



# MALAYSIAN RUBBER BOARD

## DIGEST

A monthly publication of the Malaysian Rubber Board

2008  
DECEMBER

### Natural Rubber market review

#### December

The Kuala Lumpur rubber market in December ruled mixed in quiet conditions as prices, which was softer in the first two weeks turned firmer towards the end of the month. Compared with levels on 28 November 2008, the prices of SMR 20 and latex in bulk declined by RM615 per tonne or 12.1 % to close at RM4,450 per tonne and RM360 per tonne or 9.4% at RM3,460 per tonne, respectively. The price movements of selected grades in December are shown in **Table 1**.

The global economic slowdown coupled with news on the near-bankrupt US automobile manufacturers, weak demand for tyres, falling crude oil prices and weak rubber futures were cited as major factors depressing the prices at the beginning of the month. Due to this, SMR 20 and latex in bulk prices touched the lowest of the year on 15 December 2008 for SMR 20 at RM3,955

per tonne while latex in bulk on 16 December 2008 at RM3,090 per tonne. Meanwhile, major market players were reported to be out of the market ahead of the year-end holidays slowing down the market activities. The disclosure by experts that the global economic crises would worsen in 2009 further exacerbated the situation.

During mid-month, the market sentiment improved on news of the three major rubber-producing countries, which together account for almost 80% of the world's natural rubber production, agreeing to cut output through the Agreed Export Tonnage Scheme (AETS). On 13 December 2008, the International Tripartite Rubber Council (ITRC), through a press statement, announced that additional coordinated measures will be undertaken immediately by Thailand, Indonesia and Malaysia to ensure that natural rubber prices remain remunerative. The measures include the implementation of the Agreed Export Tonnage Scheme (AETS), an export price of at least US\$ 1.35/kg and to resolve any non-fulfilled outstanding contracts. This statement was well received and provided positive market sentiment and prices turned steady to end the year on a firmer note.

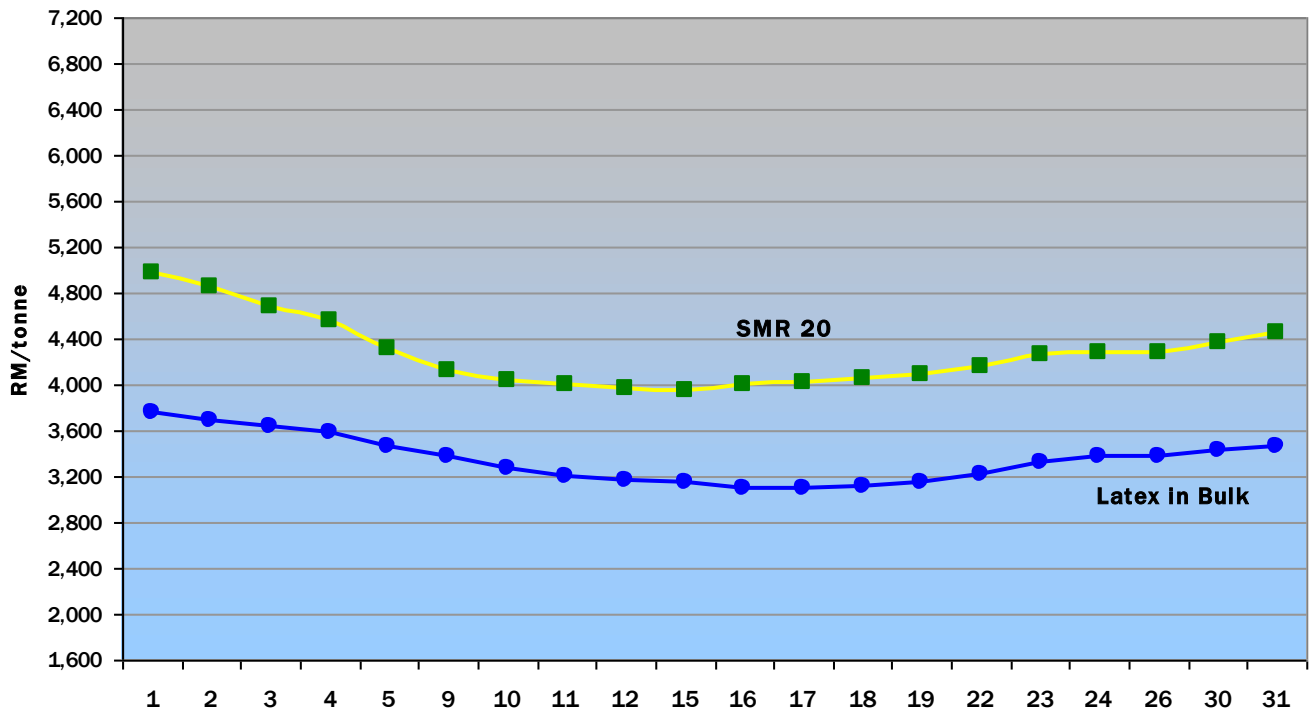
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, December 2008 (RM/tonne)**

