MALAYSIAN RUBBER BOARD DIGEST
2015 DEC
A monthly publication of the Malaysian Rubber Board

Natural Rubber Market Review

December

Generally, the Kuala Lumpur rubber market drifted uncertainly within a narrow range for the major part of the month as consumer interest was poor coupled with weak prices in the regional markets. Compared with those on 30 November 2015, the price of SMR 20 decreased by 8.5 sen/kg or 1.7% to close at 479.50 sen/kg on 31 December, its lowest in 2015. Meanwhile, latex concentrate closed at 331.50 sen/kg, decreased by 34.5 sen/kg or 9.4%. The price movements of selected grades of rubber in December 2015 are shown in *Table 1*.

The Kuala Lumpur rubber market opened the month with a slight increase resulting from higher advices from the rubber futures at Tokyo Commodity Exchange (TOCOM) as well as supported by an overnight jump in Shanghai Futures Exchange (SHFE).

However, market operators were still cautious as China manufacturing data reported hit a three-year low in November. During the first trading week, the gain in rubber market was capped by a decline in US crude oil price as stockpiles increase against expectations.

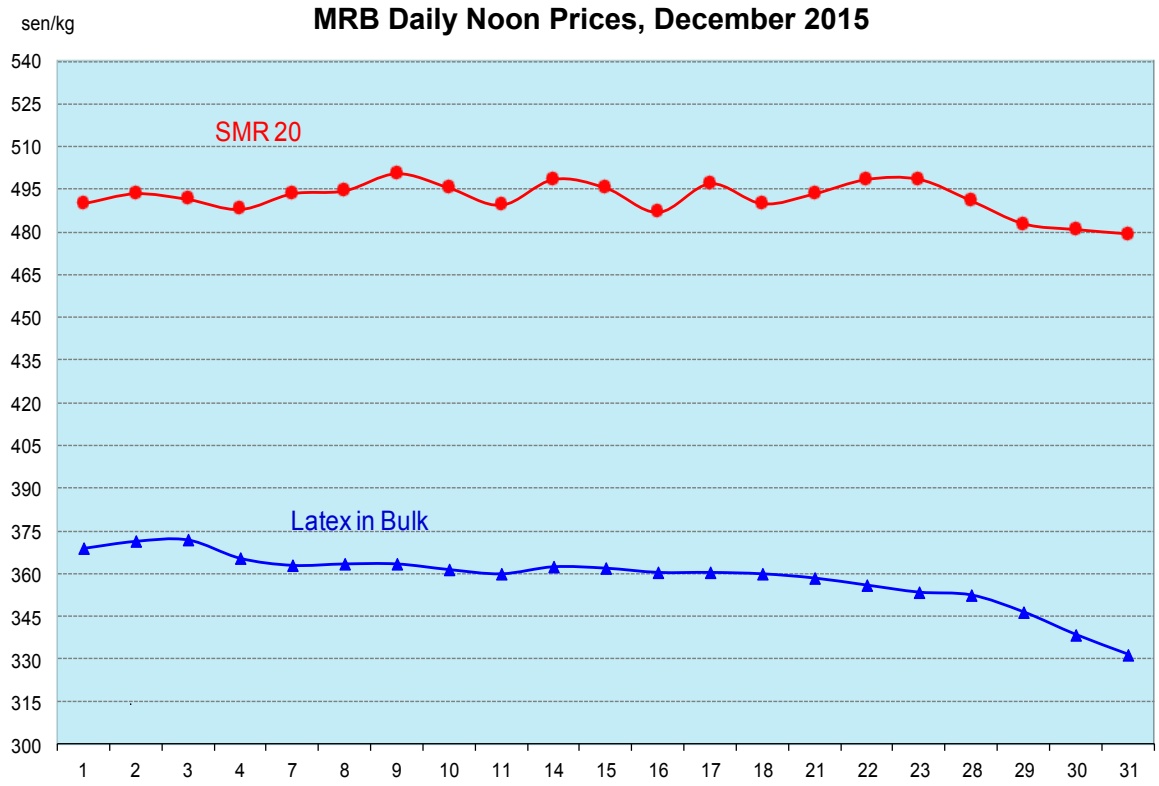
The market then rebounded during the second trading week, boosted by higher opening of rubber futures price at TOCOM following an increase in US crude oil and some buying interest from investors. It was reported that U.S. crude oil prices rose more than one (1) per cent after industry data reported a surprise drop in U.S. crude inventories. The market then turned bearish in the end of second trading week as buyers kept to the sidelines owing to lower crude oil prices and persistent worries about slowing demand from China.

