



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber Market Review

November

In November 2014, the Kuala Lumpur rubber market saw a mixed trend. On the positive side, the prices went up on various factors including a weaker ringgit, the rise in regional futures markets following an increase in prices of crude oil and base metals and the move by the International Tripartite Rubber Council (ITRC) countries to address the problem of low rubber prices. Nevertheless, on the negative side, the market was affected by the low Chinese demand and the decision of OPEC countries not to cut their oil output. Compared with those on 31 October 2014, the price of SMR 20 decreased by 17 sen/kg or 3.28% to close at 502.00 sen/kg while latex concentrate closed at 379.00 sen/kg, a decrease by 20 sen/kg or 5.01 per cent. The price movements of selected grades of rubber in November 2014 are shown in *Table 1*.

During the first trading week, prices saw a downtrend at the beginning in line with declines in TOCOM and SHFE besides further decline in crude oil prices. The market extended its lost following negative response over a report that

Indonesian rubber exporters were currently exercising caution as the commodity's producers in the world's number-two largest rubber producing country held on to stocks after prices tumbled to within striking distance of five-year lows. The price slightly rebounded at the end of week over positive response to a market talk that the Thai Rubber Estate Organization had bought nearly 400 tonnes of rubber to support the commodity's price.

The market saw an uptrend during second trading week following positive sentiment over the firmer crude oil prices. However, the gain was capped by a stronger ringgit and the negative response over a report on the lower imports of both natural and synthetic rubbers by China for October 2014. According to a preliminary trade data issued by China's General Administration of Customs, the world's largest rubber consumer imported 300,000 tonnes of natural and synthetic rubber in October 2014, a drop by 6.3% from the previous month. Prices then remained unchanged due to a stronger ringgit and the effect of profit-taking activities in TOCOM. It was reported that market operators were waiting for the release of China's economic data and also contributed by the further declines in crude oil prices.

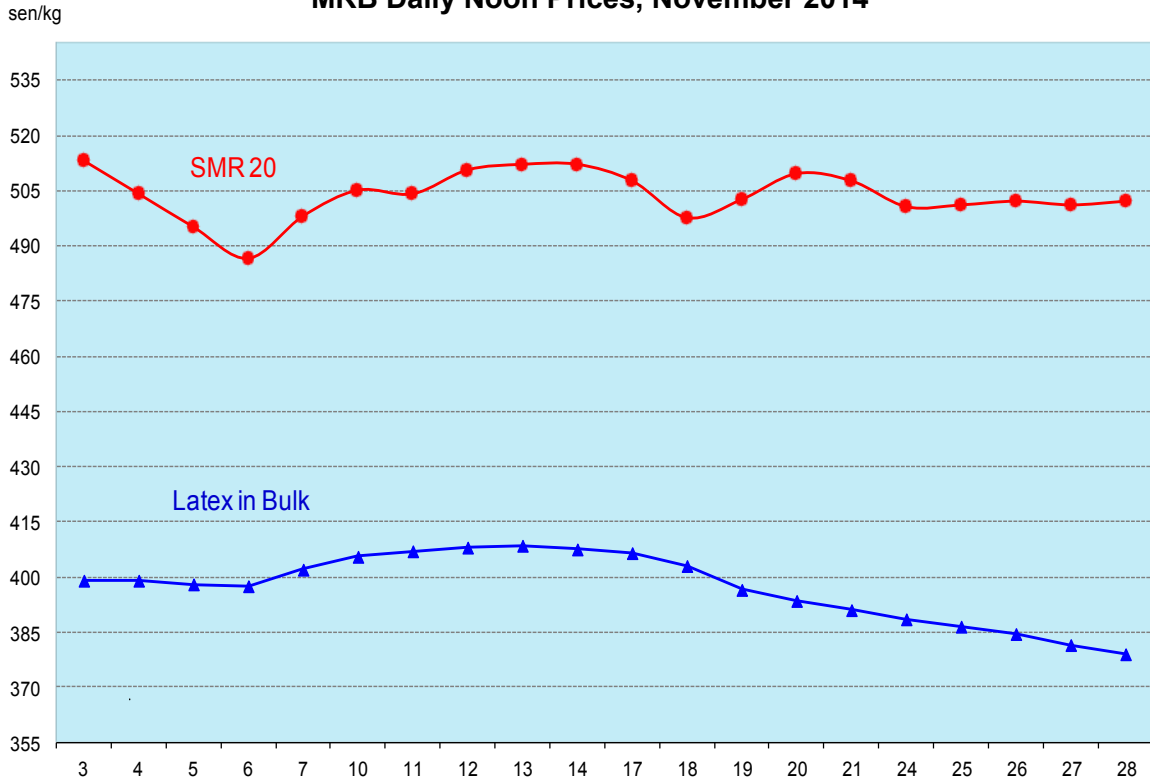
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, November 2014

