MALAYSIAN RUBBER BOARD DIGEST
2019 OCT
A monthly publication of the Malaysian Rubber Board

Natural Rubber Market Review

October

In October, the market started the month on a bearish tone where price of SMR 20 fell to the lowest level in 2019 at 516.50 sen/kg on 4th October, pressured by negative news in China's market. Prices thereafter recovered gradually, lifted by concerns on supply disruption following an outbreak of a fungal disease coupled with an improvement in investor sentiment around ongoing negotiations between the United States and China. Compared with those on 30 October 2019, the price of SMR 20 gained 14.50 sen/kg or 2.7% to close at 552.00 sen/kg while latex concentrate closed at 432.50 sen/kg, increased by 1.50 sen/kg or 0.3%. Price movements of selected grades of rubber in October are shown in Table 1.

The market trending downward during the first trading week influenced by the absence of significant consumer interest as the markets in China were closed from 1st to 7th October 2019 in conjunction with National Day. The market reacted negatively to the news reported that a major trading company in China which imports 1.6 million tonnes of rubber a year from major rubber producing countries has halted rubber purchases and also terminated all unfinished contracts. The market was also dragged down by poor performance in the regional rubber futures markets and slumping global equity markets after U.S manufacturing data in September 2019 dropped to its lowest level since June 2009 at 47.8.

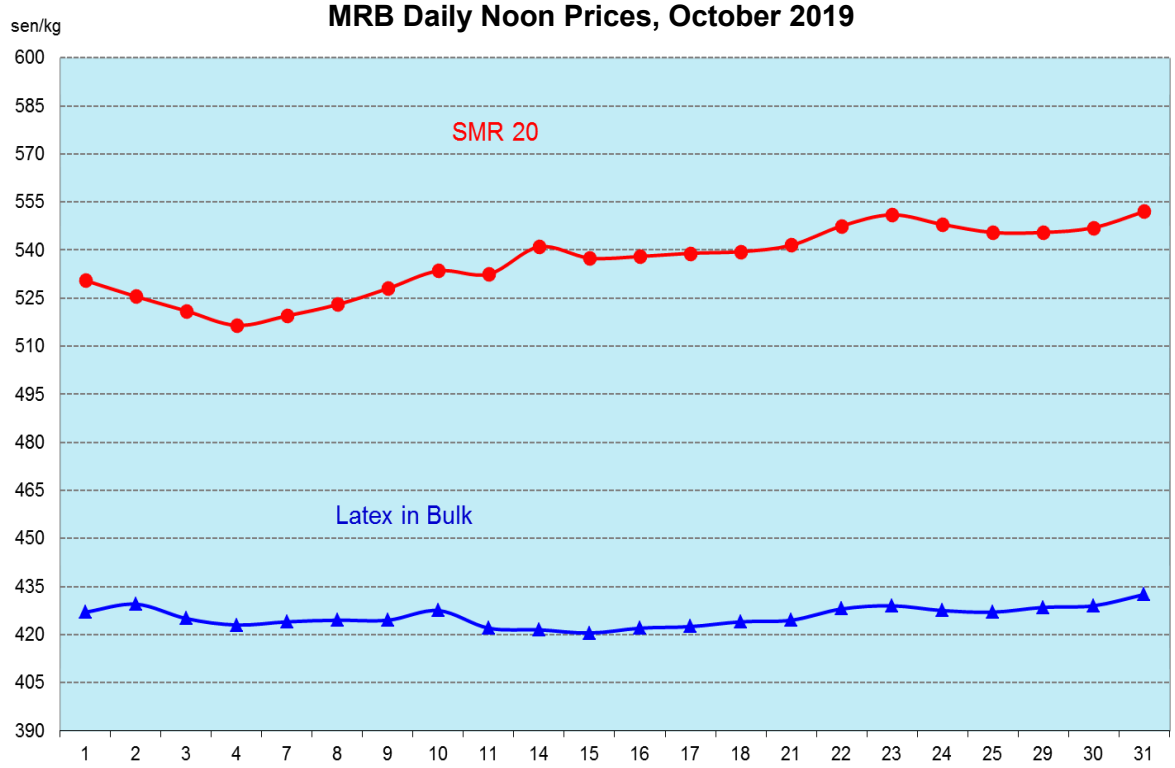
The market improved gradually after first trading week, bolstered by firmer advices from regional rubber futures markets as traders returned to the market from a week-long holiday in China coupled with the improvement in the partial U.S - China trade deal on 11 October 2019. U.S. President Donald Trump on 11 October outlined the first phase of a deal to end a trade war with China and suspended a threatened tariff hike on 15 October. Bullish sentiment was also encouraged by declining world natural rubber (NR) production. The Association of Natural Rubber Producing Countries (ANRPC) on 18 October 2019 reported that the world supply of natural rubber (NR) fell 8.3% to 5.853 million tonnes during the first half of 2019, on a year-to-year (y-o-y) basis. Market operators were also worried over the wide spread of fungal disease (*Pestalotiopsis* disease) to rubber plantations in