	SMR CV	SMR 20	Latex Concentrate
<b>Highest</b>	7,090.00	4,975.00	3,755.00
<b>Lowest</b>	5,850.00	3,955.00	3,090.00
<b>Average</b>	6,197.00	4,271.25	3,346.50
<b>Change from the last day of the previous month</b>	-1,210.00	-615.00	-360.00

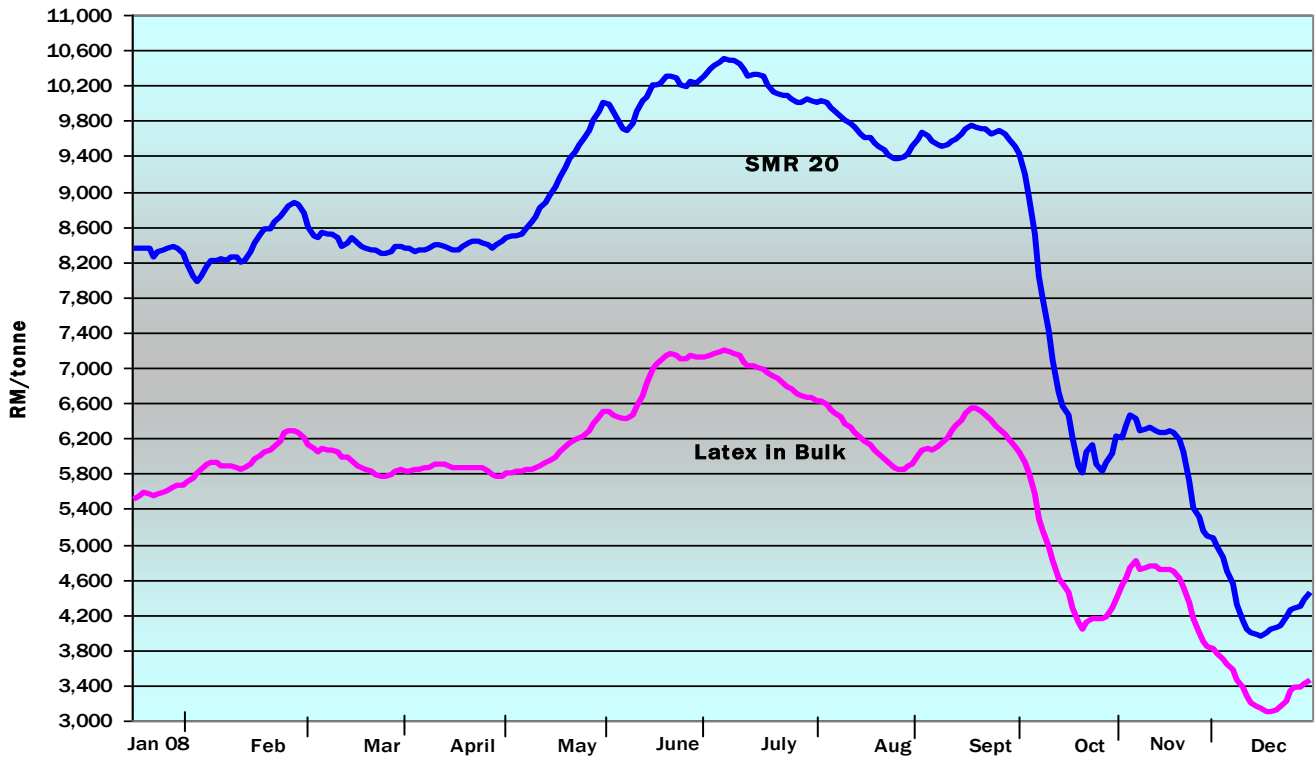
Note: \* Official price of latex concentrate in bulk, 60% drc

