



MALAYSIAN RUBBER BOARD

DIGEST

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DEC

Natural Rubber market review

December

In December 2011, the price trends in Kuala Lumpur rubber market were mixed. Generally, strong fundamentals were absent and prices were influenced by external factors of ongoing Eurozone debt crisis and global economic slowdown. Compared with levels on 30 November, the price of SMR 20 was up by 14.5 sen/kg or 1.5% to close at 1013.5 sen/kg whilst latex concentrate closed at 638.5 sen/kg, losing 38.0 sen/kg or 5.6%. The price movements of selected grades of rubber in December are shown in **Table 1**.

Higher advices from Tokyo futures market helped prices to open steadier during the first and second trading weeks. Persistent rains in growing areas restricted supplies of raw materials and provided the only support in a quiet market that saw very thin buying interest. Despite an encouraging start during the first and second week, prices started to drift down on 12 December 2011 owing to uncertainties over the effectiveness of the steps taken by European

leaders to settle the region's debt crisis, coupled with global economic slowdown.

Uncertainties in the Tokyo futures market as fears about the impact of deteriorating eurozone debt crisis on the global economy, kept the market in the doldrums during the third trading week. Meanwhile, China analyst reported that there is market expectation that China may further cut the reserve requirement ratio to improve liquidity in the banking industry as the country's trade surplus continued to decrease. Most buyers were unwilling to commit themselves in a falling market. Despite the steady crude oil prices, market players remained cautious about prospects for economic growth in both Europe and China.

At the beginning of the fourth trading week, prices in the Kuala Lumpur market were slightly higher and moved in tandem with a rise in global stock markets as the US economic recovery underpinned market sentiment. However, from the end of fourth trading week until end of the month, easier condition prevailed with very little trading activity reported in the absence of buying interest. The current state of the global economy

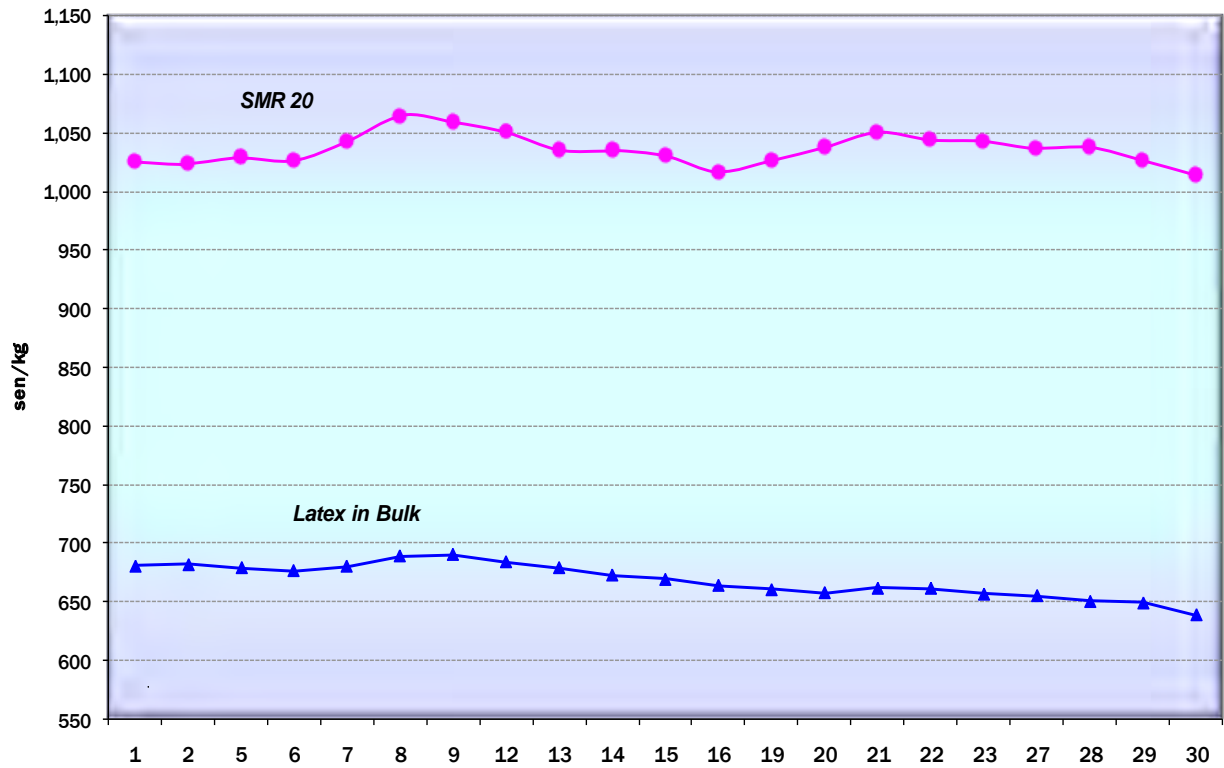
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, December 2011