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, October 2019

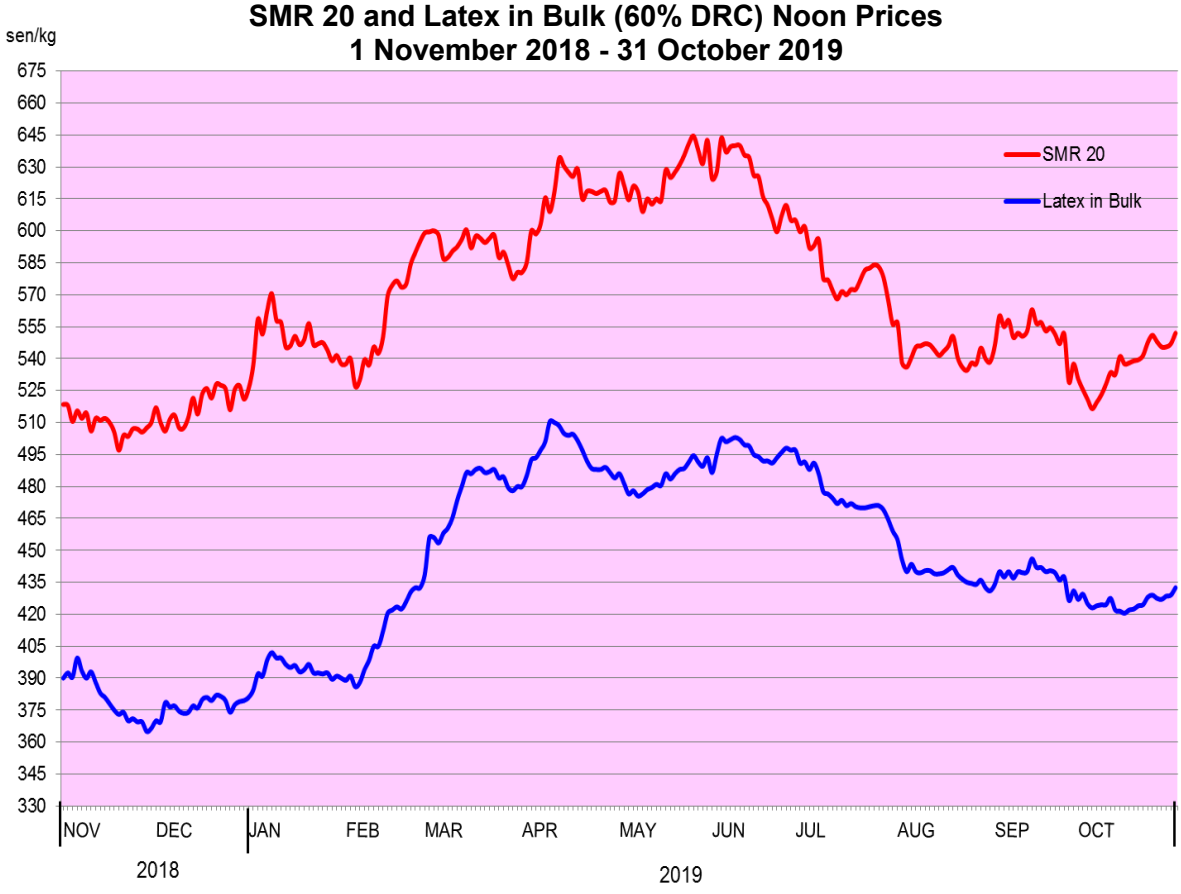
	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	741.00	7,410.00	552.00	5,520.00	432.50	4460.00
Lowest	721.00	7,210.00	516.50	5,165.00	420.50	4265.00
Average	729.36	7,505.00	536.50	5,365.00	425.61	4382.80
Change from the last day of the previous month	2.50	25.00	14.50	145.00	1.50	15.00

Note: * Reference price of latex concentrate in bulk, 60% DRC
Source: Malaysian Rubber Board

MRB Daily Noon Prices, October 2019



SMR 20 and Latex in Bulk (60% DRC) Noon Prices
1 November 2018 - 31 October 2019



Indonesia, Peninsular Malaysia and Thailand. According to the Rubber Authority of Thailand (RAOT), the estimated affected areas in one province in Southern Thailand was at 16,000 hectares and threatens to cut output in the affected areas by up to 50%. Furthermore, the Department of Statistics Malaysia (DOSM) on 11 October reported that Malaysia's NR production in August 2019 decreased 4.1% as compared to July 2019, from 60,088 tonnes to 57,599 tonnes. For year on year comparison, the production decreased 8.4%.

The market saw a slight downturn towards the end of the month as China auto sales in September recorded a continuous decline for 15 months. At the same time, China's third-quarter economy grew 6.0% from a year ago, the weakest pace in almost three-decade. The market remained featureless after China's official Purchasing Managers' Index (PMI) shrank for the sixth straight month in October at 49.3. Moreover, the market further dampened by rising rubber inventories in Shanghai Futures Exchange (SHFE) to 481,065 tonnes on 25 October.

