



# MALAYSIAN RUBBER BOARD

## D I G E S T

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## Natural Rubber Market Review

### January

The first month of the New Year saw SMR 20 price at the Kuala Lumpur rubber market continuing to record a new lowest level, extending from the previous year trend. Generally easier conditions set in during the review period as consumer interest was poor, in addition to the downtrend in the regional rubber futures market coupled with strengthening of *ringgit* against US dollar. Compared with those on 31 December 2015, the price of SMR 20 decreased by 34.0 sen/kg or 7.1% to close at 445.50 sen/kg while latex concentrate closed at 369.00 sen/kg, rose by 37.5 sen/kg or 11.3%. The price movements of selected grades of rubber in January 2016 are shown in *Table 1*.

The Kuala Lumpur rubber market opened the month with a sharp decline resulting from weak advices from both physical and futures rubber markets in the region in addition to bearish crude oil prices. The announcement that China's factory activity shrank for a 10<sup>th</sup> straight month in December reinforced investor's concern on slowing China demand, further depressing rubber

prices. During the first trading week, gains in rubber market were capped by a bearish US crude oil price from Middle East tensions and weaker advices from Shanghai Futures Exchange (SHFE) due to tumbling stock prices.

The second trading week exhibited a mixed market scenario as the market dropped sharply on 12<sup>th</sup> January before rebounding throughout the week. The steep decline was attributed to weak advices from Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) along with a sharp decline in crude oil prices. Meanwhile, the positive sentiments leading to the rebound owing to the announcement from Thailand government to buy raw rubber sheets at 45 Baht per kilogram directly from their planters; the weakening of *ringgit* against the USD and also bargain-hunting activities at TOCOM.

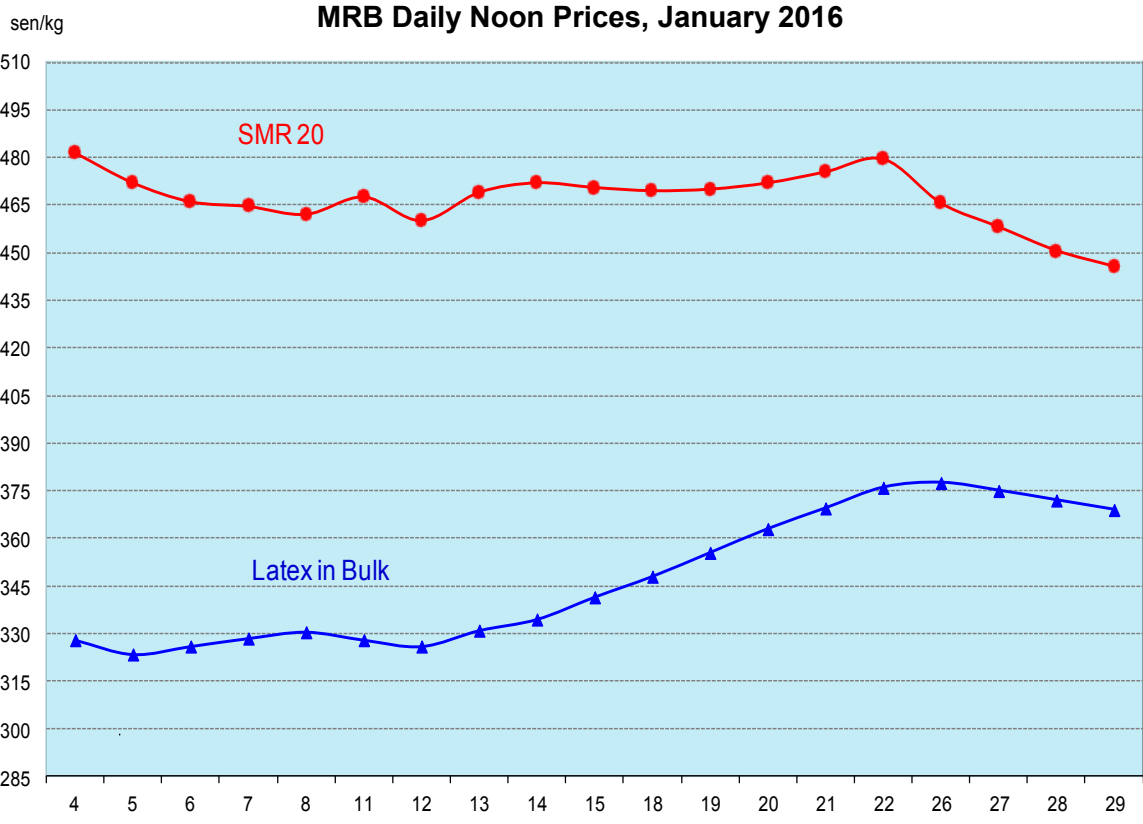
The third trading week saw a slight gain as the positive sentiment continued from Thailand's effort to shore up price. Gains from regional markets also provided optimism to market players. Recovery of crude prices also played a part. Brent crude oil recovered after reaching its new lowest at USD 27.85 per barrel on 20<sup>th</sup> January 2016. However, gains were capped by