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	1,115.00	11,150.00	1,065.00	10,650.00	690.00	6,900.00
Lowest	1,083.50	10,835.00	1,013.50	10,135.00	638.50	6,385.00
Average	1,099.67	10,996.70	1,036.21	10,362.10	668.26	6,682.60
Change from the last day of the previous month	11.00	110.00	14.50	145.00	-38.00	-380.00

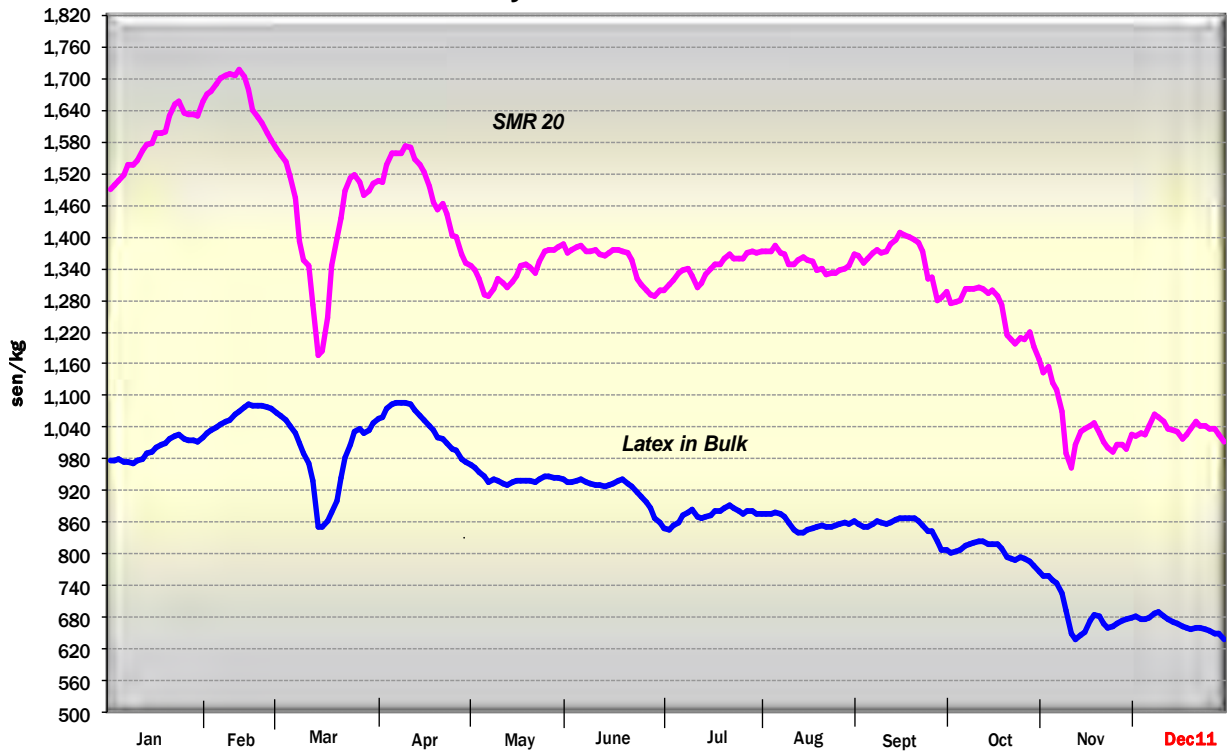
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, December 2011



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
3 January - 30 December 2011**



and unfavourable demand outlook are likely to keep speculative investors away from commodities and stocks. Therefore, the NR market was unlikely to receive speculators' support for driving up the market in the end of 2011.

Outlook

The downtrends in prices were due to ongoing Eurozone debt crisis and global economic slowdown rather than rubber-related factors. Concerns about the health of the global economy may continue to weigh on prices in 2012 despite relatively supportive fundamentals, but prices are expected to remain steady in the near-term.