Outlook

Prices at the Kuala Lumpur Rubber Market are expected to improve moderately in the near term as market operators concerns on supply disruptions due to fungal disease coupled with wet weather in major rubber producing countries. ANRPC anticipated the global NR supply outlook for 2019 to fall by 0.5% to 13.814 million tonnes on a year-to-year basis. The global demand outlook of NR in 2019 is expected to grow slightly at 0.5% amounting to 13.903 million tonnes. However, the uptrend is expected to be limited by persistent concerns about the global economic outlook and weaker China's economic data. Market players are expected to adopt 'wait and see attitude' on the developments of trade resolution between U.S and China.

News Briefs

MREPC to roll out new incentive for rubber product industry

The Malaysian Rubber Export Promotion Council (MREPC) is rolling out a new incentive to encourage companies in the rubber product industry to undergo a social compliance audit to meet social and ethical responsibilities to help to alleviate the burden of companies, particularly for small and medium enterprises. The council had also embarked on a study to gauge the readiness of industry members on meeting social compliance requirements and working with senior members of the industry to establish a Code of Conduct for the rubber product industry, focusing on several key issues related to the rights and welfare of workers to create a safe and conducive workplace environment.

- factiva.com, 2 Oct

Rubber Board launches mobile app for daily prices

India Rubber Board has launched a new mobile application, 'Rubber Trade Info', to collect natural rubber (NR) prices everyday. The objective is to upgrade the present price collection system and increase the data source. The strengthening of data source will increase the precision of price collection in the future, said a Rubber Board release. The Board has developed the mobile app for the Android platform with the help of the National Informatics Centre, it added.

- factiva.com, 2 Oct

Giant Chinese rubber trader halts deals, sparking price rout

Chongqing General Trading Chemical, a unit of a massive state-owned consortium that operates and trades everything from department stores, hotels and automobiles and has over 100,000 employees, issued a notice last Friday disclosing the trading halt, according to people familiar with the situation. The company is China's biggest rubber trader, importing 1.6 million tonnes a year and the Asian nation bought 2.6 million tonnes of rubber last year.

-theedgemarkets.com, 4 Oct

Ministry extends hand to rubber glove employers to comply with audit

The Human Resource Ministry will extend a helping hand to rubber glove employers in carrying out a comprehensive social compliance audit in line with international standards before it comes into force in 2021, said its Minister M. Kula Segaran. Kula Segaran said businesses should not wait until 2021 as it was a pressing issue now. “So my advice for the industry is do not wait until 2021, if you want the business, you need to comply with the rules now and that is why the government is willing to assist you,” he added.

-thesundaily.my, 4 Oct

China sees decline in synthetic rubber imports

China's synthetic rubber imports are declining just as the country is stepping up its research and development efforts within the synthetic rubber sector, and working to establish itself as a leader in technology and materials. These combined efforts have led to increased production and, ultimately, larger export volumes. China's synthetic rubber imports fell by 10.4% to 1.2 million metric tonnes in 2018, while exports rose by 9% to 153,000 tonnes, marking the reversal of a trend that had been building for several years. China last year also stepped up its synthetic rubber production, increasing it by about 3% to 3.7 million tonnes, compared to 2017. Consumption throughout the country reached 4.9 million tonnes last year.

- factiva.com, 7 Oct

Halcyon Agri project focuses on sustainability

Halcyon Agri, the world's largest natural rubber producing company, is undertaking a major project in Cameroon to address sustainability and human rights issues at its operations there. In April, Halcyon Agri's Corrie MacColl subsidiary, which is responsible for the company's plantation management, formed the Cameroon Sustainability Council, which represents a collaborative effort between the company and various non-governmental organizations and civil societies operating in Cameroon.

- factiva.com, 7 Oct

Rubber smallholders to receive IPG of 45-75 sen per kg for Sept

The Rubber Production Incentive (IPG) has been activated nationwide for September, the Malaysian Rubber Board announced today. In a statement, the board said the cuplump payment would be 45 sen per kg for the peninsular, 75 sen per kg for Sabah and 55 sen per kg for Sarawak.

This followed the average September farmgate prices for cuplump or scrap rubber of RM2.05 per kg, RM1.75 per kg and RM1.95 per kg for the peninsular, Sabah and Sarawak, respectively, it said.

“Smallholders can make their IPG claims based on September production from Oct 1 to 31, 2019,” it added. Effective from January this year, the IPG will be activated when the average monthly SMR 20 FOB is at the RM6.10 level or the farmgate price is at RM2.50 per kg or lower. Previously, the activation price at the farmgate level had been RM2.20 per kg.