**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, January 2016**

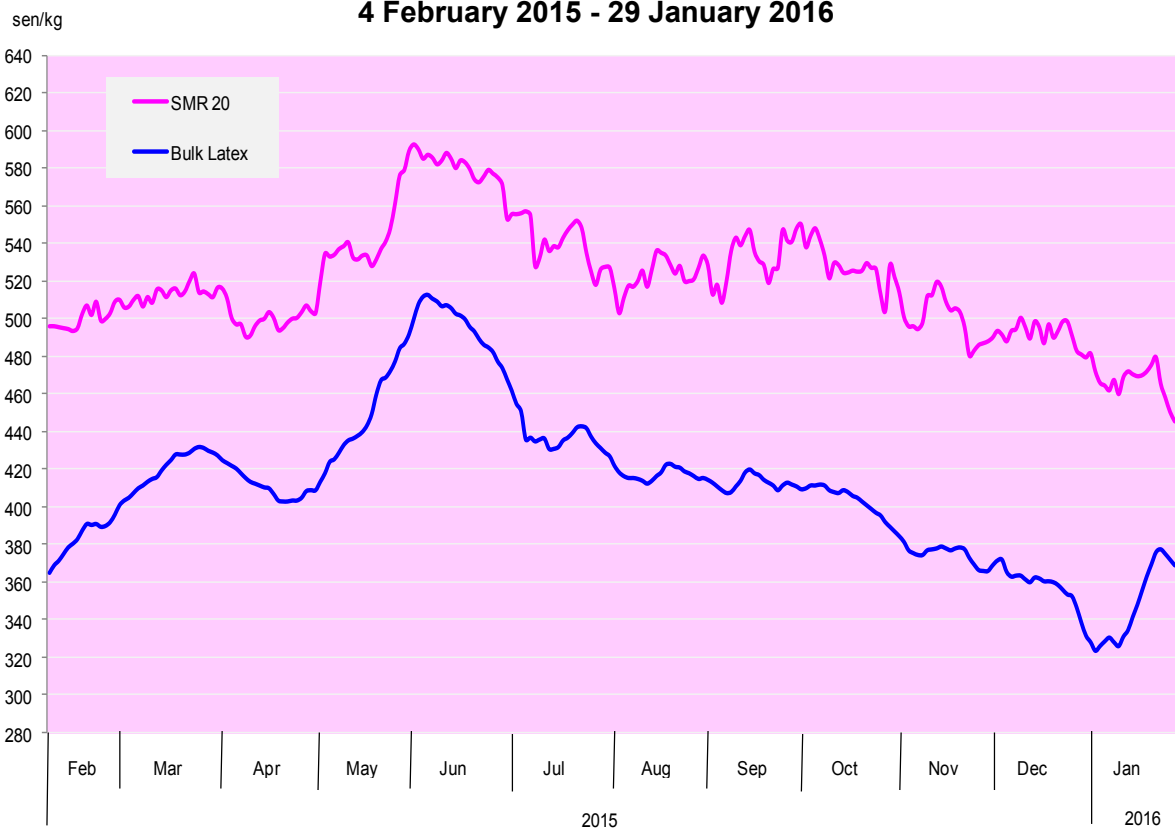
	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	578.00	5,780.00	481.50	4,815.00	377.50	3,775.00
<b>Lowest</b>	519.50	5,195.00	445.50	4,455.00	323.50	3,235.00
<b>Average</b>	553.71	5,537.10	466.89	4,668.90	347.53	3,475.30
<b>Change from the last day of the previous month</b>	2.00	20.00	-34.00	-340.00	37.50	375.00

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

Source: Malaysian Rubber Board



**SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices  
4 February 2015 - 29 January 2016**



worries over the softer Chinese economy, global commodity market turmoil and stronger *ringgit* against US dollar.