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	671.50	6,715.00	513.00	5,130.00	408.50	4,085.00
Lowest	656.00	6,560.00	486.50	4,865.00	379.00	3,790.00
Average	664.38	6,643.80	503.55	5,035.50	397.13	3,971.30
Change from the last day of the previous month	7.50	75.00	-17.00	-170.00	-20.00	-200.00

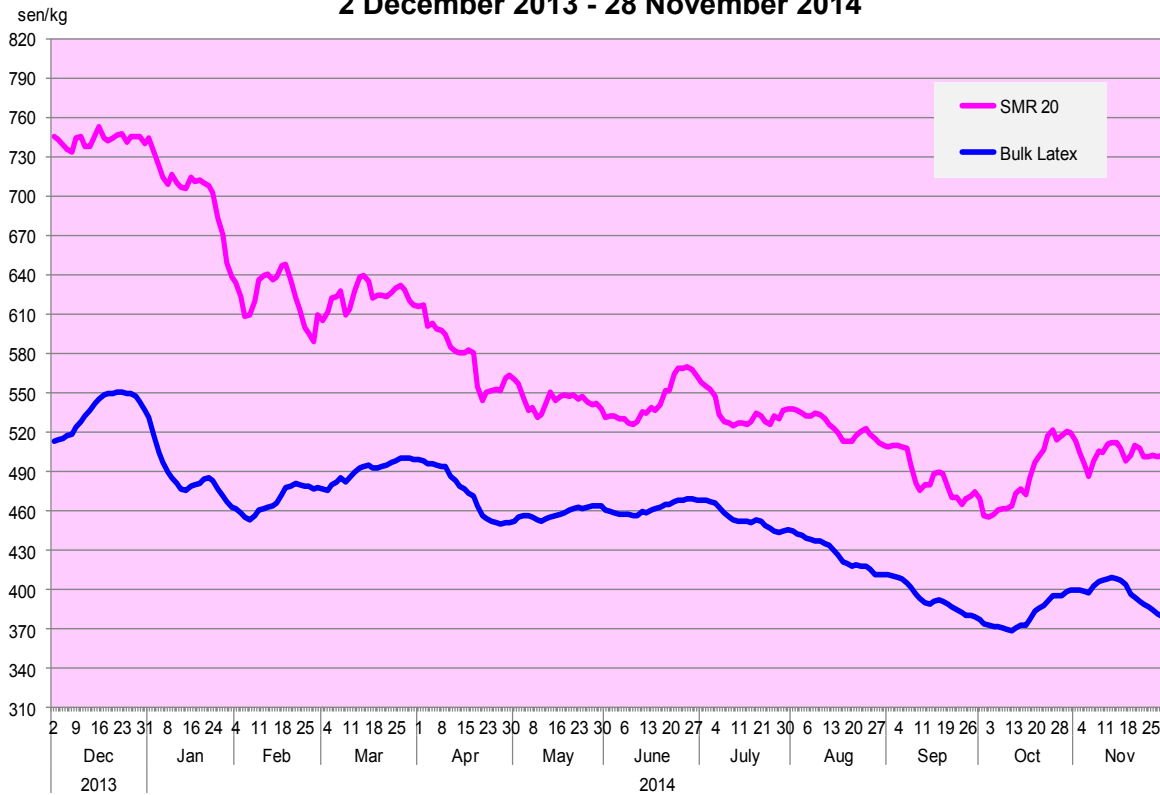
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, November 2014



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 2 December 2013 - 28 November 2014



The third trading week saw a mixed market as declines in regional futures markets caused by weaker crude oil prices and the strengthening of their respective currencies. The market then followed the uptrend in regional futures market on positive sentiment over the news that the Japanese Prime Minister, Shinzo Abe, is going to delay a sales tax increase, besides the weakening of the ringgit. The market also responded positively to the decision of the ITRC Ministerial Committee Meeting in Kuala Lumpur to consider measures to push up prices, including restrictions on supply to global markets.