-theedgemarkets.com, 8 Oct

IPG scheme helps smallholders tide over falling rubber prices

The Rubber Production Incentive (IPG) scheme ensures that the farm-gate rubber price for smallholders will not be affected by the decline in world market prices, the Malaysian Rubber Board (LGM) said. It said the government is concerned over the current situation of rubber prices and will continue to ensure the well-being of smallholders through the IPG implementation.

“Globally, Malaysia continues to cooperate with Thailand and Indonesia under the International Tripartite Rubber Council (ITRC) framework to address the prolonged decline in rubber prices through measures such as the supply management scheme, demand promotion scheme and agreed export tonnage scheme,” it said in a statement.

-theborneopost.com, 8 Oct

Govt disburses RM35 mil to help rubber smallholders affected by floods in Sabah

The government has disbursed RM35 million through the Sabah Rubber Industry Board (LIGS) to be paid to 58,333 rubber smallholders in the state to help ease their burden during the monsoon season, said Sabah Agriculture and Food Industry Minister Datuk Junz Wong . He said the payments were for three months beginning November last year, with the smallholders receiving RM200 a month.

-theedgemarkets.com, 9 Oct

New rubber replanting underway

The Sabah Rubber Industry Board (LIGS) is implementing new rubber tree planting and replanting projects on 5,016 hectares involving 1,672 smallholders, State Agriculture and Food Industry Minister Datuk Junz Wong said. In Tenom, 19,311.65 hectares have been planted to date involving 5,417 smallholders, he said. LIGS also conducts additional economic activities to ensure smallholders earn extra income such as by planting ginger, black pepper, fruits and cultivating kelulut or stingless bee honey. The Federal Government has allocated RM3 million specifically for such projects.

-dailyexpress.com.my, 10 Oct

Labour shortage hits Malaysia's rubber glove exports

Malaysia's projected rubber glove export for this year has been revised down to 188 billion pieces from 195 billion pieces earlier due to the current labour shortage, said Malaysian Rubber Glove Manufacturers Association (MARGMA) president Denis Low Jau Foo. "Hence we are asking the Government to allow us to hire more workers, while ensuring social compliance as set by the European Union (EU) regulations," he told reporters at the Malaysian Rubber Export Promotion Council (MREPC) and MARGMA networking dinner.

-theedgemarkets.com, 9 Oct

Budget 2020: RM200 million to assist smallholders weather rainy seasons

Recognising the hardships caused by low rubber prices, the government will allocate RM200 million for Bantuan Musim Tengkujuh (Rainy Season Aid) to eligible rubber smallholders under the Rubber Industries Smallholders Development Authority (RISDA) and Lembaga Industri Getah Sabah (LIGS). Finance Minister Lim Guan Eng said the government will also allocate RM100 million for the Rubber Production Incentive in 2020 to enhance the income of smallholders faced with low rubber prices.

- factiva.com, 11 Oct

Malaysia natural rubber production decreases in August 2019

Malaysia's natural rubber production in August 2019 decreased by 4.1% to 57,599 tonnes from 60,088 tonnes in July 2019, said the Department of Statistics. Chief statistician Datuk Seri Dr Mohd Uzir Mahidin said comparison year-on-year with August 2018 showed the production of natural rubber also decreased by 8.4%. Meanwhile, exports of Malaysia's natural rubber amounted to 55,879 tonnes, decreasing by 16.9% against 67,273 tonnes in July 2019, with China remaining as the main natural rubber export destination contributing 52.6% of the total natural rubber exports.

-theedgemarkets.com, 11 Oct

Iran becoming self-sufficient in heavy tyre industry: Minister

Speaking to Tasnim News Agency in Ardebil, Reza Rahmani said that Iran will become fully self -sufficient in manufacturing heavy tyres as soon as four major tyre factories come into operation in different provinces. He added that development of a tyre factory in the province of Ardebil would push Iran 30% closer to the target of self-sufficiency in the heavy tyre industry.

- factiva.com, 12 Oct

Thailand to implement guaranteed rubber prices to help rubber farmers

Thailand's rubber farmers, who have sold their rubber at loss for the last five years, are to be assisted under the new project by the Ministry of Agriculture and Cooperatives – a price guarantee project. According to its Minister Chalermchai Sri -on, about 1.4 million documented/undocumented rubber farmers will benefit from the initiative. The guaranteed price project will be implemented from Oct 2019 onwards and rubber farmers will be eligible to join after registering with the Rubber Authority of Thailand (RAOT).

- rubberjournalasia.com, 12 Oct

Rubber exports fetch US$231 million in nine months

Cambodia exported $231 million worth of rubber in the first nine months of this year, a year-on-year increase of nearly 22% from $190 million last year, a Ministry of Agriculture, Forestry and Fisheries official said. Khuon Phalla, director of the Department of Administration and Legislation under the ministry's General Directorate of Rubber, told The Post that Cambodia's rubber exports during the period reached 173,072 tonnes, a year-on-year increase of 23.35% from 140,303 tonnes.