During the fourth trading week, prices resumed its decline as *ringgit* continued strengthening. Overall conditions were influenced by weaker advice in regional markets from profit-taking, concerns on US Federal Reserve decision to keep interest unchanged, China share market turmoil and also global economic conditions.

At the end of review period, SMR 20 stood at 445.50 sen/kg continuing downtrend from 2015 while latex in bulk closed at 369.00 sen/kg. The mixed sentiment was contributed by volatility of *ringgit* against US dollar, prolonged concern over softer demand from China as well as lower crude oil prices.

## Outlook

The outlook for the rubber market is uncertain as external factors continue to play a major role in determining prices. The market is expected to weigh down by the world economic condition, development in China's economy, crude oil prices, currency movements as well as the market direction of both physical and futures markets in the region in the near-term. Meanwhile, it is expected that Chinese buyers will be on the side-line due to the coming Lunar New Year celebrations.

## News Briefs

### **Smooth sailing for rubber gloves**

The rubber glove sector should continue on its smooth-sailing path driven by robust earnings outlook, given that capacity in the sector is still below market demand. Also, the sector will continue benefiting from a strengthening US dollar as sales are denominated in the currency while only half of its production costs are US dollar denominated.

Local glove players' operating efficiency is foreseen to improve as they focus on increasing automation for better yield and reducing labour dependency. Additionally, higher healthcare expenditure will boost demand for gloves and growing glove consumption per capita. Analysts

expect demand for rubber gloves to expand by 8% to 10% backed by the increase in healthcare expenditure particularly in Asian countries.

In the first half of 2015, Malaysia shipped out 52 billion gloves, an increase of 16.2% year-on-year from 44.7 billion pieces in the first half of 2014. Malaysia exported 28.5 billion pieces and 23.4 billion pieces of latex and nitrile gloves respectively in the first half of 2015.

- *The Star*, 2 Jan

### **Rubber prices in Malaysia higher than Thailand - RISDA**

The Rubber Industry Smallholders' Development Authority (RISDA) denied allegations that rubber prices in Thailand were higher than Malaysia. RISDA chairman Datuk Zahidi Zainul Abidin said prices of rubber in Malaysia was higher compared with Thailand.

He said based on the record from the Thai Rubber Association, the price of scrap rubber in Thailand was 15 Baht or RM1.87 while in Malaysia the price is RM1.90 or three sen higher in contrast to what was highlighted on the social media that price in Malaysia was RM2.20 compared with Thailand's RM4.50 per kilogramme. "It is the same with latex. We buy at RM3.50 a kilogramme while Thailand offers 28 Baht or (RM3.39). Therefore, our price is better than Thailand which is lower by 11 sen," he told reporters when commenting on reports in the social media that has gone viral.

- *Bernama Daily Malaysian News*, 7 Jan

### **World Bank reduces forecast for global economy in 2016 as developing countries struggle**

The World Bank has cut its forecast for global growth this year given weakness in the developing world. The aid agency said that it expects the world economy to expand 2.9 per cent in 2016, down from the forecast of 3.3 per cent it made in June. The global economy grew 2.4 per cent in 2015. Several big developing economies including Brazil and China are slowing or shrinking. Their troubles have disproportionately hurt their smaller trading partners, which have also been squeezed by depressed commodity prices.

The World Bank expects developing countries to collectively grow 4.8 per cent, up from a six-year low 4.3 per cent in 2015. China, the world's second-biggest economy, is expected to register 6.7 per cent growth, down from 6.9 per cent in 2015 and the slowest pace since 1990. The economic prospects of advanced economies appear to be brightening as the developing world struggles. The World Bank expects the U.S. economy to grow 2.7 per cent this year, up from 2.5 per cent in 2015 and the fastest pace since 2006.

- *The Canadian Press*, 7 Jan

### **Vietnam rubber plantation rises to over 1M Ha**

Vietnamese companies and farmers planted additional 241,000 hectares of rubber in 2015, raising the total rubber growing areas in the country to over one million hectares, said the Ministry of Agriculture and Rural Development. The current rubber acreage surpassed the country's planning of 800,000 ha, the ministry said. The rubber latex output also rose 262,000 tonnes last year while prices of unprocessed rubber latex continue to fall. Many Vietnamese farmers have chopped down their rubber plantation and many rubber plantations in the northern mountainous province have become unharvestable.