Source: Malaysian Rubber Board

**MRB Daily Noon Prices, December 2008**



**SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices (02/01/2008-31/12/2008)**



## Outlook

In the absence of fresh leads and consumer demand, the Kuala Lumpur market is expected to be quiet but steady in the near term. The measures announced by Thailand, Indonesia and Malaysia to cut production and export could have a positive impact on the market and this would offer price support.

RUBBER MARKET CLOSING DAYS FOR YEAR 2009		
New Year's Day	1-Jan	Thursday
Chinese New Year	26-Jan	Friday
	27-Jan	Saturday
Federal Territory Day	1-Feb	●Sunday
	2-Feb	Monday
Thaipusam	8-Feb	●Sunday
	9-Feb	Monday
Birthday of Prophet Muhammad S.A.W	9-Mar	Monday
Good Friday	10-Apr	#Friday
Labour Day	1-May	Friday
Wesak Day	9-May	Saturday
Birthday of SPB Yang Di Pertuan Agong	6-Jun	Saturday
National Day	31-Aug	Monday
* Hari Raya Aidilfitri	20-Sep	●Sunday
	21-Sep	Monday
	22-Sep	Tuesday
Deepavali	17-Oct	Saturday
* Hari Raya Aidiladha	27-Nov	Friday
Awal Muharam (Maal Hijrah) 1431 Hijrah	18-Dec	Friday
Christmas Eve	24-Dec	+Thursday
Christmas Day	25-Dec	Friday
New Year's Eve	31-Dec	+Thursday

### Notes:

- Day market \*is subject to change.
- Day marked #is market closing day which is not a public holiday.
- Day marked +is market closure in the afternoon.
- If a public holiday falls on Sunday, the following day shall be a public holiday, and if this day is already a holiday, then the next day shall be a public holiday.
- Day marked ● falls on Sunday, therefore the following day becomes a public holiday.
- The market does not operate on Saturdays and Sundays.
- In the event of any revision, members will be informed accordingly.

## News Brief

### Malaysia, Thailand, Indonesia to cut down rubber exports next year

Malaysia, Thailand and Indonesia, the world's biggest natural rubber exporters, are to cut down on rubber exports from early next year to address dwindling prices of the commodity.

Deputy Minister of Plantation Industries and Commodities A. Kohilan Pillay said the three countries would reduce natural rubber exports by 270,000 tonnes under a scheme to reduce rubber exports.

"The fall in rubber prices is influenced by the drop in demand from countries that imported Malaysian rubber such as China, the United States and the European Union member states due to the economic slowdown.

To reduce the pressure on the supply of natural rubber in the world rubber market, Kohilan said natural rubber production would be further reduced to 430,000 tonnes.

Other measure to be taken next year is to expedite replanting of old and unproductive rubber trees to cut down natural rubber production by 60,000 tonnes in Malaysia, he said. Thailand and Indonesia would also do like wise to reduce production by 155,000 tonnes, he added.

-factiva.com, 18 Dec

### Vietnam joins rubber plan with 31% cut

Vietnam, the world's fourth-largest rubber exporter, will join the three leading producers in cutting back supplies to shore up prices, slashing output by as much as a third next year, an industry official said on Monday.