- factiva.com, 15 Oct

South Africa invests in tyre tech from Down Under

Australian tyre recycler Green Distillation Technologies has signed an agreement worth up to AU$ 50 million with Volco Power Ltd to establish five tyre recycling plants in South Africa. The plan is to build the facilities in five of South Africas nine provinces depending on the volume of tyres available. The new plants will comprise of six processing modules and will process around 700 000 used tyres per year into 8 million litres of oil, 7700 tonnes of carbon black and 2000 tonnes of steel.

- factiva.com, 15 Oct

Rubber growers seek minimum support price

Pointing out at the deep fall in the prices of natural rubber over the past five years, Karnataka Rubber Planters Association (KRUPA) on Tuesday demanded that the State government provide minimum support price to growers under the market intervention scheme. Addressing presspersons here, N. Sharath Bhandary, president, KRUPA, said that the prices crashed from Rs 245 a kg in January 2012 to Rs 118 a kg in Oct 2019. The Kerala government has ensured that rubbers growers in its State were given RS 150 a kg, which is the minimum production cost per kg, as minimum support price.

- thehindu.com, 16 Oct

China remains biggest buyer of Vietnamese Rubber in Jan-Sep: Customs

China remained the biggest buyer of Vietnamese rubber in the first nine months of this year after the former imported 726,000 tonnes of rubber at $974.7 million from the latter, up 9.7% year-on-year in volume and 8.3% year-on-year in value, said the General Department of Vietnam Customs. In September, China spent $133 million on buying 103,000 tonnes of rubber from Vietnam, up 2.6% y/y in value and 2% y/y in volume, the agency added.

- factiva.com, 16 Oct

Top rubber producer Thailand hit by fungal disease outbreak

A key rubber tree-growing area in Thailand has been hit by an outbreak of a fungal disease, which could halve the area's output, the country's rubber authority said. The disease, called Pestalotiopsis, has spread into Thailand after hitting plantations in neighboring Indonesia and Malaysia. The Rubber Authority of Thailand said the disease, which causes leaves to turn yellow and spotted as it spreads, was recently found in three districts in Narathiwat, a key rubber growing province in southern Thailand.

- reuters.com, 21 Oct

Cambodia's rubber export up 23% in 9 months

Cambodia exported 173,072 tonnes of dry rubber in the first nine months of 2019, up 23 % over the same period last year, according to a General Directorate of Rubber report released on Thursday. The country made gross revenue of 231 million U.S. dollars from exports of the commodity during the January-September period this year, up 20 % over the same period last year, the report said.

- xinhuanet.com, 25 Oct

Greenyield says now an opportune time to diversify into rubber plantations

Greenyield Bhd, which is principally engaged in the manufacturing of agricultural and horticultural products, wants to diversify into rubber plantations, which it anticipates may contribute to at least a quarter of its net profit in the future. "Current low natural rubber prices provide an opportunity for the group to diversify into the rubber plantation ownership business in line with the group's long-term view towards the future recovery of commodity prices which are known to experience significant downtrends and uptrends," Greenyield said.

-theedgemarkets.com, 25 Oct

Economist says impeachment could cause U.S. recession

If Congress' impeachment proceedings of President Trump drag on, it could cause a recession, an economist warned in Findlay. To be sure, other uncertainties - tariffs, global economic weakness, Middle East turmoil, United Kingdom-Europe political discord - are causing problems, said Robert Morgan, senior consultant for ProBank Austin in Toledo. But for potential harm to the U.S. economy, they pale by comparison to an impeachment, he said. If the impeachment proceedings get completed soon and some other uncertainties are resolved, the economy could grow faster than it has in recent years, he said. Morgan's presentation was sponsored by Citizens National Bank.

-factiva.com, 25 Oct

Vehicle sales in China sputtering as markets in urban areas peak

China's car sales have slumped over the past year, reflecting tougher economic conditions and tax changes, as well as the saturation of some segments of the domestic market. Car sales slowed to 21.7 million in the 12 months to September 2019, down from a peak of 25.3 million in the 12 months to June 2018, according to the China Association of Automobile Manufacturers. Slowing sales have coincided with a loss of momentum across the economy, with the purchasing managers' index for manufacturing trending lower since May 2018, data from the National Bureau of Statistics shows.

-factiva.com, 28 Oct

EU agrees Brexit delay as British parliament blocks December election

The European Union agreed to a Brexit delay of up to three months on Monday, as Prime Minister Boris Johnson said he would push on with his bid to end Britain's political paralysis with an election on Dec. 12. With the United Kingdom's scheduled Oct. 31 departure from the EU now virtually certain to be postponed, Brexit hangs in the balance, with British politicians still arguing over how, when or even whether the divorce should take place at all.

-reuters.com, 28 Oct

U.S. may extend tariff suspensions on $34 billion in Chinese goods

The United States Trade Representative is studying whether to extend tariff suspensions on $34 billion of Chinese goods set to expire on Dec. 28 this year, the agency said. The USTR, the lead U.S. trade agency, said it would take comment on the proposed tariff suspension from Nov. 1 to Nov. 30.