- *Vietnam News Brief Service*, 7 Jan

### **TARRC kit to monitor latex goods' allergens**

The Tun Abdul Razak Research Centre is working on a test kit that would determine the allergenicity of natural rubber latex products, but the product still is likely at least a year away from commercialization. The kit is able to monitor allergens in latex goods such as gloves, according to Alessandra DiCola, a scientist in TARRC's biotechnology unit.

"The kit is dedicated to the detection of two specific allergens," DiCola said in an interview. "These two, used in combination, have shown that they can be used as a diagnostic for allergenicity. We don't need to monitor all 13 (allergens). If we're able to detect those two, we can have an idea of how allergenic the product is." TARRC is hoping to aim the kit at manufacturers in the industry either during or at

the end of production, with the testing product utilized as a quality control system.

- *Rubber & Plastics News*, V:45, No:12, 11 Jan

### **Vietnam Rubber Group plans to open rubber exchange in end-2016**

Vietnam Rubber Group (VRG) intends to establish a rubber exchange at the end of this year to offer businesses and farmers a new rubber trading channel. Le Xuan Hoe, deputy general director of VRG, told the Daily that the group would operate the rubber exchange in partnership with the Vietnam Commodity Exchange (VNX) and Singapore Straits Pte Ltd (SSPL).

Hoe said VNX is involved in agricultural produce transactions, so it will be responsible for facilities and data, while SSPL will be in charge of trading, transport, delivery, and information collection. Initially, the rubber exchange will focus on natural rubber products, Hoe said. According to VGR, rubber firms and farmers have for years set their rubber prices based on prices offered on regional commodity exchanges such as TOCOM in Japan, SHFE in China, AFET in Thailand, and SGX in Singapore. Vietnam now has VNX but only RSS3 rubber is traded on the exchange.

- *The Saigon Times Daily*, 13 Jan

### **Japan's tyre makers develop rubber tree alternatives**

Major tyre makers, concerned about rubber shortages in light of growing demand for tyres in emerging countries, are turning away from rubber trees to other rubber-yielding plants. Bridgestone Corp. released prototype tyres made of rubber extracted from guayule, a desert shrub grown in North and Central America, in October last year. According to the company, there is little difference in mileage or performance between tyres made of rubber from rubber trees and tyres produced with rubber that comes from the guayule shrub.

Sumitomo Rubber Industries Ltd., which produces the Dunlop brand, has started research on the Russian dandelion, a plant native to Central Asia that can grow in temperate regions, as an alternative to the rubber tree. It is said

rubber can be extracted from the roots of the plant. Overseas makers, including Continental AG, have also conducted research on the Russian dandelion.

According to one estimate, worldwide tyre demand will increase by about 4 per cent a year due to increasing sales of cars in emerging countries. "Amid growing demand for tires, we've been focusing on using natural resources," a spokesperson of Sumitomo Rubber Industries said.

- Asian News Network, 17 Jan

### **Philippine government allots P39 M to beef up rubber production**

The Department of Agriculture has approved a P39 million-project to further develop the rubber industry in Agusan del Norte. Agriculture Secretary Proceso Alcala said the establishment of improved rubber enterprises in Butuan would lead to optimum potential for profit among rubber farmers and manufacturers whilst generating additional jobs for the local community in the whole CARAGA region.

The local government unit has sought funding assistance from the Philippine Rural Development Project to further develop the local rubber industry. The project would create budded rubber seedlings production, provide production inputs and tools through the Plant Now, Pay Later scheme, and consolidation of rubber cup lump in terms of quality and marketing.

- The Philippine Star, 17 Jan

### **'Hike up synthetic rubber import duty'**

The indefinite fast launched by Kerala Congress (M) general secretary and MP, Jose K Mani, demanding urgent intervention of the Union Government in finding a lasting solution to the crisis in the natural rubber (NR) sector. Speaking at the venue of protests, Jose demanded the Union Government to increase the import duty on synthetic rubber from the existing duty of 10% to at least 25% as one of the steps to contain the steep fall in rubber price. "Out of the 5.36 lakh tonnes of synthetic rubber, used in the country during 2014-15, nearly four lakh tonne was imported from various countries.