Vietnam will join a plan devised early this month by the International Rubber Consortium (IRCo), which agreed its members would not sell rubber at below \$1.35 per kilogram, Vietnam Rubber Association general secretary Tran Thi Thuy Hoa said.

"Prices have fallen due to the slowdown in the

global auto industry, so we have to reduce output next year," Hoa said.

She said Vietnam would look to curb natural rubber output by 100,000-200,000 tonnes below this year's 650,000 tonnes. Vietnam normally produces about 7% of world supply.

-factiva.com, 29 Dec

### **Thailand sees 10% drop in '09 rubber exports**

Thailand's 2009 rubber exports are expected to fall 10% from this year due to weak demand from the auto industry and a pledge by top producing countries to cut sales, the head of its main industry body said on 19 Dec 2008.

"Next year, our rubber exports are likely to drop by 300,000 tonnes from the 2.7 million tonnes we expect to sell this year," Luckchai Kittipol, president of the Thai Rubber Association, told Reuters.

"Our aim is to cut exports but the key factor is sluggish demand next year," he said.

Last month, the International Rubber Study Group cut its 2009 estimates for global rubber consumption, forecasting a drop of 3.3% in 2009 instead of a previous forecast of 4.2% growth.

-factiva.com, 19 Dec

### **Thai govt plans rubber scheme to boost prices**

Thailand, the world's biggest rubber exporter, will launch a new rubber-buying scheme in a bid to shore up domestic prices that are near five-year lows, Prime Minister Abhisit Vejjajiva said on 17 December 2008.

"We need to intervene to help relieve the pressure from oversupply," Abhisit said on Channel 7 TV, blaming a weakening global economy for falling rubber demand.

Rubber prices have fallen 60% from a 56-year high in July, hit by weakening demand due to an ailing U.S. auto industry -- much rubber goes into the production of tyres -- and fears of a global economic recession.

Traders said the Thai government's move should help support prices, especially as supply is expected to be sucked out of the market after Thailand, Indonesia and Malaysia, the top three rubber-producing countries, agreed at the weekend to cut exports.

The effect was already being felt on the Tokyo Commodity Exchange (TOCOM), the main regional futures market for rubber.

-factiva.com, 18 Dec

### **Association: No price control on fertilisers**

There is no fertiliser cartel among domestic manufacturers and importers, according to Fertiliser Industry Association of Malaysia (FIAM) Chairman Zainal A. Matassan.

He said most fertiliser players had to compete among themselves to give the local plantation sector competitive prices.

"We have never imposed price controls on imported fertilisers which we acquire from international markets at global prices," Zainal told *StarBiz*.

FIAM, which represents 80% of the country's fertiliser players, will continue to source and maintain the supply of fertilisers to plantations at the lower prices contracted at the end of 2007, although this will result in losses to the members.

The average fertiliser price last year was about RM1, 800 to RM2, 000 per tonne from RM3, 000 per tonne currently.

- The Star, 2 Dec

### **Global economic crisis hurts China's tyre industry**

Financial turmoil has spread globally and the global economy has been in depression. As a developing country, China is not immune from the global financial stress, and China's tyre industry is experiencing unprecedented challenges.

Suffering from the global financial crisis, the global automobile industry has a drastic downturn

and the demand for tyre has reduced sharply. According to the experts, it is impossible for the automobile industry to recover before 2010, so the tyre market will not be optimistic. With the increase of trade friction and technical barriers, China's export of tyre will be seriously affected. Besides the Renminbi appreciation will also bring pressure on the export of tyre from China - which has no more profit.

The profit of domestic tyre industry fell rapidly and the number of loss-making enterprises has increased in past several months. Small and medium enterprises have a hard time to survive.

Despite the slowdown of output growth, the growth of tyre output is still high due to the released capacity of new projects. China produced around 49 million pieces tyres in October 2008, a rise of 11.3% over the same period of 2007.