The USTR said in December 2018 that, at the request of U.S. importers, $34 billion in Chinese goods would be exempt from 25% tariffs first set in July of 2018. The USTR will evaluate U.S. importers' efforts to source the products in the United States or from third countries when it

decides whether to extend tariff suspensions, according to a Federal Register notice.

-reuters.com, 29 Oct

Fed cuts interest rates, but indicates a pause is ahead

The Federal Reserve approved an expected quarter-point interest rate cut on Wednesday but indicated that the moves to ease policy could be nearing a pause. In a vote widely anticipated by financial markets, the central bank's Federal Open Market Committee lowered its benchmark funds rate by 25 basis points to a range of 1.5% to 1.75%. The rate sets what banks charge each other for overnight lending but is also tied to most forms of revolving consumer debt.

-cnbc.com, 30 Oct

China October factory activity shrinks for sixth month: official PMI

Factory activity in China shrank for the sixth straight month in October, official data showed, pointing to further pressure on its manufacturers as they grapple with the weakest economic growth in nearly 30 years. The official Purchasing Managers' Index (PMI) was at 49.3 in October, dipping from 49.8 in September, the survey from the statistics bureau showed. The 50-point mark separates expansion from contraction on a monthly basis.

-reuters.com, 31 Oct

Bridgestone Thailand opens its new OTR tyre factory in Rayong

The Thai subsidiary of auto parts manufacturer Bridgestone Corporation (Bridgestone), Bridgestone Specialty Tyre Manufacturing recently held an opening ceremony for its new tyre factory in Rayong Province, Thailand. The approximately 870,000sqm site is expected to have a production capacity of roughly 35 tonnes/ day, to produce off-the-road (OTR) tyres for construction and mining vehicles and is the company's first Asian supply base outside of Japan.

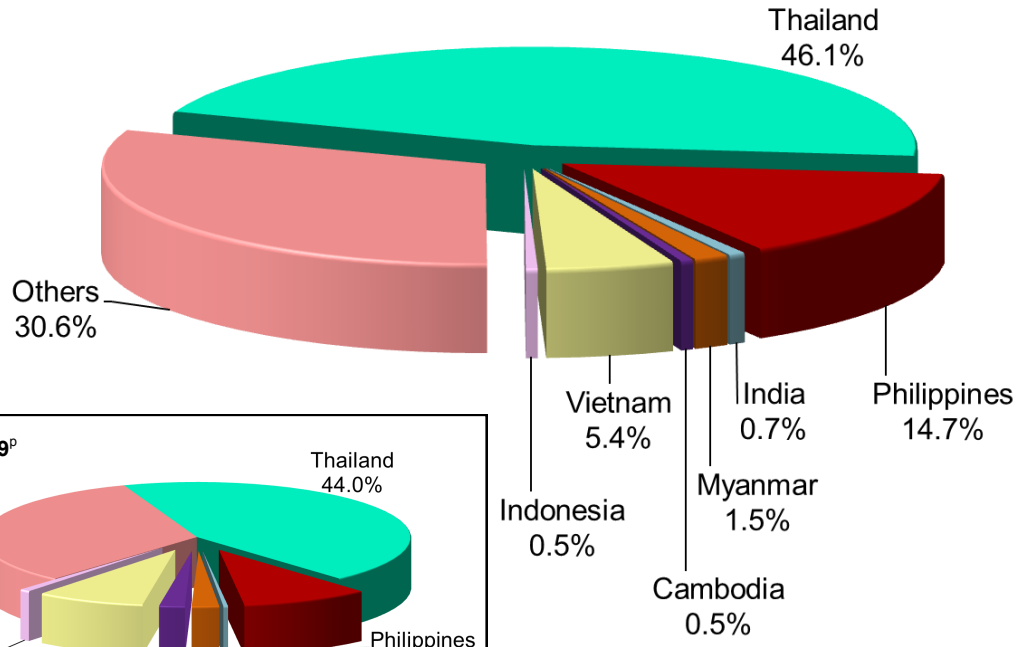
- rubberjournalasia.com, 31 Oct

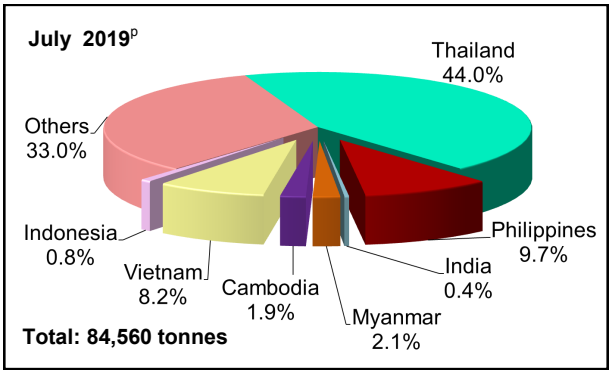
Doublestar trials production at new tyre factory; to build scrap tyre recycling plant in China

Qingdao Doublestar Group (Doublestar), China's largest tyre company, has recently started a trial run at its passenger car tyre factory in Shiyan City, Hubei Province. The 4.3 million-sq.-ft. factory, which is Doublestar's third Chinese Industrial 4.0 factory with full-process smart manufacturing for specialty tyres, has an annual capacity for 5 million passenger car tyres and 1.5 million truck/bus tyres.