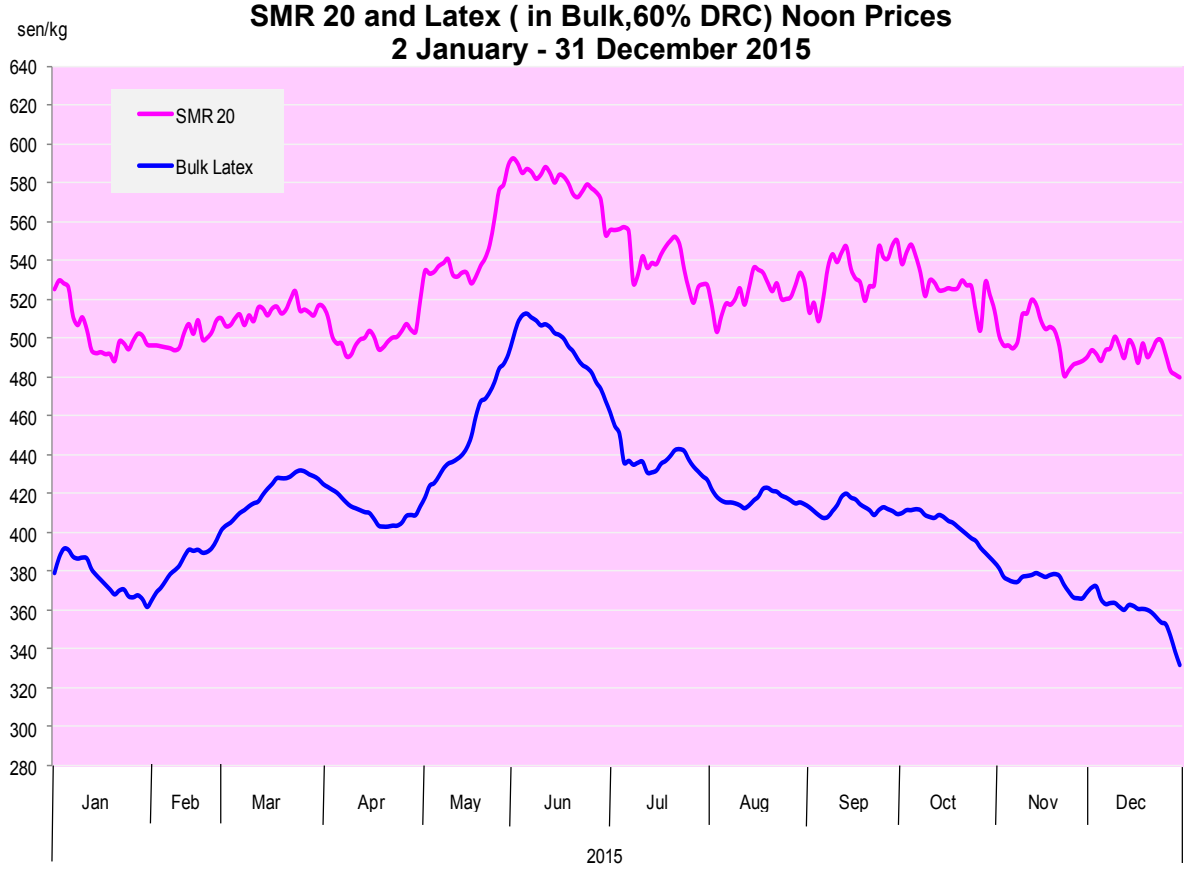
Generally, easier conditions set in during the third and fourth trading week. Prices drifted uncertainly within a tight range as consumers' interest was poor, in addition to the downtrend in the regional rubber futures markets. Overall market conditions were very much influenced by global economic conditions particularly slower economic growth in China, lower than expected economic growth in Europe and Japan, lower crude oil price amid higher production of NR from new emerging nations as well as *ringgit* movement against US dollar. The negative sentiment was further aided by the announcement from US Federal Reserve

