



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2008
NOVEMBER

Natural Rubber market review

November

The Kuala Lumpur rubber market in November declined further barraged by depressing news on global economic slowdown, near-bankrupt US automobile manufacturers, weak demand for tyres, falling crude oil prices and weak rubber futures. Compared with levels on 31 October 2008, the price of SMR 20 and latex in bulk declined by 1,175 RM/tonne or 18.8% to close at 5,065 RM/tonne and 665 RM/tonne or 14.8% at 3,820 RM/tonne, respectively. The price movements of selected grades in November are shown in **Table 1**.

A mild rebound occurred during the early part of the month but was short-lived as bears took the opportunity to bail out. Despite the shortage of raw materials due to weather conditions in production countries, prices eased across the board amid weak sentiment in regional markets

and uncertainties in the Tokyo market. Most buyers were reserved and stayed away from the market in anticipation of poor demand due to the global economic crises. The Tokyo futures closed lower as the market sentiment remains bearish pressured by the movement of crude oil prices and bleak news about the automobile industry in the United States.

Crude oil futures retreated further during the month from USD 70.53 a barrel on 4 November 2008 to a low of USD 49.42 a barrel on 20 November 2008, one-third of the peak price reached four months earlier. In Thailand, it was reported that the government would support and buy rubber from farmers if prices fall below the USD 1 per kg level and currently the price of RSS 3 is being traded at USD 1.50 per kg.

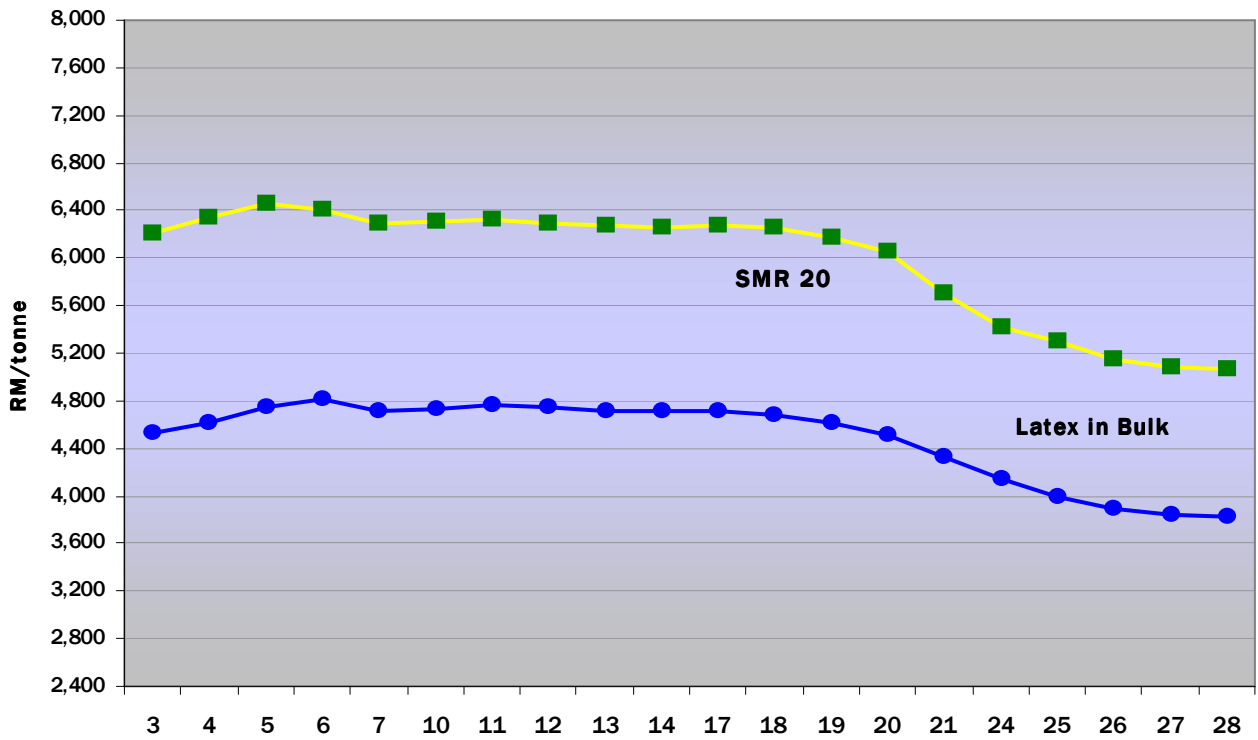
Towards the end of the month, prices fell sharply as prices drifted continuously on weak demand from consumers, global worries of a recession and the weakening of crude oil prices. The price downtrend was in tandem with those of other regional markets.