During the fourth trading week, prices continued to be mixed on a stronger ringgit and a weaker oil price. Meanwhile, it was reported that other commodities such as copper also saw a drop in their respective prices owing to the same reason. The rubber market then witnessed a decline in prices, tracking similar situation in TOCOM as market operators responded negatively over a report that OPEC countries refrained from cutting their oil output to support prices. It was reported that TOCOM rubber futures were flat in slow trade with support from a weak yen and inadequate raw material supply as producers curbed output on weak market sentiment this year. The market was looking for fresh demand cues, as buying activity remained steady.

Outlook

The Kuala Lumpur rubber market shall remain mixed due to weak rubber fundamentals and negative market sentiments, besides being influenced by the performance of regional futures markets.

News Briefs

'Rubber producers must combine efforts to face crisis'

The present global rubber market scenario is gloomy with oversupply, but in terms of the future, five to 10 years ahead, it will be much better with increased demand, low supply forecast and better prices, Chairman, Global Rubber Confab (GRC), Dr. Abdul Aziz told the fourth GRC in Colombo. Concluding the two days of deliberations, Aziz said that the rubber industry is

in a unique situation. There has been trouble in the US and EU markets due to recession and EU is trying to get out of woods. In China, good growth was seen but there was a big drop when it reversed.

"Today, we learnt that we need to have regular interactions. Rubber producers have to combine efforts since alone we cannot face the crisis. The GRC has been a resounding success. Despite the low rubber prices in the global market, we have been fortunate to have the conference in Sri Lanka with many international experts and speakers in attendance," he said.

-Sunday Observer (Sri Lanka), 2 Nov

Rubber market expected to improve next year - Datuk Amar Douglas Uggah

The Ministry of Plantation Industries and Commodities expects the global rubber market in 2015 to improve in contrast to this year. Its Minister, YB Datuk Amar Douglas Uggah Embas said that the global economy is expected to grow at the rate of 3.4% next year compared to 2.8% in 2014. "Other than this, China, the biggest importer of natural rubber, is also forecast to post growth of 7.6% in 2015 when compared to 7.5% this year," he added.

Uggah also added that to strengthen the rubber market in the near-term, Thailand, Indonesia and Malaysia were cooperating within the International Tripartite Rubber Council (ITRC) framework to limit the export of natural rubber for a specific period. He further added that the ITRC was also monitoring the development in new areas and the increase in rubber production for every member country until 2020 to ensure offers do not exceed the projected demand globally. Uggah said that the participation and cooperation among other ASEAN rubber producers was also being enhanced to strengthen the rubber industry.

-Bernama Daily Malaysian News, 12 Nov

Malaysia to see 6pc growth this year, says Mustapa

Malaysia has the potential to achieve an economic growth between 5.5 and six per cent as targeted for this year, said International Trade and Industry Minister Datuk Seri Mustapa Mohamed. He said that this was based on positive economic performance in the previous quarter, as well as the prevailing economic stability. "Looking at the performance in the fourth quarter, we (the Government) believe the forecast could be achieved.

Malaysia's economy expanded by 5.6% in the third quarter this year, higher than the five per cent achieved in the same quarter last year, driven by private sector demands. The GDP growth for the second quarter was revised to 6.5% from 6.4% previously. The Bank Negara Malaysia (BNM) Governor, Tan Sri Dr. Zeti Akhtar Aziz said that Malaysia's economy was expected to grow at 5.8% this year, and between five and six per cent next year.