After visiting Jose, Philipose Mar Chrysostom Mar Thoma Valiya Metropolitan, said that the fall in rubber price has shattered the state's economy and also sought the intervention of the Union Government in addressing the crisis.

- New Indian Express, 20 Jan

### **Thailand: Preparations made before buying rubber starts**

Authorities in two southern provinces made final preparations, one day before the government starts buying rubber from growers, aimed at assisting planters who are suffering from heavy losses following a dwindling in world natural rubber prices. Surat Thani Deputy Governor, Vichawut Jinto inspected areas where officials would purchase 100,000 tonnes of rubber directly from growers.

Rubber growers can sell rubber at 10 kilogrammes per *rai* with the maximum of 15 *rai* in seven districts of the province. On Sunday, a number of rubber growers have sold rubber latex at 36 *baht* per kilogramme, more than 10 *baht* per kilogramme from earlier this month. However, growers complained that the price of rubber latex and rubber sheet ought to be 60 *baht* per kilogramme.

The government of Prime Minister, Gen Prayut Chan-ocha has pledged earlier this month to buy rubber at 45 *baht* per kilogramme directly from growers aimed at helping them to earn more income. Simultaneously, officials of the Office of the Rubber Replanting Aid Fund in Satun province held a meeting with representatives of rubber purchase cooperatives and small buyers on how government agencies would utilise rubber after buying.

The government will buy rubber from growers who have registered themselves with the Rubber Authority of Thailand from January 25 to June 30. (TNA)

- Organisation of Asia-Pacific News Agencies, 24 Jan

### **Thailand eyes US\$10 Bln in investments for Rubber City**

Thailand aims to attract US\$10 billion (US\$1=RM4.29) in investments to its "Rubber City" located at the Southern Region Industrial Estate in Songkhla's Hatyai district, Thai Ambassador to Malaysia, Damrong Kraikuan said. He said the Rubber City which focuses mainly on the midstream and downstream industry is intended to be an integrated centre of production for rubber processing, such as tyres, rubber gloves and compound rubber.

The newly established production site is located some 16 kilometers from the Hatyai International Airport, 45 km from Songkhla's deep sea port and about 80 km from the Malaysian border. In the initial phase, the total area set aside for the Rubber City will cover some 125 hectares, Damrong told a media briefing here today. "Our focus now is to value add to the raw products we produce," he said, adding, Thailand had an annual output of 4.1 million tonnes of natural rubber and only 1.4 million tonnes was used domestically.

- *Bernama*, 24 Jan

### **Breakbulk carriers still in natural rubber game**

Breakbulk shipping has retained a share of the market for U.S. imports of natural rubber, despite a global trend toward use of containers to transport the essential but damage-sensitive industrial commodity. Containers have become the preferred transportation mode for many shippers in markets including China, which imports more than a third of the world's approximately 12 million tons of natural rubber production, and the U.S., which has about a 10 percent share. Raw rubber is shipped in rubber sheets compressed into 75-pound blocks. Liquid latex is now poured into bags that hold 20 tonnes filling a 20-foot container.

Annual U.S. containerized imports of natural rubber ranged from 21,655 to 23,086 20-foot-equivalent units a year since 2010. Savannah, Virginia and Charleston each had about one-fourth last year's 21,865-TEU volume, according to PIERS, a sister company of JOC.com within IHS. New York-New Jersey and Baltimore handled most of the rest. Breakbulk shipments of

natural rubber to the U.S. are dominated by New Orleans and Morehead City, North Carolina. Both ports are served by PABX, the breakbulk unit of Singapore-based PACC Container Line. Savannah, Virginia and other ports also receive non-containerized natural rubber shipments on roll-on, roll-off ships of Wallenius Wilhelmsen Logistics.

- *Journal of Commerce Online*, 24 Jan

### **Malaysia, Thailand in 'friendly competition' for Rubber City FDI**

Both Rubber City projects in Kedah and in southern Thailand will engage in friendly competition to attract investments in downstream rubber product manufacturing, according to Kedah state executive councilor Datuk Dr Ku Abd Rahman Ku Ismail. "We will be engaging in friendly competition. They will do promotion, but the investors will make their decision," Ku Abd Rahman told *The Edge Financial Daily* over the phone.