With the capacity expansion of tyre and decreased demand for tyre in domestic market, the inventory of tyre has increased drastically. According to the statistics from Tyre Branch of China Rubber Industry Association, the inventory of tyres in its member enterprises was up 12.5%, 31.3%, 37.8% and 40.8% respectively in June, July, August and September 2008, compared with the same period of 2007. Quite a few tyre enterprises have problems in their capital chain and have to cut down or discontinue production.

The financial turmoil has a negative impact on China's tyre industry; however, there exist some good chances for tyre industry in the crisis.

Since financial turmoil, the prices of raw materials including energy, natural rubber has started to be down drastically, the cost pressure on tyre enterprises has been greatly eased.

China's tyre industry will probably face the opportunities for reformation and integration. Domestic tyre industry feature scattered distribution, low product grade and weak market competitive edge, compared with advanced countries. The financial crisis has greater impact on tyre industry than it is expected, some tyre enterprises with low competitive edge will likely withdraw from the tyre industry.

*-factiva.com, 16 Dec*

### ***Glove makers resilient***

Falling prices of natural rubber have led to expectations that Malaysian rubber glovemakers will slash the prices of their products, prompting some analysts to review their earnings forecast for these companies.

But the overall outlook of the local sector is still deemed resilient despite key export markets like the United States having sunk into recession. This is because gloves are regarded as necessities, especially in the healthcare sector.

Current market dynamics also help. Glove makers' production costs have come down, thanks to declining oil prices which translate into cheaper fuel.

The weakening of the ringgit against the US dollar means these export-based firms' US dollar-denominated sales will translate into higher earnings in local currency.

"Our recent company visits revealed that sales of gloves have not been too significantly impacted by the global economic downturn. We think the rubber glove sector's share price derating has been too excessive when viewed against its current healthy fundamentals."

Nonetheless, glove makers are expected to post lower earnings in tandem with cheaper latex. AmResearch slashed its net profit estimates for Top Glove Corp Bhd by between 11% and 25% for financial years (FY) 2009 till 2011, and Kossan Rubber Industries Bhd's net income by between 6% and 9% from FY2008 till FY2010.

Top Glove's lower estimates also took into account its slower capacity expansion after the firm postponed the construction of a factory, while Kossan's forecast was revised after factoring in higher tax provisions. AmResearch rated Top Glove and Kossan shares a hold and buy, with fair values of RM3.90 and RM3.15 respectively.

"There will be lower selling prices but costs have also come down. Glove manufacturers don't reduce prices immediately," added Thong, who is overweight on the sector due to its recession proof qualities.

AmResearch issued a neutral call on the local industry, which supplies almost two-thirds (65%)

of the estimated 130 billion pieces of gloves sold globally a year. Demand for latex gloves is forecast to expand up to 12% annually.

*-factiva.com, 15 Dec*

### **Recycling scrap tyres for fuel oil**

Tropico Resources Sdn Bhd is investing RM5mil in a reacting pyrolysis plant in Samarahan Industrial Estate near here to recycle scrap tyres and polymer into fossil fuel oil.

Manager Lu Kwong Ming said the equipment was being installed at the plant, the first of its kind in Sarawak.

Existing recycling factories process tyres for tyre powder.

"The plant is expected to be commissioned in three months. It has the capacity to recycle 1,500 waste car tyres a day," he said in a statement.

Lu said that by using an advanced pyrolysis reaction system, the new technology was capable of deriving fuel oil, carbon black and steel cord from scrap tyres, rubber, polymer and plastic materials.

He said the derived fuel oil could be used directly as energy in industries and reprocessed into petrol, diesel and bitumen.

"Our project helps solve the problem of scrap tyres and builds a healthier environment for the society," he said.

Lu said the company would source scrap tyres from motor workshops and would consider importing if there was inadequate supply for the factory.

Tropico Resources is a wholly-owned subsidiary of the 68-year-old Tropico Group, whose businesses include fertiliser production, trading and logistic services.