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, November 2008 (RM/tonne)

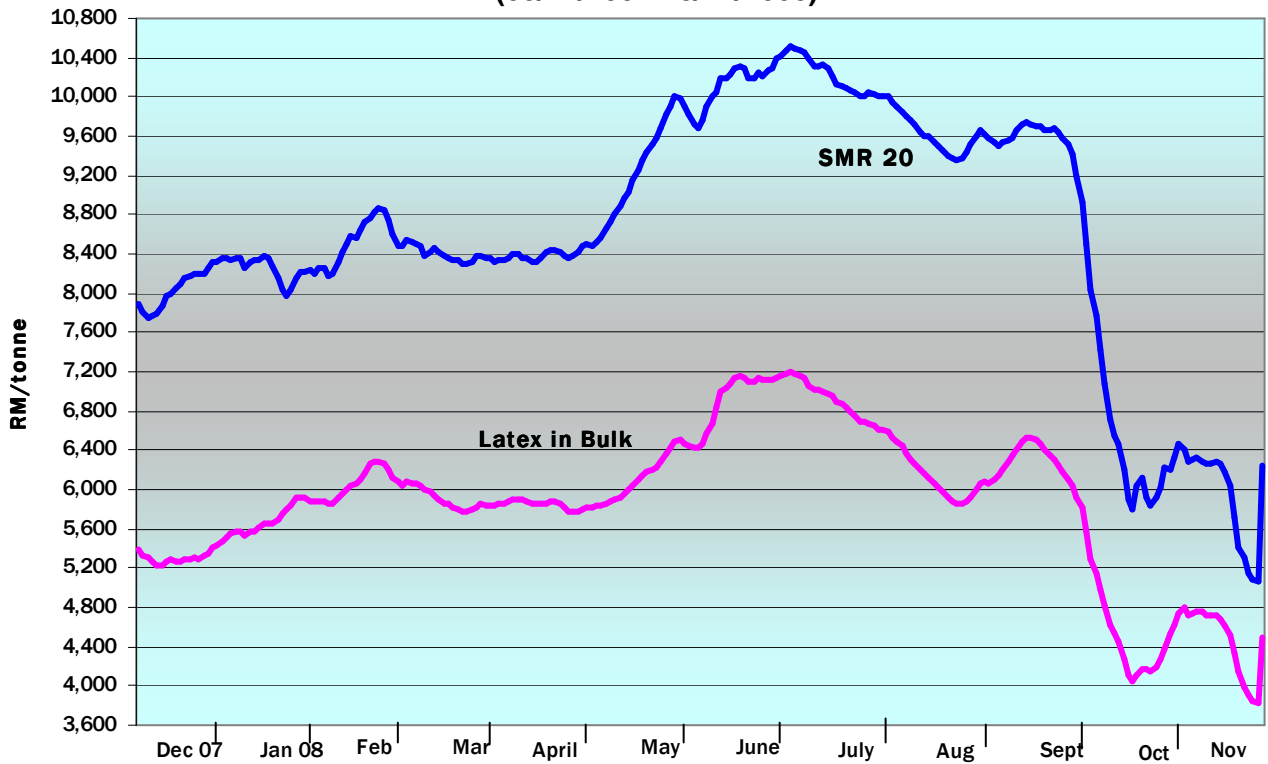
	SMR CV	SMR 20	Latex Concentrate
Highest	8,615.00	6,465.00	4,810.00
Lowest	7,175.00	5,065.00	3,820.00
Average	8,092.75	5,982.75	4,482.25
Change from the last day of the previous month	-1,385.00	-1,175.00	-665.00

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

MRB Daily Noon Prices, November 2008



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices (03/12/2007-28/11/2008)



Outlook

There would be a slowdown in demand for the near term as the automobile and tyre industries have been affected by the global financial crises. Prices are expected to ease further despite the general belief that the market had bottomed out after the sharp falls towards the end of the month.

Major consumers are expected to ease off their buying activities with the approach of the year-end holidays. The anticipation of tight supplies in the immediate term due to wet weather would have a positive impact on rubber prices but the trends in consumer demand looks rather depressing.

News Brief

Rubber protein in animal feeds

The Malaysian Rubber Board (MRB) expects to commercialise protein from natural rubber latex for use as a component for animal feeds within three to five years.

MRB Deputy Director, Dr Mohd Akbar Md Said, told Bernama the commercialisation would, however, depend on the needs of the market.

"The protein is extracted from the serum that is created during a process of turning latex into rubber concentrate," he said.