-New Straits Times, 16 Nov

Merger between Thailand Futures Exchange and Agricultural Futures Exchange of Thailand expected in July 2015

A merger plan between the Thailand Futures Exchange (TFEX) and the Agricultural Futures Exchange of Thailand (AFET), part of Thailand's capital market development roadmap, is set to be completed in July next year, the Bangkok Post reported. Wiwat Teerawanichpong, AFET's new President, declined to comment about the merger plan but said that he has his own plan to increase AFET's trading liquidity. The plan aims to sharpen competitiveness and push the merged market to be the regional leader, said a state official who spoke on the condition of anonymity. The merger is expected to increase the market's trading liquidity while lowering the Thai Government's burden in shoring up prices of farm goods. Kesara Manchusree, the Stock Exchange of Thailand (SET) President and key supporter of the TFEX, supports the merger as it would cut costs by sharing trading platforms while combined futures products on the same trading board would lure investors to the market.

-Thai News Service, 18 Nov

Thailand: Compensation fund for rubber planters begins handed out

The Thai Government started handing out the assistance fund for rubber planters who are each entitled to receive 1,000 *baht/rai*, with no more than 15,000 *baht* per household. Twenty-five representatives of rubber planters joined in the aid-presenting ceremony in Surat Thani province chaired by Director-General of the Agricultural Extension Department, Oran Pitak.

In Nakhon Si Thammarat, the program was better received with 283 planters receiving their compensations totaling 1.4 million *baht*. The payment covered 1,406 *rai* of rubber plantations. There are at least 6,380 rubber planters in the province who are eligible for the scheme.

-Thai News Service, 18 Nov

ITRC outlines measures to manage global natural rubber exports

The International Tripartite Rubber Council (ITRC) Ministerial Committee Meeting agreed to two key measures to manage global market exports, says Minister of Plantation Industries and Commodities, YB Datuk Amar Douglas Uggah Embas. It involves firstly, the short-term measure of implementing the Fourth Agreed Export Tonnage Scheme (AFTS) that will withhold some exports to balance the global natural rubber demand and supply, to enable smallholders to enjoy remunerative prices.

He said that through the Supply Management Scheme (SMS) implemented from 2015 to 2020, a healthy balance between supply of natural rubber and global demand could be achieved by ensuring an adequate and orderly supply of the commodity. "The SMS is to ensure the planted area for the rubber in countries like Thailand, Indonesia and Malaysia, will be within the target set by ITRC committee.

-Bernama Daily Malaysian News, 20 Nov

Trade Minister plans to increase natural rubber price

Indonesian Trade Minister, Rachmat Gobel has met natural rubber producers from across the world in the International Tripartite Rubber Council (ITRC) in Kuala Lumpur, Malaysia, in a bid to boost the natural rubber price in Indonesia. "The decline in the price of natural rubber today must be improved by means of supply management. Some 2.4 million rubber farmers in Indonesia, the world's second-largest producer, should get a decent price," Rachmat noted in a press statement.

-ANTARA, 20 Nov

ITRC to set up regional rubber market to stabilise prices

The International Tripartite Rubber Council (ITRC) Ministerial Committee Meeting 2014, chaired by Malaysia, is expected to set up a regional rubber market within 18 months as one of the corrective measures to stabilise rubber prices. "The framework, which consists of a full report and recommendations on the regional rubber market, is expected to be released by consultants by year-end," Plantation Industries and Commodities Minister, YB Datuk Amar Douglas Uggah Embas told a media briefing after the ITRC meeting here in Kuala Lumpur.

The regional rubber market will merge the markets of the main natural rubber producing countries Thailand, Indonesia and Malaysia, providing better price discovery and effective hedging functions to benefit producers, consumers and market players. "Setting up our own regional market will enable us to provide up-to-date and accurate information on rubber stocks. "It will kick off with forward contracts and later go for futures contracts," Uggah said.

-Bernama Daily Malaysian News, 20 Nov

Thailand: MOAC aims to stabilize rubber prices at 60 baht/kg

The Ministry of Agriculture and Agricultural Cooperatives of Thailand (MOAC) is trying to maintain natural rubber prices at 60 *baht* per kilogram. The MOAC has been implementing

several programs to help rubber farmers cope with falling prices such as providing compensation, stock relief, promotion of rubber consumption domestically, and career development schemes.

The Agriculture and Agricultural Cooperatives Minister Pitipong Puengboon Na Ayutthaya has travelled to Malaysia to attend the rubber conference since 20 November. The Minister is expected to establish cooperation in the rubber industry with other ASEAN nations, including Cambodia, Laos, Myanmar, and Vietnam to help deal with the problem of declining rubber prices. According to the ministry, an ideal market would be set up to stabilize the price of rubber at 60 *baht*/kg by the end of this year.