News Brief

ASEAN rubber producers urged to reject contract renegotiations

ASEAN Rubber Business Council (ARBC) has told rubber producers to reject requests to renegotiate contracts with buyers amid sharp falls in the price of that commodity.

ARBC group consists of Indonesia, Thailand, Malaysia, Singapore, Vietnam and Cambodia account for 80% of the world's production of natural rubber.

Executive Director of Rubber Association of Indonesia (GAPKINDO), Dr. Suharto Honggokusumo said that the association has blacklisted a number of buyers which have cancelled contracts after the rubber price fall.

Rubber prices shrank 39% since mid-September 2011 on weak demand amid the crisis in major markets like Europe and the United States, Suharto said. He called on the ARBC member countries not to form any deals with buyers who wish to cancel their contracts.

-Asia Pulse, 6 Dec

Arrangements made to give the best for rubber tappers

The Malaysian Rubber Board has held about 10 discussions with union representatives of the Rubber Research Institute of Malaysia (RRIM) in Sungai Buloh in view of the impending move of the operations.

Its Director-General, Datuk Dr Salmiah Ahmad, said that the board understood the sentiments of the workers who had been there for decades, and had made the efforts to give them the best arrangements.

She added that the board had managed to obtain for the workers relocation allowance and compensation that were about 200% more than what they would have received in accordance to the government's Treasury Circular issued in 1995.

"We have worked hard to fulfil the terms sought by our workers to make up for the change. The workers who will be relocated will move into new houses with access to all the amenities at the research stations," she said.

-The Star, 7 Dec

China November tyre output 74.81 million units, up 13% on-year

China's tyre output in November rose 13% from a year earlier to 74.81 million units, the National Bureau of Statistics said. Output was up 0.3% from the previous month, the bureau added.

Total output in the January-November period rose 8.5% to 758.1 million units, the bureau said. Synthetic rubber production rose 14% on year to 3.18 million tonnes in the January-November period, and was up 8.9% on year to 295,000 tons in November, it said.

- Dow Jones Commodities Service, 9 Dec

India's Nov rubber imports rise, trend to continue

India's natural rubber imports edged up 4.6% in November to 15,069 tonnes, the state-run Rubber Board said, and steep falls in prices on overseas markets are likely to continue to make imports attractive for tyre makers.

The country's production during the month rose 4.3% on a year ago to 94,400 tonnes, the Rubber Board said in a statement, while consumption was 82,000 tonnes compared with 78,010 tonnes a year ago, it said.

"In overseas markets rubber is available at a much lower price than India. Tyre makers are signing import deals. In December, imports will be higher than November," George Vally, President of The Indian Rubber Dealers Federation, told Reuters.

- Reuters News, 9 Dec

Top rubber growers plan to set up physical market

Thailand, Indonesia and Malaysia, which account for about 70% of natural rubber output, plan to set up a regional physical market to create a new benchmark for the commodity, according to a trade group.

The market would help producers trade with more transparent and reliable prices, Tjahjono Budiarto Tjandra, Chairman of the Committee on Strategic Market Operations at the International Rubber Consortium Ltd., said in an interview in Bali. The countries agreed to take "specific measures" to support prices, Bayu Krisnamurthi, Indonesia's Deputy Trade Minister, told reporters in Bali after a meeting of representatives from the three governments.

-The Star, 13 Dec

Indonesian rubber companies reject export moratorium

The Rubber Association of Indonesia has rejected the idea of moratorium on rubber exports in a bid to prop up the price of that commodity. The Indonesian Rubber Council has called for a

temporarily halt for rubber exports if the price falls to below US\$3 per kg.

The Association's Executive Director Dr. Suharto Honggokusumo said the rubber farmers would suffer the hardest if exports are stopped. He said, however, exports would be cut to 10% lower than last year's levels if the price sank to below the reference level.

-Asia Pulse, 13 Dec

Indonesia's ICDX plans to launch rubber contract

The Indonesia Commodity & Derivative Exchange (ICDX) is planning to launch a physical rubber contract, its Chief Executive Officer said. The decision was made following talks between the International Tripartite Rubber Council (ITRC), ICDX's Megain Widjaja told Reuters.

"It is still at a very preliminary level," said Widjaja, who added that the timescale and details had yet to be decided.

-Reuters News, 13 Dec

Tripartite rubber council voices concern over softening rubber prices

The Ministerial Committee of the International Tripartite Rubber Council meeting in Bali has voiced concern over the softening natural rubber prices on rubber smallholders' livelihood.