He said the new product would help the government reduce the import of animal feeds which amounted to RM2.0 billion annually.

The MRB would ensure that the natural rubber protein was produced in the country and the technology would stay here.

-The Star, 17 Nov

Thai government to buy rubber if price dips below \$1/kg

Thailand's government will buy rubber from farmers if prices fall below \$1 per kg, Deputy Agriculture Minister Theerachai Saenkaew told reporters on 26 November 2008.

"In our view, if the price drops below \$1 per kg, the government will step in to buy rubber from farmers to support the price," Theerachai said on the sidelines of a rubber conference in Bangkok.

Rubber prices have fallen to their lowest level in nearly four years, hit by slowing demand amid fears of a global economic recession. The price of Thai RSS3 was \$1.50 per kg on Wednesday.

-factiva.com, 26 Nov

Indonesia rubber exports to hit \$6b, up 25% on-year

Despite a recent downturn in rubber prices and demand, Indonesia expects its 2008 rubber exports to hit the \$6 billion mark, up 25% from last year, an industry official said Wednesday.

"The average price of rubber, up till November, was \$2.66 per kilogram. Last year, the average price was \$2.15/kg. So it's still possible to meet the \$6 billion target even though prices have fallen and demand has slackened because of the global financial crisis," said Suharto Honggokusomo, executive director of the Indonesian Rubber Association.

Honggokusomo said rubber prices peaked at \$3.30/kg on June 27, before declining to current levels of around \$1.20/kg.

"Rubber exports are expected to rise on year so that should negate some of the effects of the sharp falls in prices," said Honggokusomo.

This year, Indonesia expects an increase of 3% on the 2.4 million tonnes of rubber that was exported last year, due in part to rising demand earlier in the year from China, he said.

-factiva.com, 3 Dec

India rubber products export growth may slip

India's rubber products' export growth may come down to 3-4% in FY09, from 10% a year earlier, on cancelled orders as the financial turmoil

trimmed demand for tyres, a top official said 12 November 2008. "The rubber industry has also witnessed a 70-80% drop in new orders in the last one month," M.F. Vohra, president of All India Rubber Industries Association told Reuters in an interview.

Importers from U.S. and several countries in Europe have cancelled orders and many of them are also asking for extra credit period of up to 180 days, he said. India, the world's fourth largest rubber producer and consumer, exported rubber products worth 53.4 billion rupees during FY08.

The domestic consumption has also come down in both tyre and non-tyre segment despite a sharp fall in prices, he said adding growth in domestic consumption growth would also slow to 1.5% against a 3.5% rise last year. India's total domestic consumption was 1.22 million tonnes in 2007/08, compared with 1.18 tonnes a year-ago. Tyre makers consume about 60% of the total production.

Car sales in India fell for the third time in four months in October, dropping an annual 6.6% with festival demand unable to cheer a market struggling with high borrowing costs and a slowing economy. Sales of trucks and buses slumped nearly 36 percent. The top two truck and bus makers have also cut production to avoid inventory build-ups.

-factiva.com, 12 Nov

Green Rubber building new plants to grow output

Green Rubber Inc, a member of the Petra group, plans to expand the annual production capacity of rubber compounds to between 90,000 and 100,000 tonnes by the end of 2010. Petra Group president and group chief executive Datuk Vinod Sekhar said there were plans to build five factories, beginning in the third quarter of 2009 and by end of the first quarter of 2010. The factory sites identified are in North America, the Middle East and Europe. "Each factory will have a capacity of 10,000 to 24,000 tonnes," he said.

Shekhar declined to reveal its current capacity, only saying that there was "enough capacity to meet current demand". At present, the company has a factory in Sungei Buloh, a contract

manufacturer in Cheras and another factory in the US. He said the annual capacity of the Sungei Buloh factory was being expanded to 24,000 tonnes by the end of next year.

Sekhar was speaking at a media briefing to announce a deal to supply rubber compounds to shoe manufacturer Timberland Co, which makes 25 million shoes annually. Under the deal, Timberland has exclusive use of the Green Rubber trademark on its shoes in 2009.

Green Rubber's main asset is the DeLink process technology, which is used to devulcanise used rubber from various sources so that it can be recycled into rubber compounds for a wide range of applications. The deal represents the first major commercial tie-up for Green Rubber, which has spent over RM100mil on research and development for the DeLink technology.

- The Star, 11 Nov

Michelin says sales fell in October

According to an article Friday on ohio.com, "Michelin & Cie., the world's second-largest tyre maker, said industry wide sales fell in October amid a deepening economic decline in Europe. Tyre sales to car makers tumbled 21% in Europe last month, compared with a 1.2% year-on-year gain in September. North America's decline doubled to 18%, according to Michelin estimates posted on its Web site. Michelin's North American operations include factories that produce Uniroyal and B.F. Goodrich brands.