-Thai News Service, 25 Nov

Hainan Rubber to buy 208,000 natural rubber from REO

China Hainan Rubber Industry Group said on 24 November 2014 that it participated in the Thai Rubber Estate Organization (REO) natural rubber purchase projects recently, signing a purchase contract with REO over 208,000 tonnes of natural rubber through wholly-owned Hainan Rubber Group (Singapore) Development. The deal will be settled with fair market price. Hainan Rubber said that the signing marked a long-term strategic partnership between it and REO and laid a foundation for establishment of a natural rubber industry policy communication mechanism between China and Thailand.

- SinoCast Metals & Mining & Chemicals Beat, 25 Nov

Thai PM encourages Chinese tyre manufacturers to invest in Thailand

At the APEC Conference held earlier this month in Beijing, Thai Prime Minister Prayut Chan-o-cha met with Rubber Valley Group CEO and President Zhang Yan, China Chemical Industry News reported. At the meeting, Mr. Prayut expressed that Thailand will add further policies upon existing ones specifically aimed at enticing tyre manufacturers to invest in the country; these include building a Chinese tyre industrial park and various tax reduction and exemption policies.

Mr. Prayut recommended that Chinese tyre manufacturers interested in expanding into the country should first look at rubber-producing areas in the south of the country. He also added that the eastern and north-eastern parts of the country are also good options, where tyre manufacturing bases could be installed in order to facilitate materials logistics and reduce costs.

- *Gasgoo Automotive News*, 25 Nov

Tyre makers keen to become complete solution providers

The tyre industry in India has major global players like Michelin, Bridgestone, Goodyear, Yokohama and Continental tailoring their strategies and customising products to suit the domestic market as India is one of the fastest growing markets in the world. The sector is predominantly in the hands of a few major Indian companies such as MRF, Apollo, JK, Ceat, Birla and Vikrant. The sector's customers include original equipment manufacturers (OEMs), replacement market through dealers and the export market.

There are tyres to suit every kind of road and climatic condition in India - summer tyres, winter tyres, wet weather tyres, all season tyres, performance tyres, all terrain tyres, run flat tyres, 4x4 tyres and eco tyres. The market also offers cross-ply or bias tyres, tube tyres, radial tyres and tubeless tyres. There has been an increasing shift towards radial, tubeless tyres in all vehicle segments in India.

- *India Transport Portal*, 26 Nov

Thailand: Thai agriculture ministry to launch overall rubber reform

Deputy Agriculture and Cooperatives Minister Amnuay Patisae promised to launch a national rubber reform programme and seek cooperation from neighbouring countries to increase the global rubber price. He made the promise while receiving a complaint from growers opposing the Rubber of Thailand Bill on setting up a Rubber Organization of Thailand to manage the resource, the rubber development fund, define the powers of the Rubber Board of Thailand, and set fees for rubber export.

Mr. Amnuay said the reform would cover rubber growing, operators, latex processing, rubber exports and joint rubber marketing efforts with neighboring countries. The minister said that Thailand agreed with Indonesia, Malaysia, Myanmar, Laos, Cambodia and Vietnam to increase the natural rubber price to 60 *baht*/kg in 18 months.

- *Thai News Service*, 26 Nov

Thailand: Authorities outline 16 measures to help rubber farmers facing hardship

Officials have outlined 16 measures to help rubber farmers facing hardship, including plans to cooperate with rubber-producing countries in the region to boost global market prices, the Bangkok Post reported. Amnuay Patise, the newly-appointed Deputy Minister at the Ministry of Agriculture and Cooperatives, said that four of the proposals have been devised by the Thai Government and 12 by the National Council for Peace and Order.

He said that the measures will include efforts to increase rubber prices and help farmers earn more cash. The state will also subsidise crops at 1,000 *baht* per rai, with a maximum of 15,000 *baht* per farming household, and improve access to loans from the Bank for Agriculture and Agricultural Cooperatives, so growers can start a second career.