- rubberjournalasia.com, 31 Oct

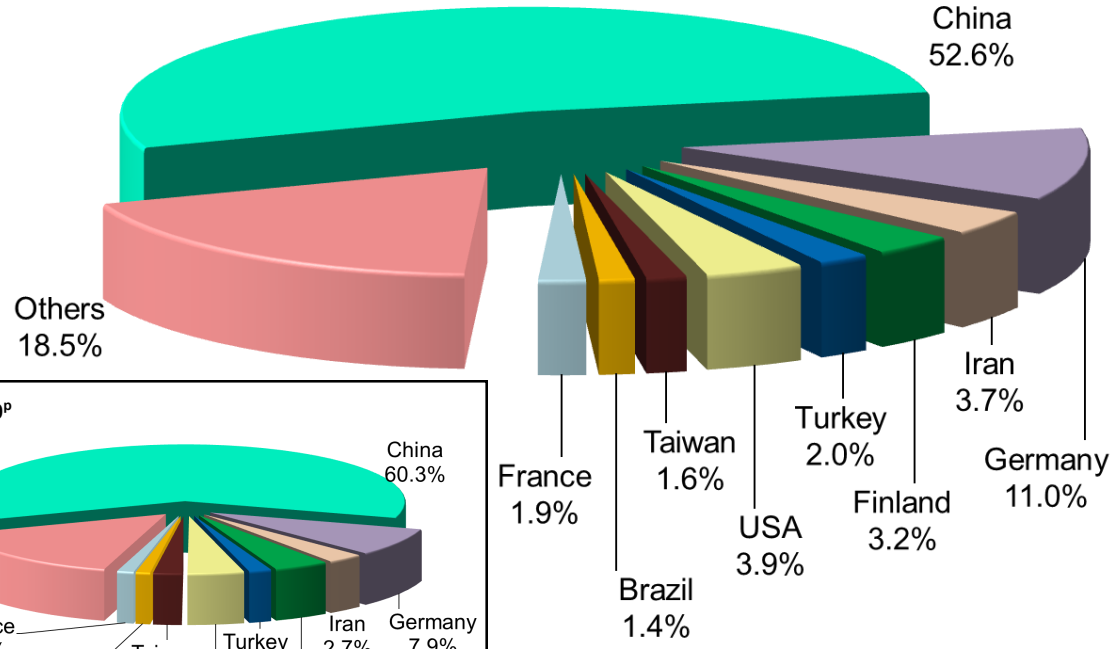
Malaysia's NR Imports by Countries, August 2019[p]

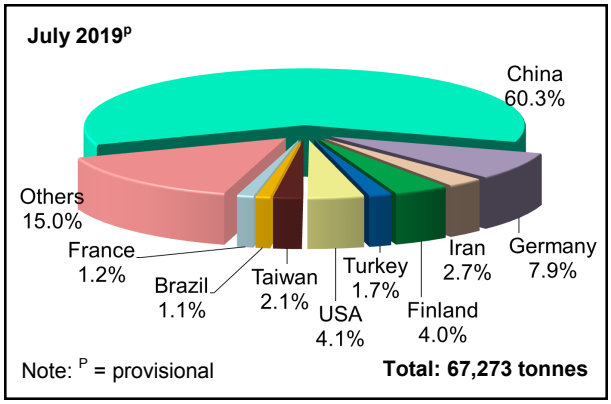




Total: 86,977 tonnes

Malaysia's NR Exports by Countries, August 2019[p]