*- The Star, 2 Dec*

### **Locals not keen on plantation sector work**

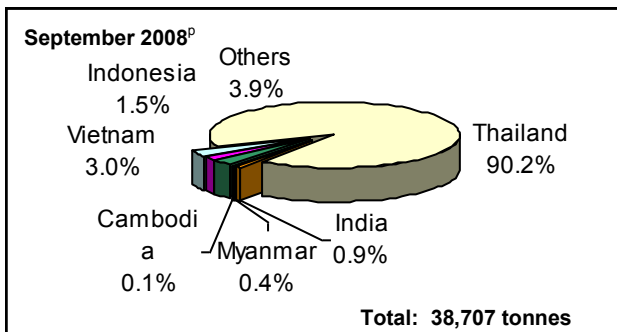
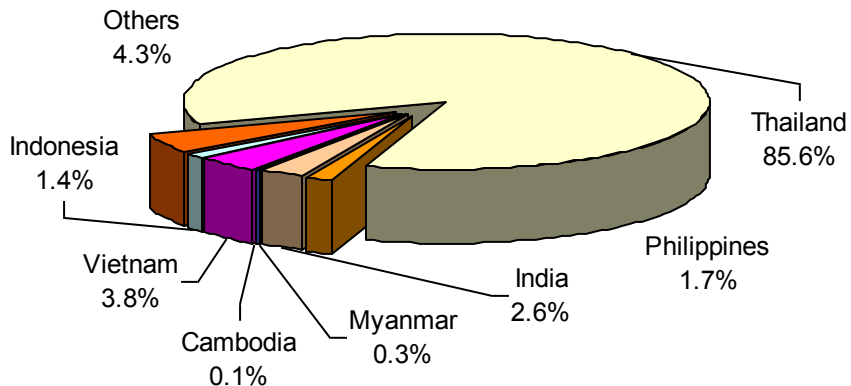
Deputy Plantation Industries and Commodities Minister A. Kohilan Pillay said few locals were interested in working in the plantation sector, reported *Makkal Osai*.

Currently there are more foreigners working in estates and if the situation persists, he said the country's foreign exchange would be affected.

About 92% of foreigners in estates are from Vietnam, Indonesia, Bangladesh and India and they are sending back thousands of ringgit back to their own countries, he said, adding that there were 1.2 million vacancies in the sector.

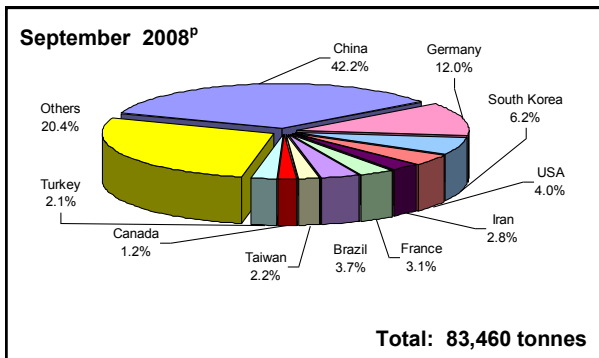
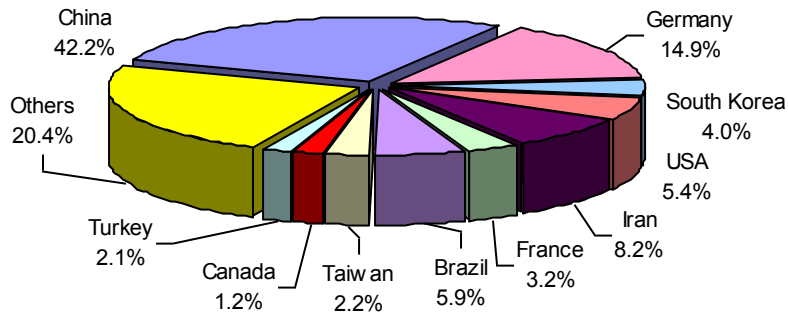
*-The Star, 3 Dec*