- *Thai News Service*, 27 Nov

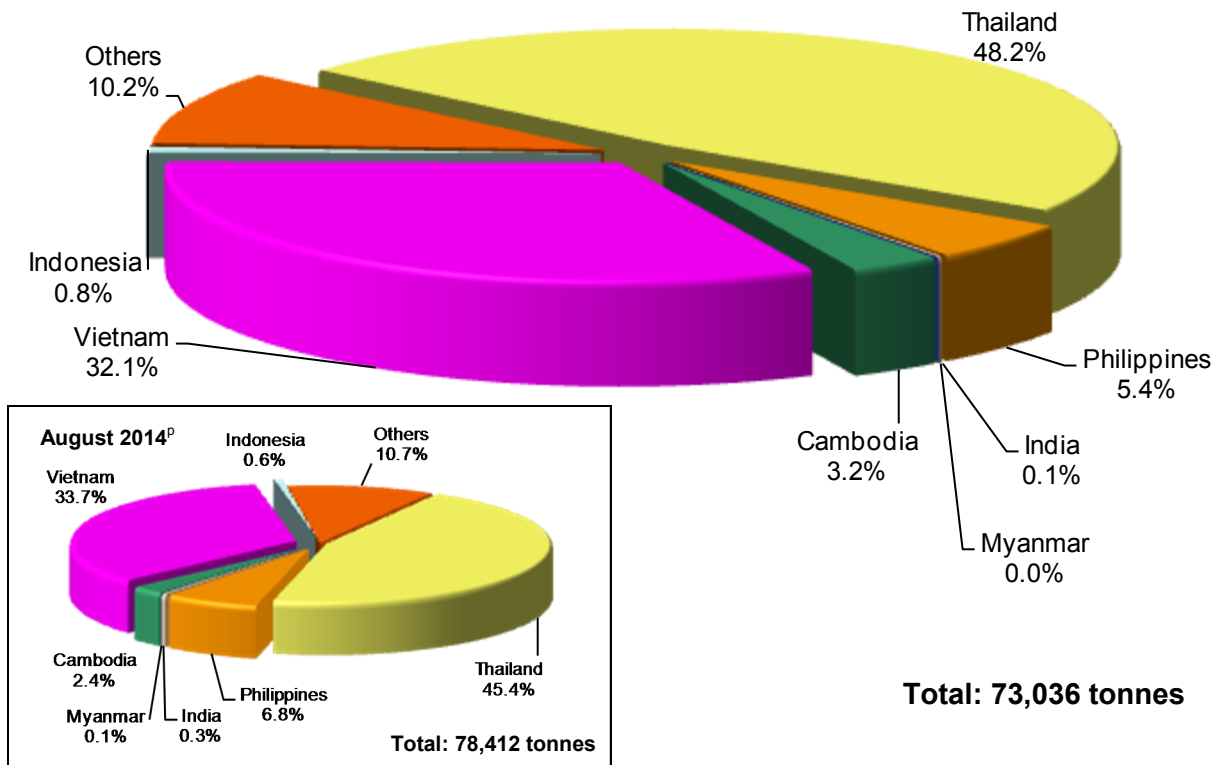
Continental presents first test tyres made from dandelion-rubber Taraxagum

Continental presented the first test tyres made from the innovative material that the company call Taraxagum, derived from the botanical name for dandelion (*taraxacum*). The natural rubber in the treads of the test tyres was completely replaced with Taraxagum. This important step takes Continental even closer to reaching its goal of making tyre production more sustainable.