-Rubber World Magazine, 24 Nov

Goodyear to stop production at Luxembourg truck tyre factory

"According to a news report broadcast by Luxembourg television station RTL, Goodyear will next week stop production at its Colmar-Berg, Luxembourg facility," reported Tyres & Accessories. "The reason given for this week-long pause in production is a sharp decline in demand for truck tyres. According to the broadcaster, this stoppage is a one-off action. Since early October the manufacturer has first

shut down production in the truck tyre factory on Sundays, and then also on Saturdays."

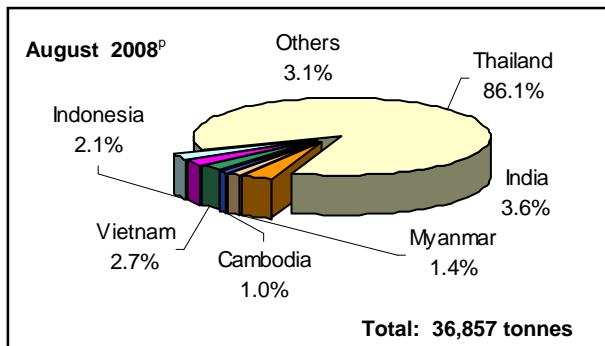
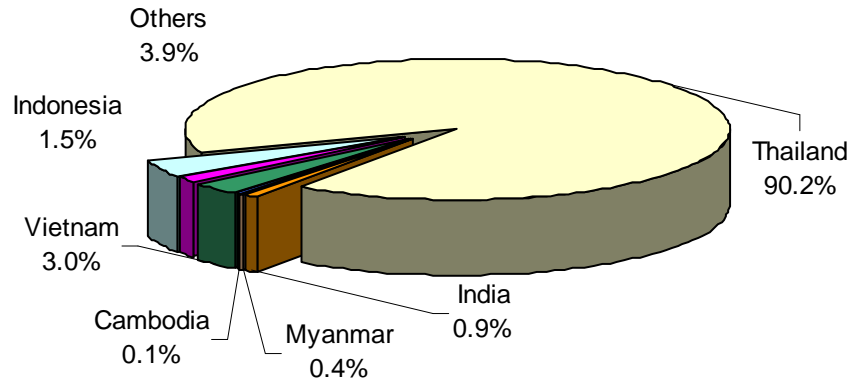
- Rubber World Magazine, 21 Nov

Yokohama to build natural rubber processing factory in Thailand

The Yokohama Rubber Co., Ltd. Wednesday announced that it would cooperate with Teck Fu Joint Venture Co., Ltd. to build a joint-venture natural rubber processing factory in Surat Thani Province, Southern Thailand. Teck Fu is a subsidiary company of Teck Bee Hang Co., Ltd., which is a natural rubber processing company in Thailand. Yokohama Rubber aims for stable supply and quality of natural rubber by operating its own factory. On September 3, 2008, the joint venture completed its establishment with 95% investment from Yokohama Rubber and 5% from Teck Fu Joint Venture. The company said construction of the factory will start in January 2009 with the scheduled start of operation in October of the same year.

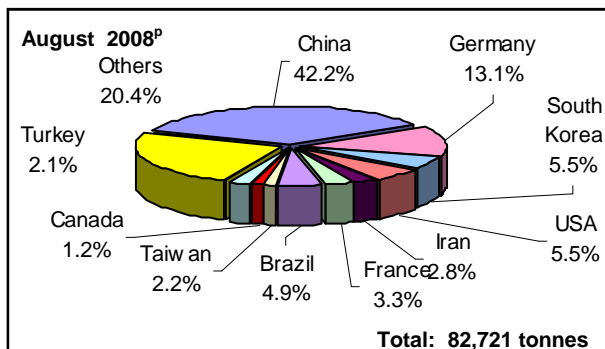
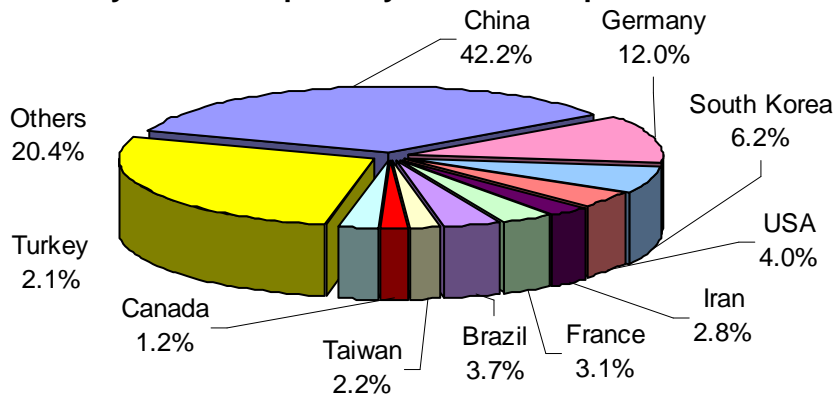
- Rubber World Magazine, 13 Nov