Given the uncertainties of the rubber market sentiments, the ministers agreed to take concerted measures to improve the rubber market, the Plantation Industries and Commodities Ministry said in a statement today.

The ministers agreed that every participating country establishes a special scheme to implement the Strategic Market Operations whenever necessary.

- Bernama, 14 Dec

Indonesia may introduce more commodity export taxes

Indonesia plans to impose export taxes on a range of commodities, including metals and rubber, as part of a raft of new fiscal policies for next year, the Industry Minister said.

"In 2012 we plan to propose some new policies to the government such as imposition of an export tax, domestic market obligation or export ban on iron ore, copper ore, nickel ore, bauxite, coal and natural rubber," Industry Minister Mohamad Hidayat told a news conference, without giving any details.

-Reuters News, 16 Dec

Malaysian vehicle sales up 8.6% in November

Total vehicle sales rose 8.6% to 48,702 units in November, from the 44,845 units sold in the same month last year, said the Malaysian Automotive Association (MAA). It also said that November sales were down nine percent, or 4,913 units, from October.

However, compared with a year ago, sales in November registered an increase of nine percent. Of the 48,702 units, passenger vehicles accounted for 42,754; the remaining 5,948 were commercial vehicles. MAA said in a statement that the slower sales were due to the floods in Thailand, which had disrupted the production of certain makes of vehicles.

-The Star, 17 Dec

China think tank: 2012 GDP likely to rise around 8.5%

China's economic growth is likely to rise around 8.5% in 2012, the China Securities Journal reported, citing a researcher at a government think tank. China's gross domestic product rose 9.1% from a year earlier in the third quarter, slowing from 9.5% growth in the second quarter and 9.7% growth in the first.

The country's consumer price index is likely to increase 3.5% in the next year, Wang Guogang, Director-General of the Institute of Finance and Banking at the Chinese Academy of Social Sciences, was quoted by the newspaper as

saying.

Wang also said he expected China's banks will likely issue CNY7 trillion of new yuan loans in 2012, according to the newspaper.

- Dow Jones Chinese Financial Wire, 19 Dec

Rubber producing nations reap rewards

Global automobile sales, especially that of China, has given boost to their rubber industry but the chunk of its share has gone to Thailand, Indonesia and Malaysia, the world's leading natural rubber producers from where it sources most of its import needs.

China's natural rubber imports in November rose 30% from a year ago to 240 047 metric tonnes. Natural rubber exports of Malaysia are expected to generate revenue of \$10.14 billion this year, an increase by 30% compared to previous year.

-Commodity Online, 26 Dec

Thai natural rubber production up by 5% for 2012

The natural rubber production in Thailand is expected to be higher by five percent to around 3.15 million tonnes in 2012 while the exports are not expected to grow much according to Thai Rubber Association. The natural rubber production in country rose five percent from three million tonnes mainly due to the produce from the North Eastern regions.

The Thai Government had expanded the acreage of rubber in the North Eastern region in 2012 and the trees took seven years to mature to contribute to the countries' output.

According to Dr. Pongsak Kerdvongbundit, President of the Thai Rubber Association, the expansion of major tyre makers in the country is expected to increase the consumption so the rubber exports is expected to increase slightly to 2.8 million tonnes in 2012 from around 2.7 million tonnes in 2011, as reported by Reuters.

- Commodity Online, 26 Dec

China rubber demand to slow as auto sales fall

Natural rubber demand in China will slow in 2012, which is the world's largest consumer, due to lower projected car sales, Bloomberg reported. Rubber prices have fallen 33% this year, the largest drop since 2008, amid high supply from producers like Thailand and economic troubles in the US and Europe.

China's share of global demand for rubber was 34% in 2010, according to the International Rubber Study Group (IRSG). "Growth in China's demand for natural rubber next year is poised to slow down amid sluggish new automobile sales," said Li Shiqiang, General Manager at rubber exporter Sri Trang.

-China Economic Review, 27 Dec

RM275 million for rubber replanting and planting of new trees

Malaysian Rubber Board expects that some RM275 million will be invested under the rubber National Key Economic Area (NKEA), mainly involving replanting and new plantings of rubber trees nationwide, said its Director-General, Datuk Dr. Salmiah Ahmad.

In 2012, she said, active replanting activities would cover about 38,000 hectares per year focusing mainly on Peninsular Malaysia while new plantings would cover about 5,000 hectares each in Sarawak and Sabah.