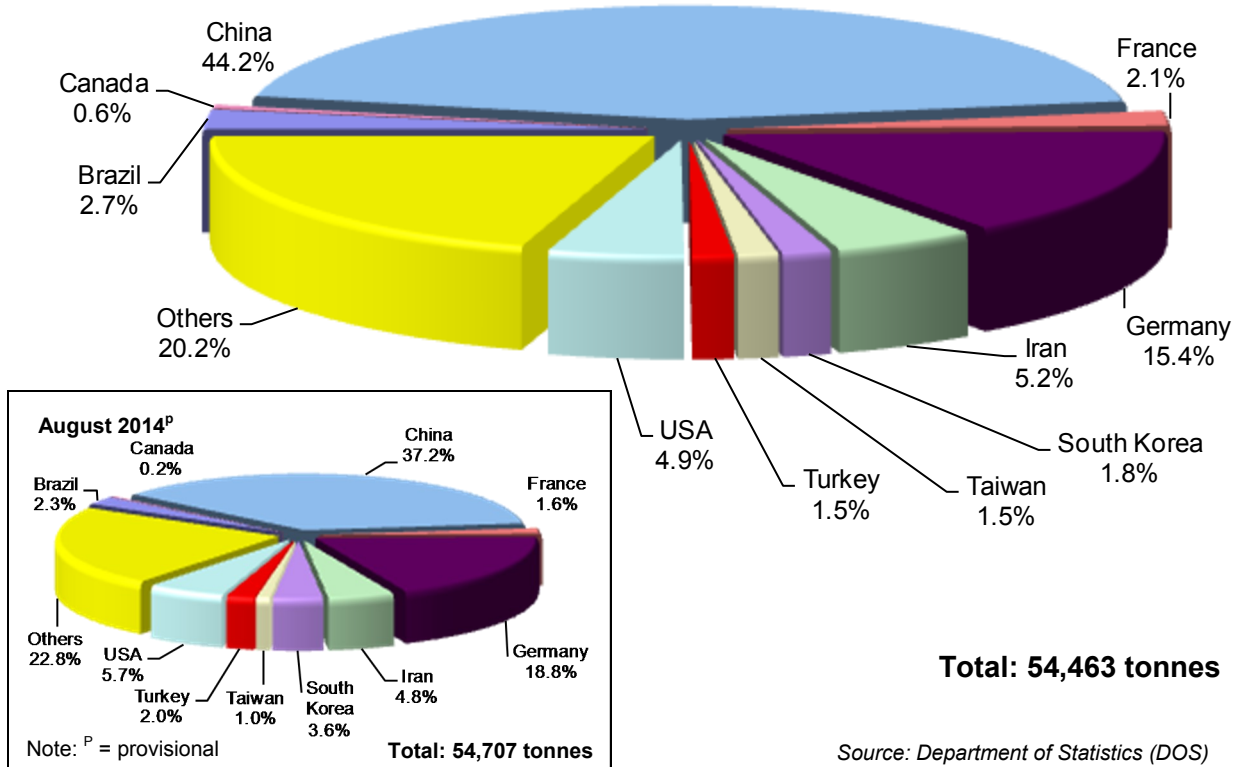
- *Automotive Products Finder*, 30 Nov

News Sources: www.factiva.com; New Straits Times

Malaysia's NR imports by countries September 2014^P

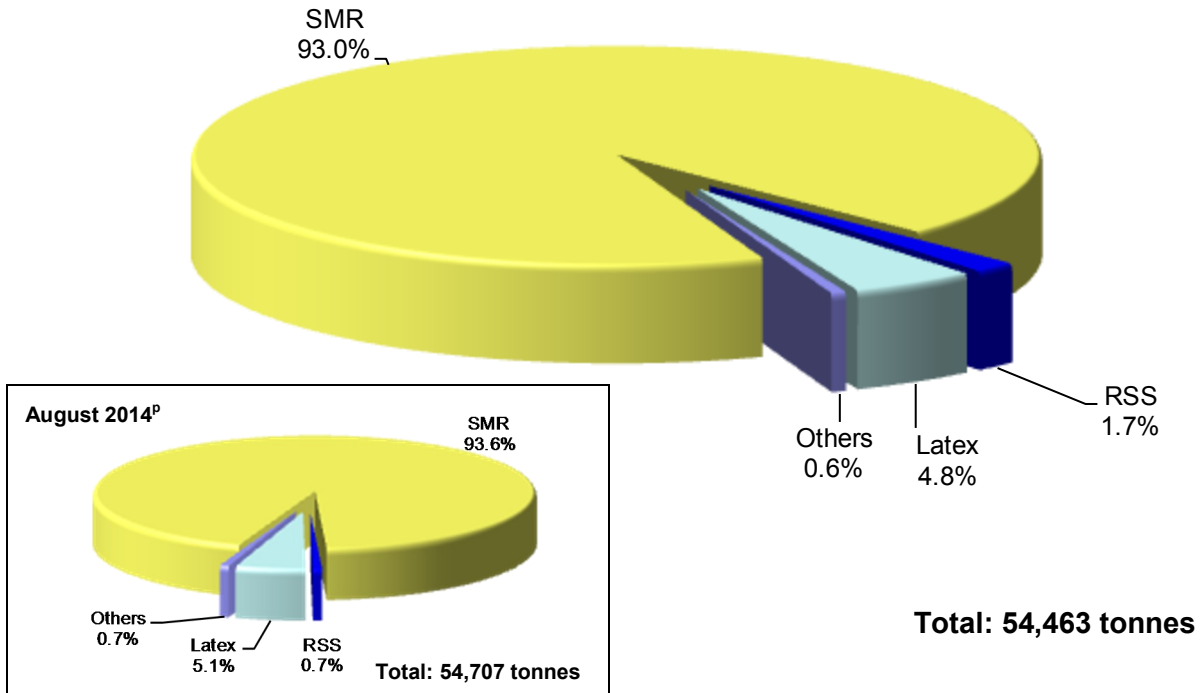


Malaysia's NR exports by countries September 2014^P