### Malaysia's NR imports by countries October 2008<sup>P</sup>



**Total: 40,306 tonnes**

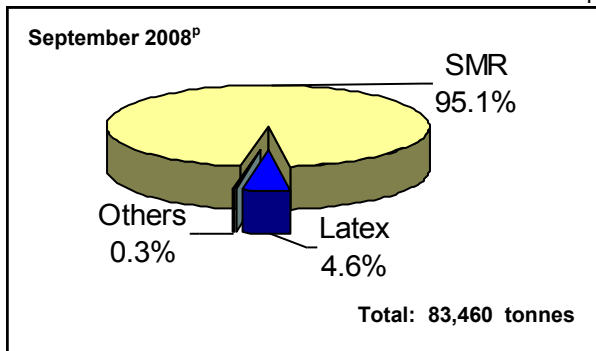
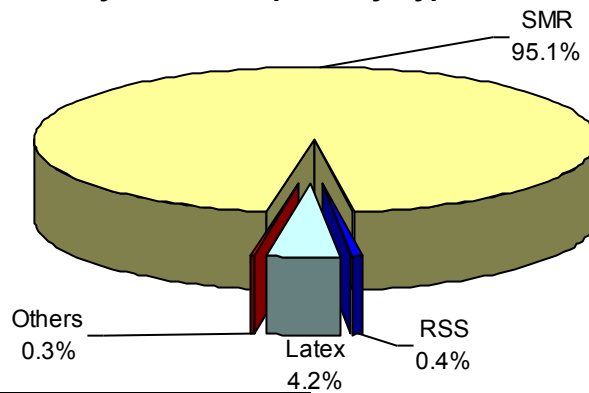
### Malaysia's NR exports by countries October 2008<sup>P</sup>



**Total: 64,928 tonnes**

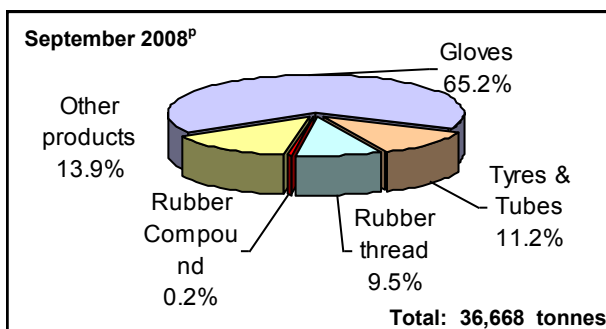
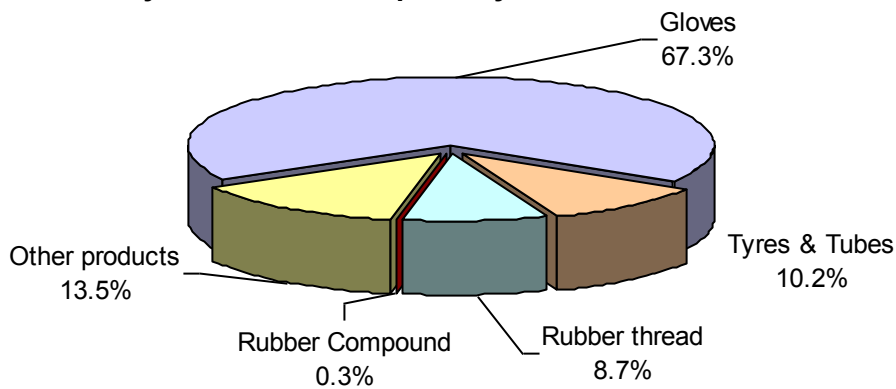
Note: <sup>P</sup> = provisional

**Malaysia's NR exports by types October 2008<sup>P</sup>**



**Total: 64,928 tonnes**

**Malaysia's NR consumption by sectors October 2008<sup>P</sup>**



**Total: 35,783 tonnes**

Note: <sup>P</sup> = provisional