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, December 2015

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	639.50	6,395.00	500.50	5,005.00	372.00	3,720.00
Lowest	567.50	5,675.00	479.50	4,795.00	331.50	3,315.00
Average	621.50	6,215.00	492.50	4,925.00	360.03	3,600.30
Change from the last day of the previous month	-67.00	-670.00	-8.50	-85.00	-34.50	-345.00

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


MRB Daily Noon Prices, December 2015
sen/kg
SMR 20
Latex in Bulk
540
525
510
495
480
465
450
435
420
405
390
375
360
345
330
315
300
1
2
3
4
7
8
9
10
11
14
15
16
17
18
21
22
23
28
29
30
31


SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
2 January - 31 December 2015
sen/kg
SMR 20
Bulk Latex
640
620
600
580
560
540
520
500
480
460
440
420
400
380
360
340
320
300
280
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2015

on 17 Dec to increase the range of its benchmark interest rate by a quarter of a percentage point to between 0.25 per cent and 0.50 per cent, ending a prolonged debate about whether the economy was strong enough to withstand higher borrowing costs. It was also reported that WTI crude oil prices recorded a lowest level of USD 34.73 per barrel on 18 Dec after OPEC failed to address a growing supply glut, while a stronger dollar made it more expensive to hold crude positions.

At the end of review period, prices of SMR 20 and latex in bulk recorded at 479.50 sen/kg and 331.50 sen/kg respectively, its lowest in 2015. The bearish sentiment was contributed by weak performance of TOCOM market as concern over the slowing demand from China and lower crude oil prices.

Outlook

The outlook for the rubber market is uncertain as external factors continue to play a major role in determining prices. The market is expected to weigh down by the world economic condition, development in China's economy, crude oil prices, currency movements as well as the market direction of both physical and futures markets in the region in the near-term. Market operators in the wait and see attitude concern on the global and China's economic prospects.

News Briefs

ITRC 2015: Three countries' commitment to resolve rubber problems

Indonesia, Thailand, and Malaysia are committed to ensuring the supply of natural rubber to create balance with world demand. This was communicated by the Director General of International Trade Cooperation, Bachrul Chairi, in the series of Ministerial level meetings related to Rubber, the International Tripartite Rubber Council (ITRC) 2015 in Jakarta.

"Concomitant with the low prices of rubber, production in these three countries has also declined. As fellow natural rubber producing country with 67% of the global production share, Indonesia, Thailand, and Malaysia are committed to ensuring that supply and demand of rubber are kept at a balance," said Bachrul on the sidelines of the ITRC senior officials' meeting (2/12). According to Bachrul, with the drop in production, supply of natural rubber would also decrease. Indonesia's production, which this year amounts to around 3.1 million tonnes, will also have an effect on the global stock of natural rubber. This, said Bachrul, is expected to strengthen prices.

- Indonesian Government News, 2 Dec

Indonesian official says Vietnam may join global rubber council soon

Vietnam is likely to join the International Tripartite Rubber Council soon, Bachrul Chairi, Director General of the International Trade Cooperation at the Trade Ministry, said in a statement. Once Vietnam joins, the group's share of natural rubber production will increase to 76% of the global output, Chairi said.

Also, the group's membership will rise to four. The three initial member countries of the council - Indonesia, Malaysia and Thailand - produce around 67% of global natural rubber, Chairi said.

According to Chairi, with Vietnam as a member, the council's bargaining power rises. The International Tripartite Rubber Council will hold a ministerial committee meeting today at Hotel Mandarin, Jakarta, which will be attended by Indonesian Trade Minister Thomas Lembong, Malaysian Plantation Industries and Commodity Minister Datuk Amar Douglas Unggah Embas, and Thai Agriculture and Cooperatives Minister General Chatchai Sarikulya.