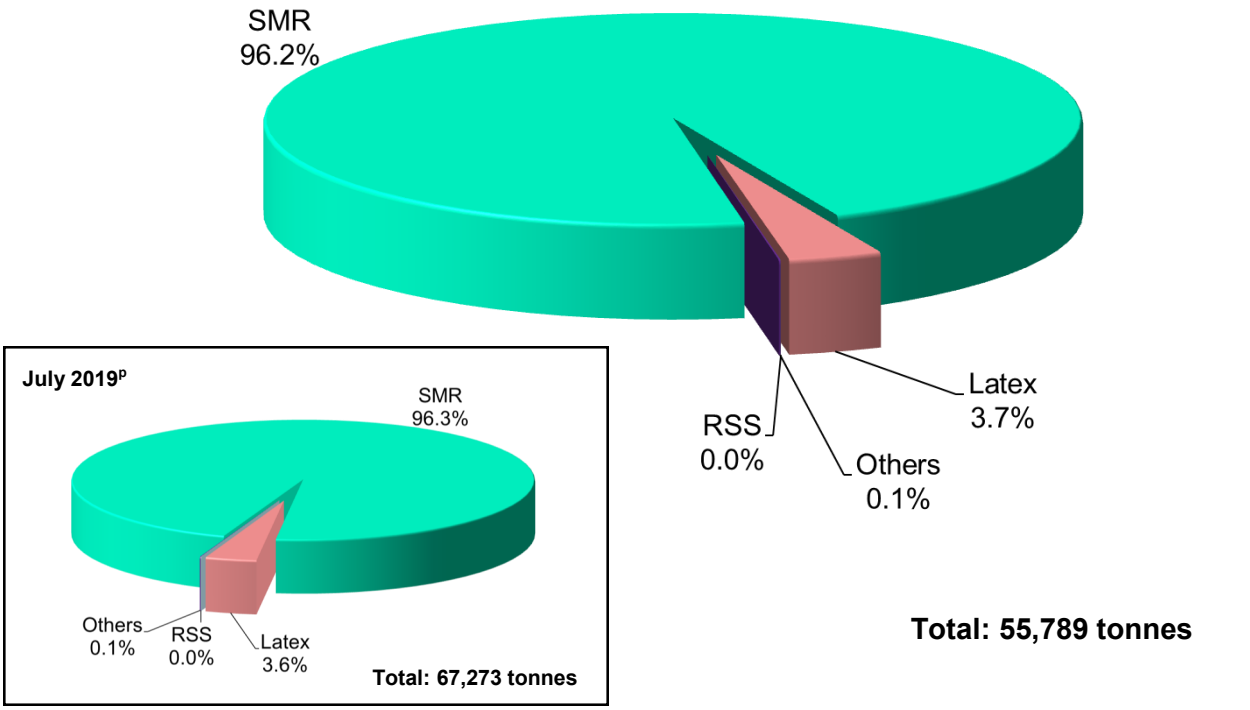




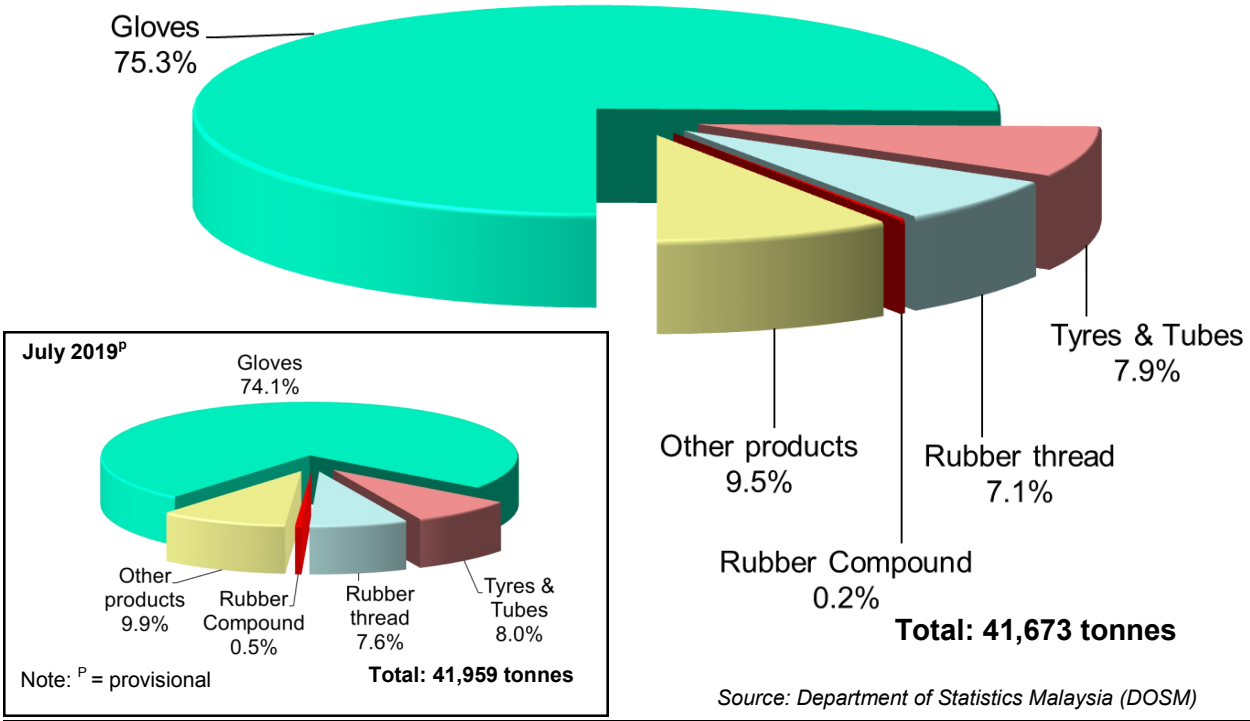
Total: 55, 879 tonnes

Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR Exports by Types, August 2019[p]



Malaysia's NR Consumption by Sectors, August 2019[p]



Source: Department of Statistics Malaysia (DOSM)

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