"While we might face some shortages in planting materials next year, this is already being addressed at our nurseries nationwide," she told *StarBiz*. Under the rubber NKEA, the rubber industry is targeted to contribute about RM90 billion in gross national income by 2020.

-The Star, 29 Dec

Another test of resilience

Malaysian Rubber Board Director-General Datuk Dr. Salmiah Ahmad, said that rubber's performance in 2012 is expected to stay robust, with growth coming from the Asia-Pacific, mainly from China and India.

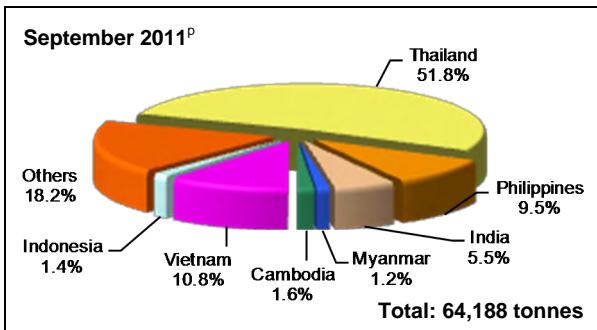
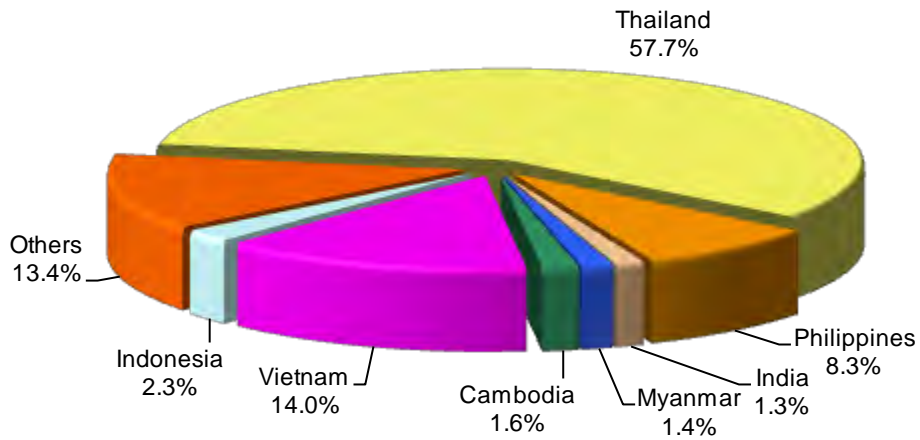
"These two economies, with their huge domestic markets, low cost and abundant domestic labour, offer vast market opportunities for natural rubber (NR)."

She said that the demand for Malaysian rubber goods, especially latex products, is also expected to increase in parallel with the global economic growth. Similarly, the rubber industry can look forward to growth in the automotive and sports markets, and construction and infrastructure development, especially in the expanding economies of the Asia-Pacific region.

There is an increasing market in the European Union for latex-based products that comply with the standards of the European Eco-labelling Scheme, which can be further explored by Malaysian manufacturers, added Salmiah.

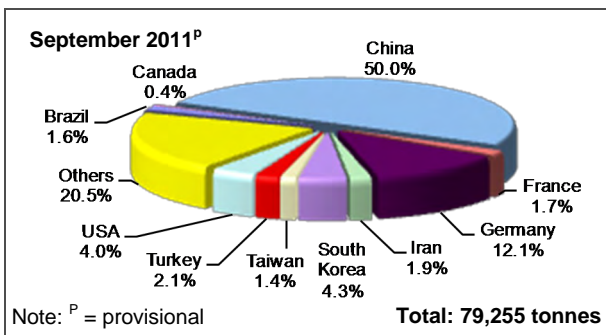
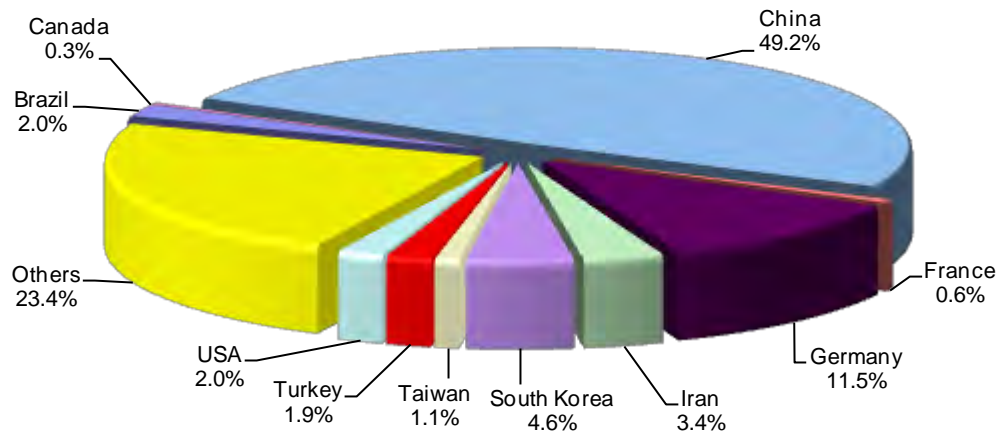
-The Star, 31 Dec