- Cogencis CommodityWire, 3 Dec

ITRC, IRCo urged to expedite the establishment of Regional Rubber Market (RRM)

The International Tripartite Rubber Council (ITRC) and International Rubber Conference Organisation (IRCo) were urged to expedite the establishment of a regional rubber market (RRM) within three months if possible. In a statement, ITRC said, two technical working groups were set up to accelerate the drafting of related by-laws and exchange rules and regulations, including technical specifications and arbitration resolution procedures.

At the ITRC Ministerial Committee Meeting 2015 in Jakarta today, the ministers welcomed the progress on the establishment of the RRM which will originally be by June 2016.

- Bernama, 3 Dec

Asia SBR may fall on oversupply, falling BD, NR prices

Styrene butadiene rubber (SBR) prices in Asia may still have room to fall because of abundant supply, stagnant demand amid weakening natural rubber (NR) and feedstock butadiene (BD) markets, industry sources said on 26 November. Major regional producers are keeping offers for non-oil grade 1502 SBR firm at $1,200/tonne CFR (cost and freight) southeast (SE) Asia for December spot shipments, citing limited availability.

Downstream tyre makers have been taking up the lower-priced NR instead of SBR, they said. NR and SBR are interdependent raw materials in the production of tyres for the automotive industry, with their prices tending to move in the same direction.

SMR 20 tyre grade NR, which is traded at the Malaysian Rubber Exchange, averaged 117.81 US cents/kg so far in November from 125.90 US cents/kg in October. Tyre makers in emerging economies have more flexibility to adjust their formulations to substitute NR with SBR, and vice versa, market sources said.

- ICIS News, 3 Dec

Top rubber producers agree to study export cuts in 2016

Asia's top rubber producers are studying the possibility of curtailing exports in 2016 to support prices that have slipped to the lowest in seven years. The International Tripartite Rubber Council (ITRC), whose members Thailand, Indonesia and Malaysia produce nearly 70 percent of the world's natural rubber, said late on Thursday they have agreed to immediately begin a study on the implementation of a so-called "agreed export tonnage scheme" for 2016.

The study is due in one month, according to the statement from the ITRC following a ministerial meeting of the group in Jakarta on Thursday. However, the statement did not give details on tonnages or a specific time frame on implementation.

- Reuters News, 4 Dec

Regional Rubber Market (RRM) could boost rubber prices, says MRB

The Malaysian Rubber Board (MRB) is optimistic that the setting up of the Regional Rubber Market (RRM) would help lift rubber prices, says its Director-General Datuk Dr Mohd Akbar Md Said. The RRM, comprising the world's three largest natural rubber (NR) producers Thailand, Indonesia and Malaysia, could boost rubber prices, which are currently greatly influenced by external factors, he said.

In fact, he said, with Vietnam showing an interest in becoming a strategic partner, the RRM could represent 80 per cent of the world's NR output. "Rubber prices are at the moment influenced by purchasing countries as well as the weak global economy and low crude oil prices. "The RRM could not only give competition to other countries but also help to boost rubber prices," he told reporters after the Standard Malaysian Rubber (SMR) golden jubilee celebrations here today.

- Bernama, 8 Dec

Rubber industry exports in first 9 months up 4.3 %

The export value of Malaysia's rubber industry for January to September this year increased 4.3 per cent to RM24.21 billion from RM23.21 billion for the same period last year, says Datuk Douglas Uggah Embas.

The Plantation Industries and Commodities Minister said of the total export value, natural rubber accounted for RM3.10 billion. "Exports of rubber products for the same period increased 18.1 per cent from RM11.14 billion to RM13.16 billion, driven by an almost 22 per cent growth in exports of rubber gloves to global markets for the first nine months of this year," he said at the presentation of rubber industry awards here tonight.

"Since the third quarter of 2014, the moderation in economic growth of major importing countries such as China and the European Union has affected prices of SMR20," he said.

