month crude oil futures contracts in New York touched an all-time high of \$100.09 a barrel on Jan. 3, while natural rubber prices have risen in the past year, fueled by China's growing demand from the tyre industry.

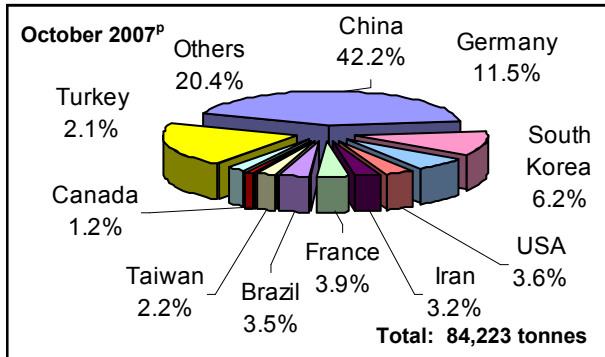
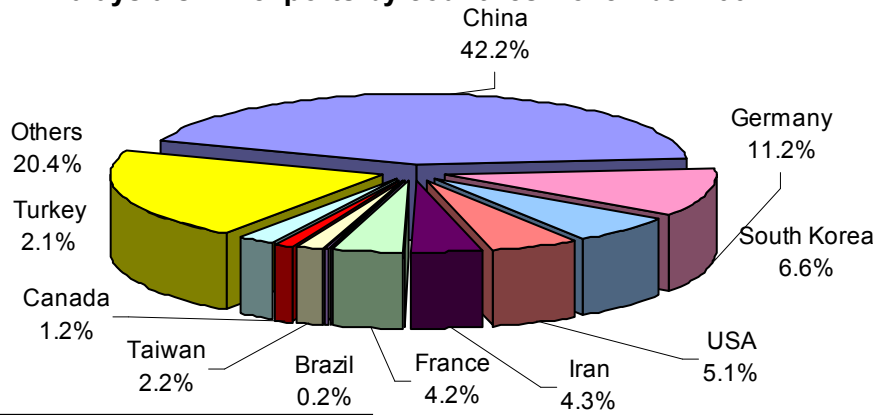
Bridgestone, which competes with Michelin and others in China, operates four manufacturing facilities in the country.

Malaysia's NR imports by countries November 2007^P



Total: 59,395 tonnes

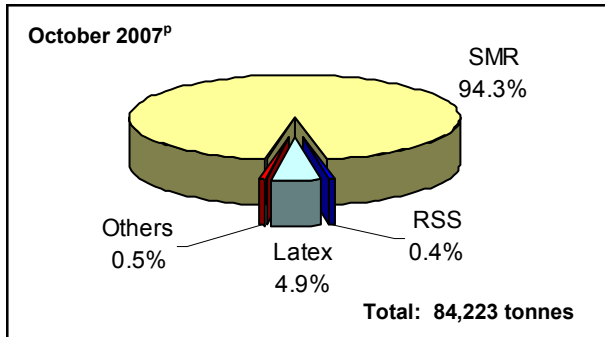
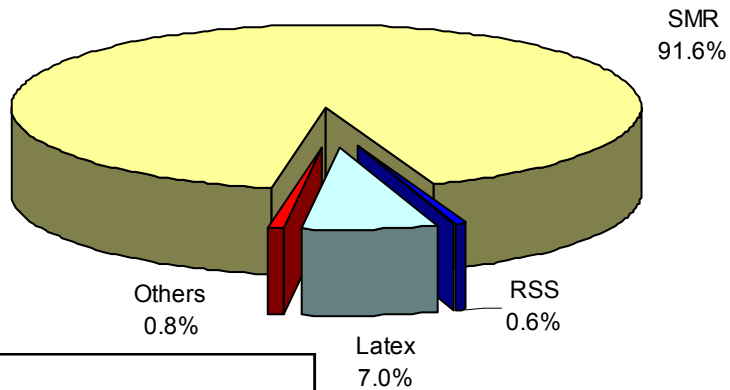
Malaysia's NR exports by countries November 2007^P



Total: 86,747 tonnes

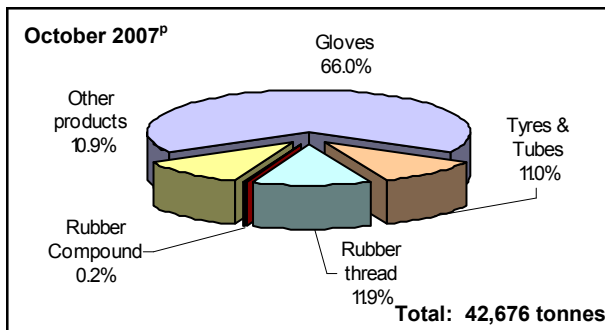
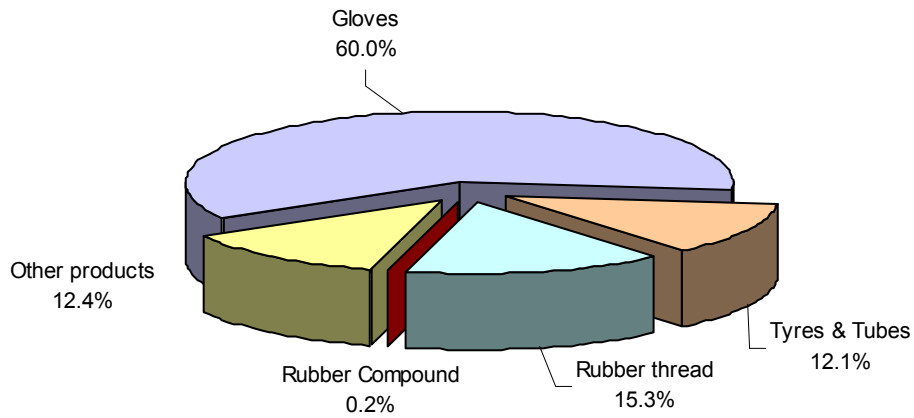
Note: ^P = provisional

Malaysia's NR exports by types November 2007^P



Total: 86,747 tonnes

Malaysia's NR consumption by sectors November 2007^P



Total: 39,102 tonnes

Note: ^P = provisional