Malaysia's NR imports by countries September 2008^P



Total: 38,707 tonnes

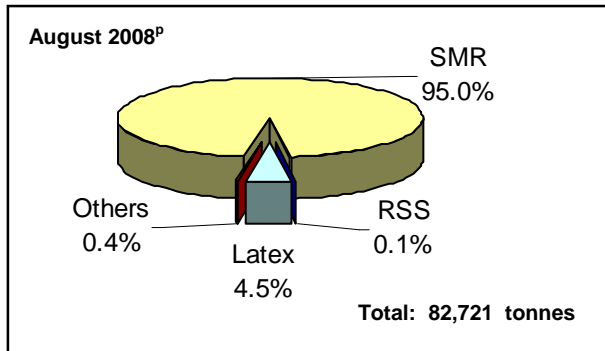
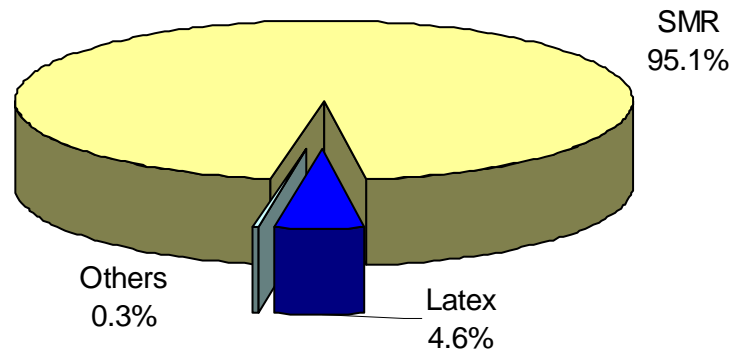
Malaysia's NR exports by countries September 2008^P



Total: 83,460 tonnes

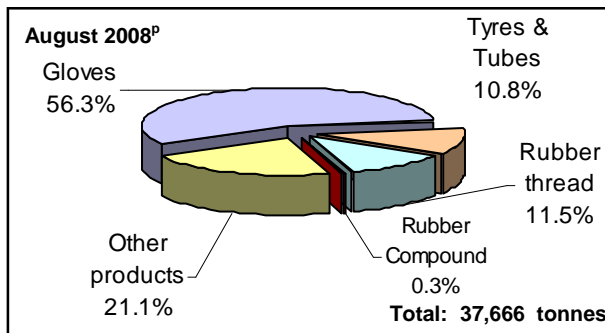
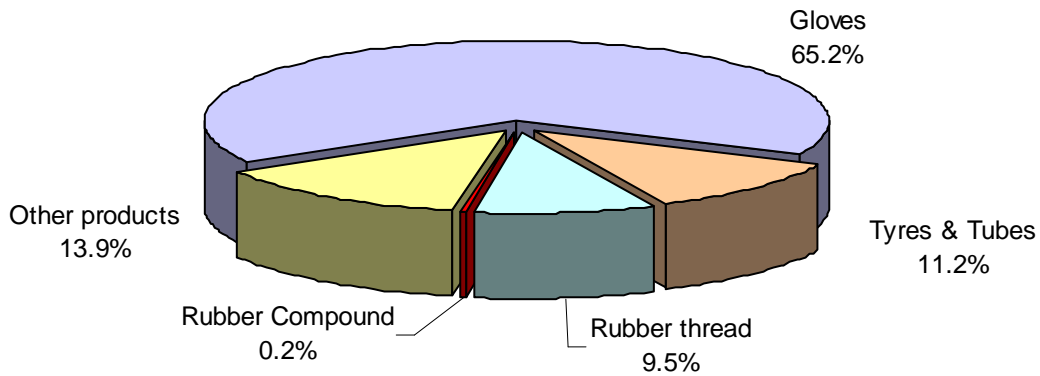
Note: ^P = provisional

Malaysia's NR exports by types September 2008^P



Total: 83,460 tonnes

Malaysia's NR consumption by sectors September 2008^P



Total: 36,668 tonnes

Note: ^P = provisional