- Bernama, 8 Dec

Malaysia's natural rubber output in Oct up at 70,843 tonnes

Malaysia's natural rubber (NR) output stood at 70,843 tonnes in October 2015, up 3.8 per cent or 2,583 tonnes, from September, the Department of Statistics said today. Compared with October 2014, the production was up 47.4 per cent or 22,791 tonnes, it said in its monthly production statistics for October 2015.

The smallholdings sector contributed 91.8 per cent of total production while the estate sector produced the remaining 8.2 per cent. Exports totalled 55,398 tonnes, a reduction of 9.5 per cent, compared with September 2015 but it was up 1.3 per cent with the same month last year. Standard Malaysian Rubber (SMR) made up the bulk of the exports, accounting for 94.3 per cent.

- Bernama, 11 Dec

North Sumatra's rubber production predicted to decline

North Sumatra's production of natural rubber is predicted to decline to around 450,000 tonnes this year from 465,000 tonnes in 2014. Executive Secretary of the North Sumatra branch of the Indonesian Association of Rubber Companies Eddy Irwansyah attributed the decline to falling price of that commodity in international market. Many farmers even cut their rubber trees to replace their crops with ones more profitable, Eddy said here on Saturday.

He said the price of natural rubber in international market was only USD 1.17 per kilogram and around Rp 13,000 per kilograms at processing factory. He predicted the rubber price would shrink further to follow the oil price fall. GAPKINDO said with the trend, farmers would have no interest to grow rubber.

"As a result, the country's rubber production is feared to shrink again in 2016," Eddy said. Currently North Sumatra contributed 33 percent to the country's total production of natural rubber. North Sumatra is the country's second largest producer of natural rubber after South Sumatra.

- Philippines News Agency, 13 Dec

'Cheap imports harming domestic rubber industry'

Cheap rubber imports from China and Thailand are harming the domestic industry in the current fiscal and the government should introduce safeguards to protect local players, according to industry members. India's rubber imports touched an all-time high of 415,000 tonne in 2014-15 owing to lower international prices and fall in domestic production. The imports stood at 360,000 tonne in 2013-2014.

"Cheap rubber imports from China and Thailand in the current fiscal too, are harming the domestic industry. We demand that the government should introduce safeguards to protect domestic players and increase the procurement of natural rubber from the domestic market", industry officials said on the sidelines of International Rubber World Summit and Expo here.

- Press Trust of India, 16 Dec

Automotive rubber molded components market - projected to reach market size of $40.5 billion

The automotive rubber molded components market, in terms of value, is projected to grow at a CAGR of 5.20% from 2015 to 2020, to reach a market size of USD 40.5 Billion by 2020. This growth can be attributed to factors such as the increasing adoption of lightweight materials, government regulations, fluctuating oil prices, environmental concerns, limited number of suppliers, and technological advances.

Asia-Oceania is estimated to occupy the largest share in the automotive rubber molded components market in 2015. With regard to material type, ethylene propylene diene terpolymer (EPDM) is estimated to dominate the market in 2015, followed by styrene-butadiene rubber (SBR).

- India Automobile News, 17 Dec

Stretching growth to RM12.8b

The Malaysian Rubber Glove Manufacturers Association (MARGMA) is optimistic of achieving a 20 per cent export growth to RM12.8 billion this year as global demand for the medical device remains firm and glove makers benefit from the strong US dollar. “This year, rubber glove exports are expected to expand 20 per cent to RM12.8 billion from last year’s RM10.71 billion. In the nine months ,of the year, we have shipped out RM9.58 billion worth of gloves,” MARGMA President Denis Low Jau Foo told Business Times.

He said earnings of rubber glove makers have been on the rise since the beginning of this year on the back of a stronger greenback as exports were priced in US dollars. “The strengthening of the US dollar and weakness of the ringgit is a short-term catalyst for our sector. Some of our inputs, such as nitrile latex, is sourced in US dollars. That’s a natural hedge.