Malaysia's NR imports by countries October 2011^P



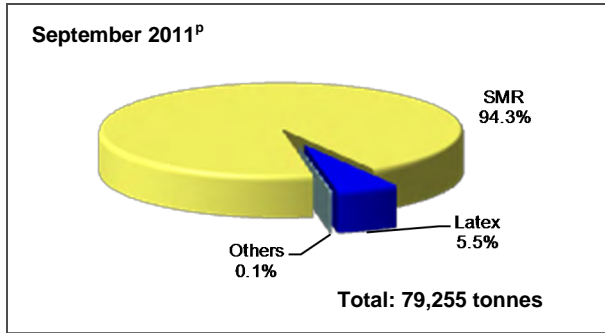
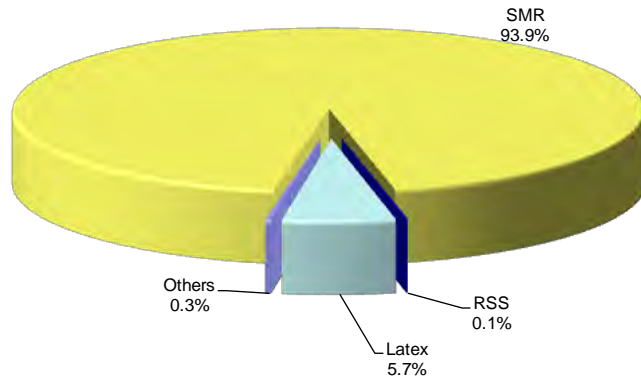
Total: 61,123 tonnes

Malaysia's NR exports by countries October 2011^P



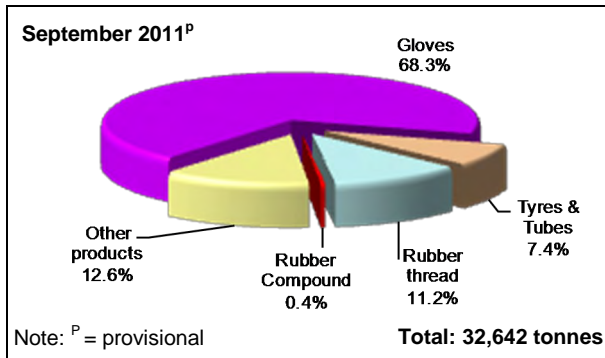
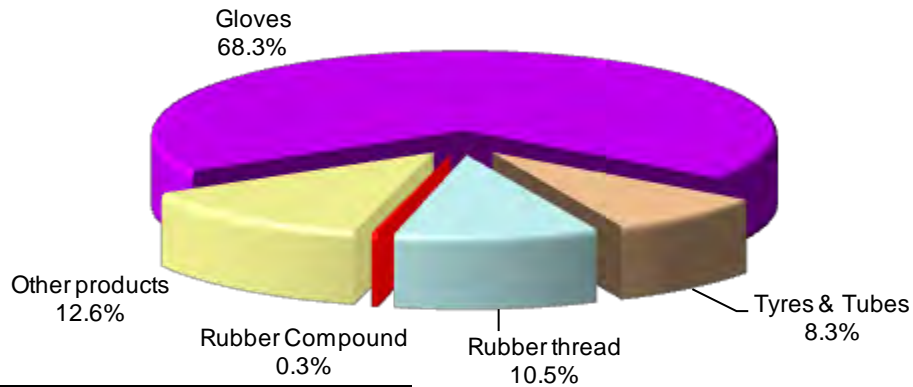
Total: 78,967 tonnes

Malaysia's NR exports by types October 2011^P



Total: 78,967 tonnes

Malaysia's NR consumption by sectors October 2011^P



Total: 35,394 tonnes