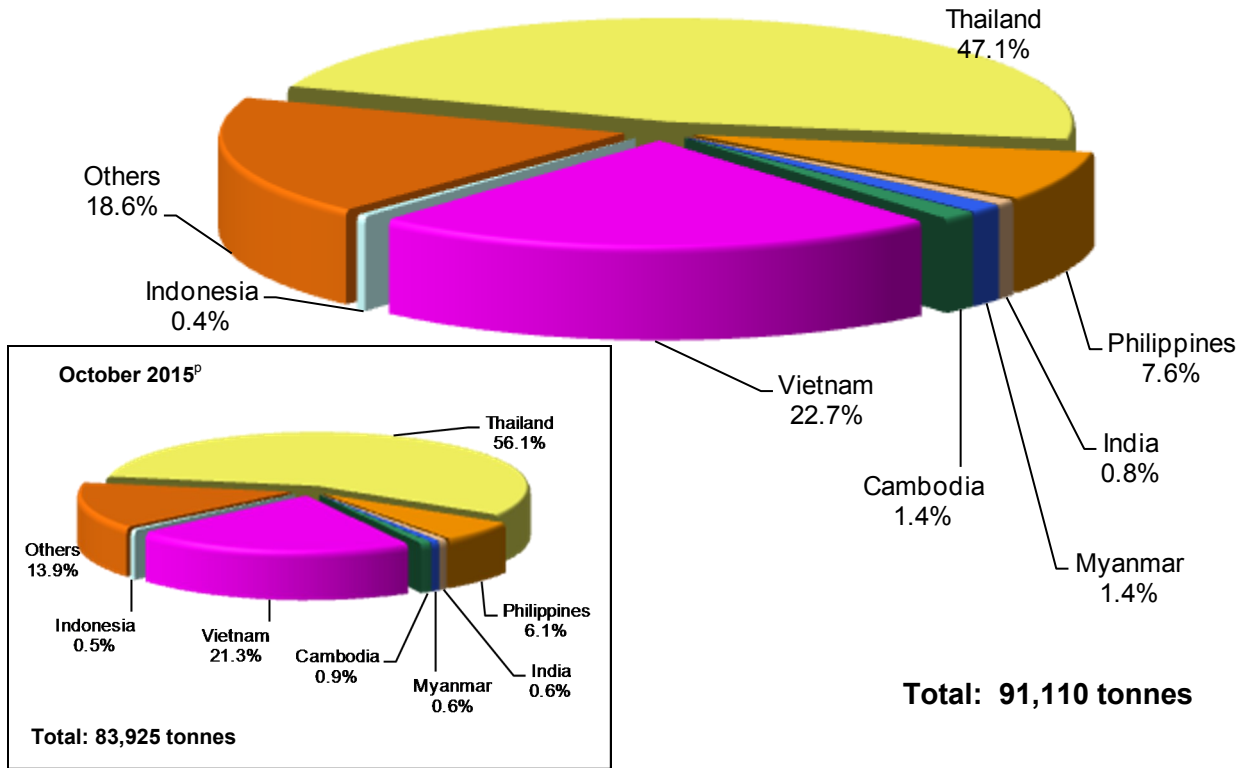
The preparation for Kedah's Rubber City, located in Padang Terap, was started about four years ago, at about the same time as the Thai government's Rubber City in Hatyai, which was launched on Dec 28, 2015. Ku Abd Rahman said the state government is in the midst of acquiring land in Padang Terap for the project, and expects to complete the acquisitions and land clearing by the third quarter of 2016.

While the acquisitions are being conducted, so is planning of the project, which includes the necessary infrastructure, waste management and zoning of the city, according to Ku Abd Rahman, who is in charge of the state's industry and investment, domestic trade, cooperatives and consumer affairs.