Also, clients have been asking for discounts in selling prices,” he said. MARGMA represents 90 per cent of local glove manufacturers and associate members which are the suppliers and service providers to the industry. Malaysia has been the world’s top supplier of rubber gloves for almost two decades.

- New Straits Times, 28 Dec

Rubber city pegged to add value to flagging industry

The Thai government has launched a new "rubber city" in the southern province of Songkhla in a bid to boost rubber demand. The project will also encourage investors to make downstream rubber products to add value to rubber and increase the commodity's price, which continues to fall. Prime Minister Gen Prayut Chan-o-cha, Deputy Prime Minister Somkid Jatusripitak and Industry Minister Atchaka Sibunruang visited a rubber industrial estate to pursue the project.

Veerapong Chaiperm, Governor of the Industrial Estate Authority of Thailand (IEAT), said further investments in the rubber city are designed to add value to products such as tyres, medical equipment and auto and aircraft parts. The rubber city will serve up to 70 companies wanting to invest in rubber-related industries, as the location is in the heart of Thailand's rubber plantation area, Mr Veerapong said. The area produces 80% of the country's annual rubber output of more than 3 million tonnes. He said the rubber city was expected to be fully invested by 2021, when demand for latex rubber and rubber sheets was due to rise substantially. The rubber city will cost 8 billion baht.

- Bangkok Post, 29 Dec

Rubber prices set to recover by as much as 14% in 1H16

Prices of natural rubber could rise by as much as 14% in the first half of next year (1H16), the Malaysian Rubber Board (MRB) said, fuelled by robust demand from the tyre industry in Europe, the United States and Japan. Its Director-General, Datuk Dr Mohd Akhbar Md Said sees the SMR 20 free-on-board price trending upwards in 1H16 from RM4.81 per kg yesterday, although he doesn't expect the price to exceed the RM5.50 per kg level.

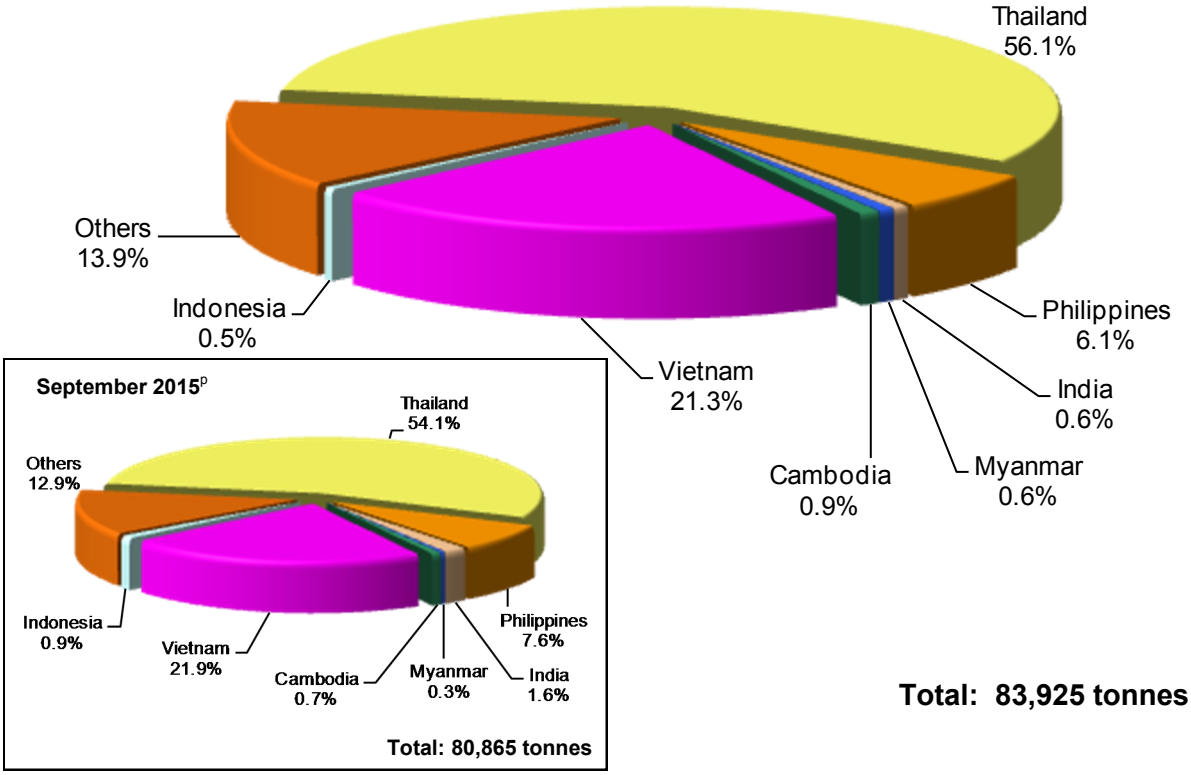
Mohd Akhbar also said to stabilise the supply-demand balance, the governments of Thailand, Malaysia and Indonesia had agreed to increase the domestic consumption of rubber. One of the ways the governments is looking to do so is by increasing the usage of rubber in roads, he said, adding that the governments plan to use 300,000 tonnes of rubber from 2016 over a period of three years for the construction of roads. He said research conducted by the MRB showed that rubberised roads require 4.2 tonnes per km for road resurfacing and the board is looking to use a higher amount of 12 tonnes per km for the construction of roads.