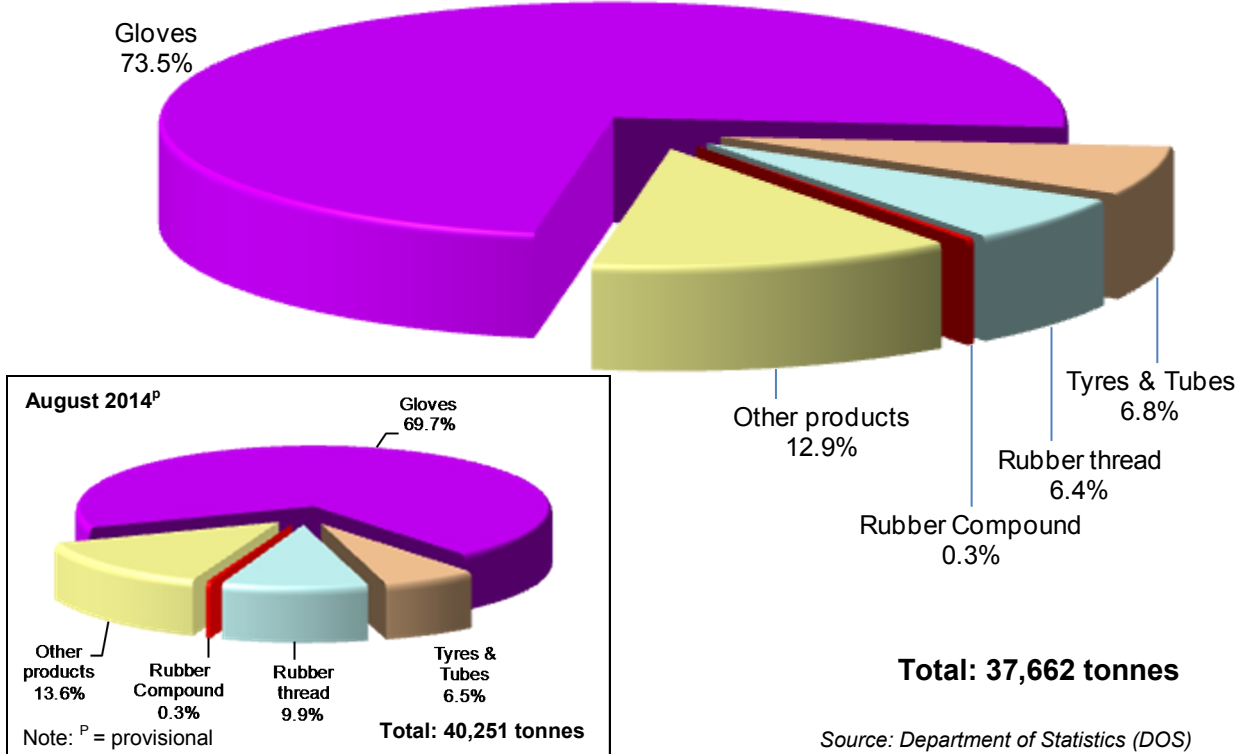


Source: Department of Statistics (DOS)

Malaysia's NR exports by types September 2014^P



Malaysia's NR consumption by sectors September 2014^P



Source: Department of Statistics (DOS)

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