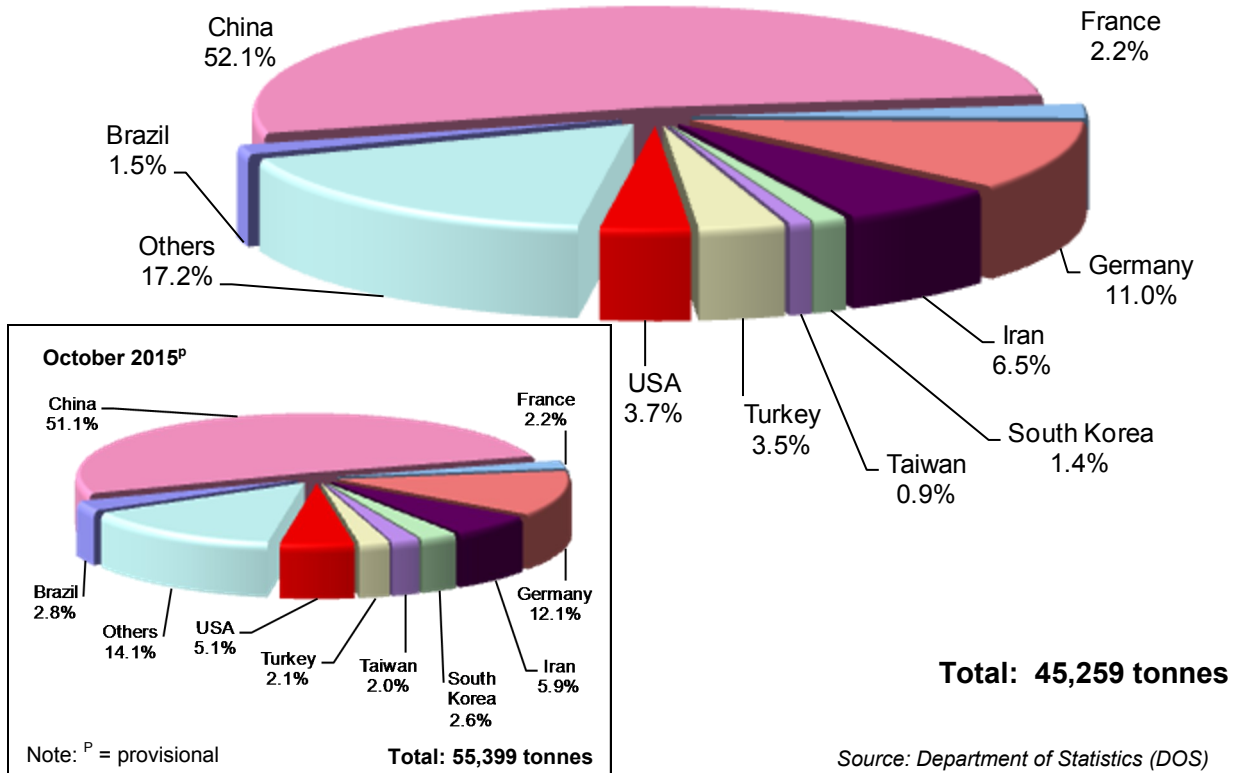
- *The Edge Financial Daily*, 26 Jan

Sources: *www.factiva.com*, *The Edge*, *The Star*

**Malaysia's NR imports by countries November 2015<sup>P</sup>**

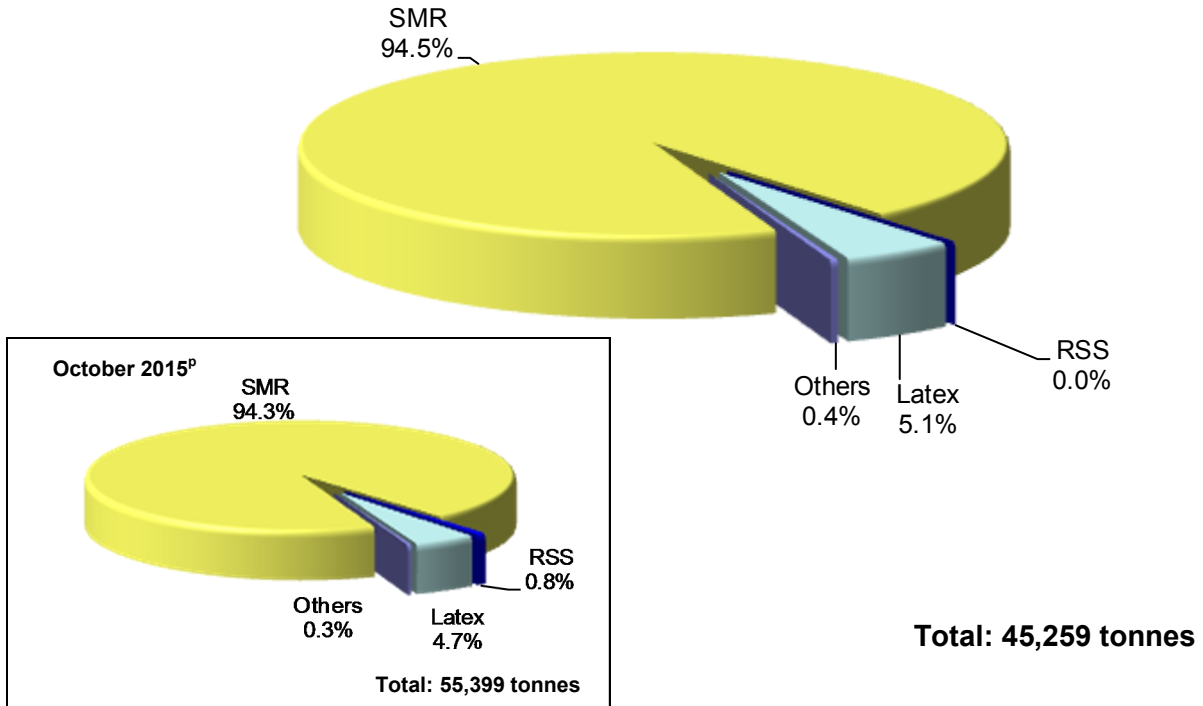