"From 2016 to 2018, we are looking at creating 700km of rubberised roads involving state roads in the country," Mohd Akhbar told reporters after a memorandum of understanding signing ceremony between the MRB and Nadicorp Holdings Sdn Bhd for the trial use of environmental-friendly tyres yesterday.

- The Edge, 31 Dec

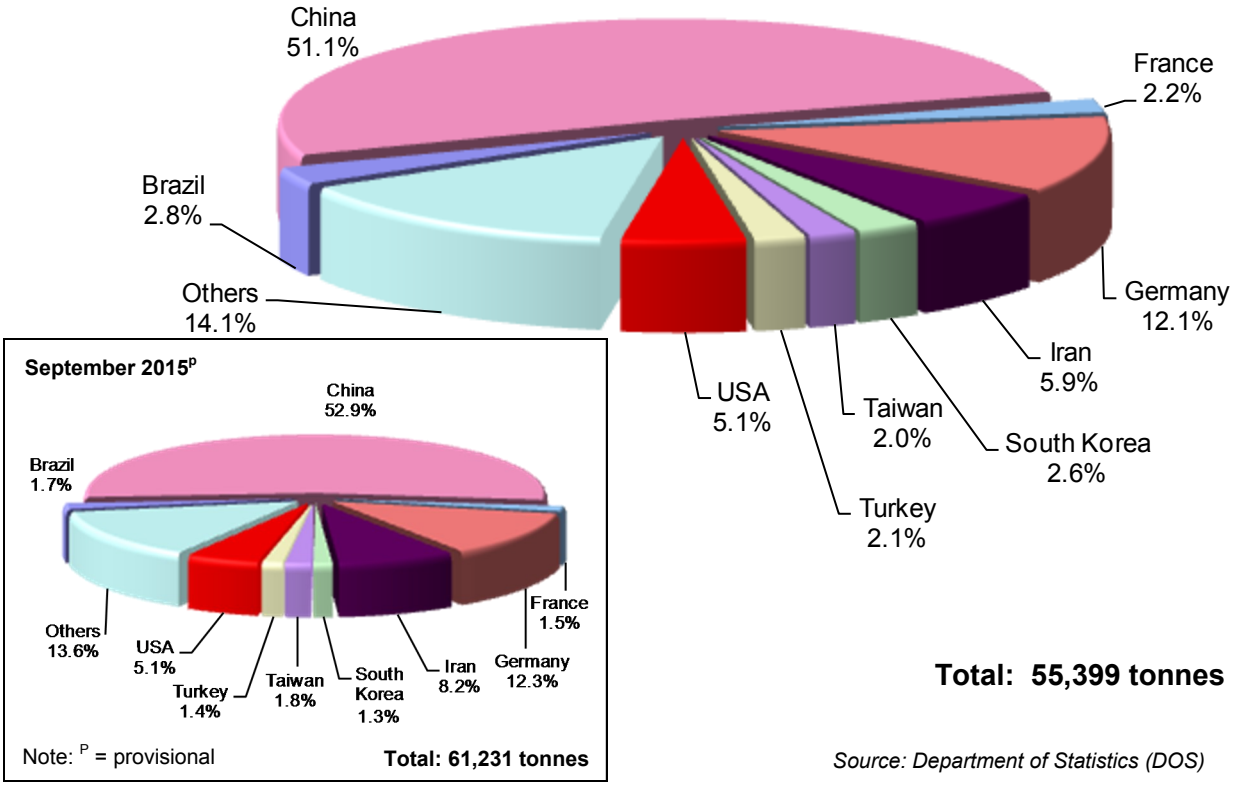
Sources: www.factiva.com, New Straits Times, Rubber Asia, The Edge