**Malaysia's NR exports by countries November 2015<sup>P</sup>**

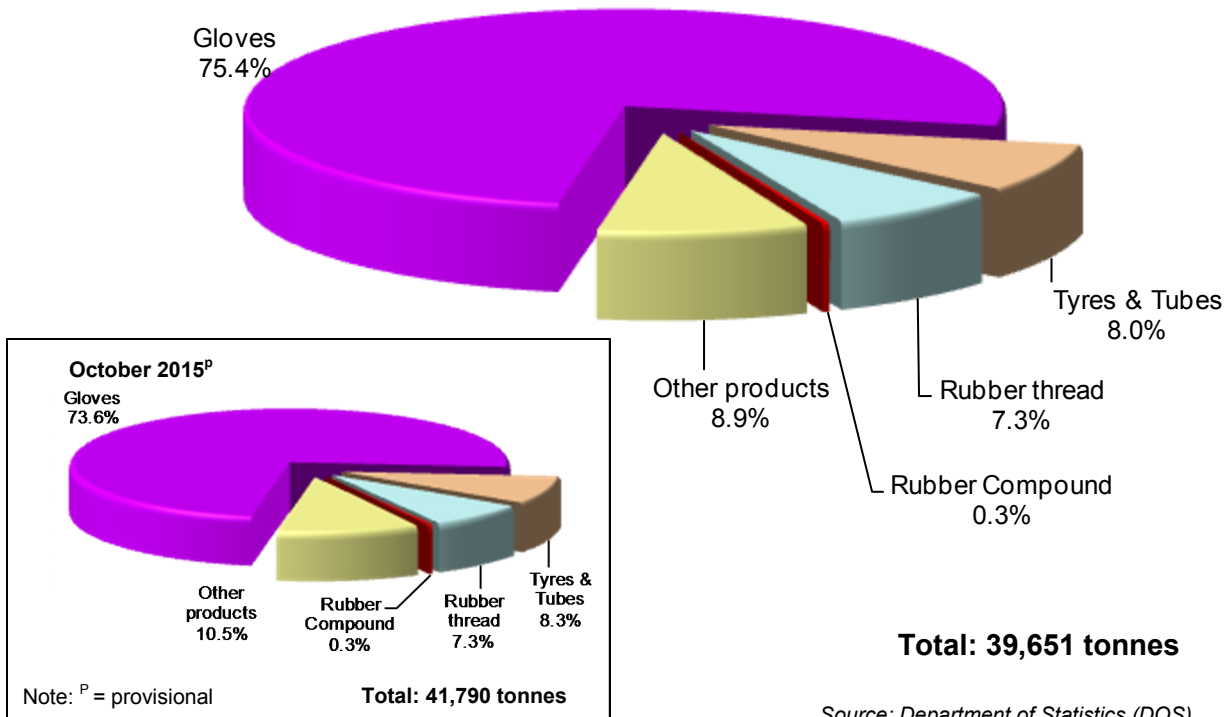


Source: Department of Statistics (DOS)

**Malaysia's NR exports by types November 2015<sup>P</sup>**



**Malaysia's NR consumption by sectors November 2015<sup>P</sup>**



Source: Department of Statistics (DOS)