Malaysia's NR imports by countries October 2015[p]



Total: 83,925 tonnes

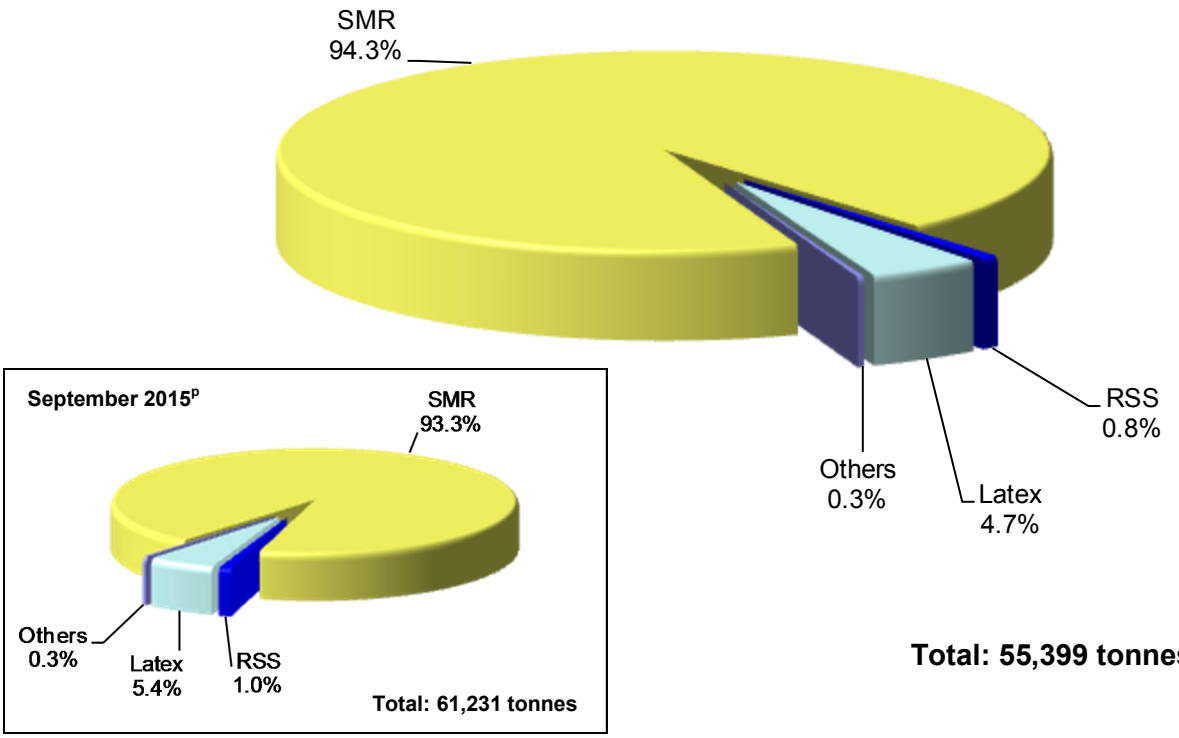
Malaysia's NR exports by countries October 2015[p]



Total: 55,399 tonnes

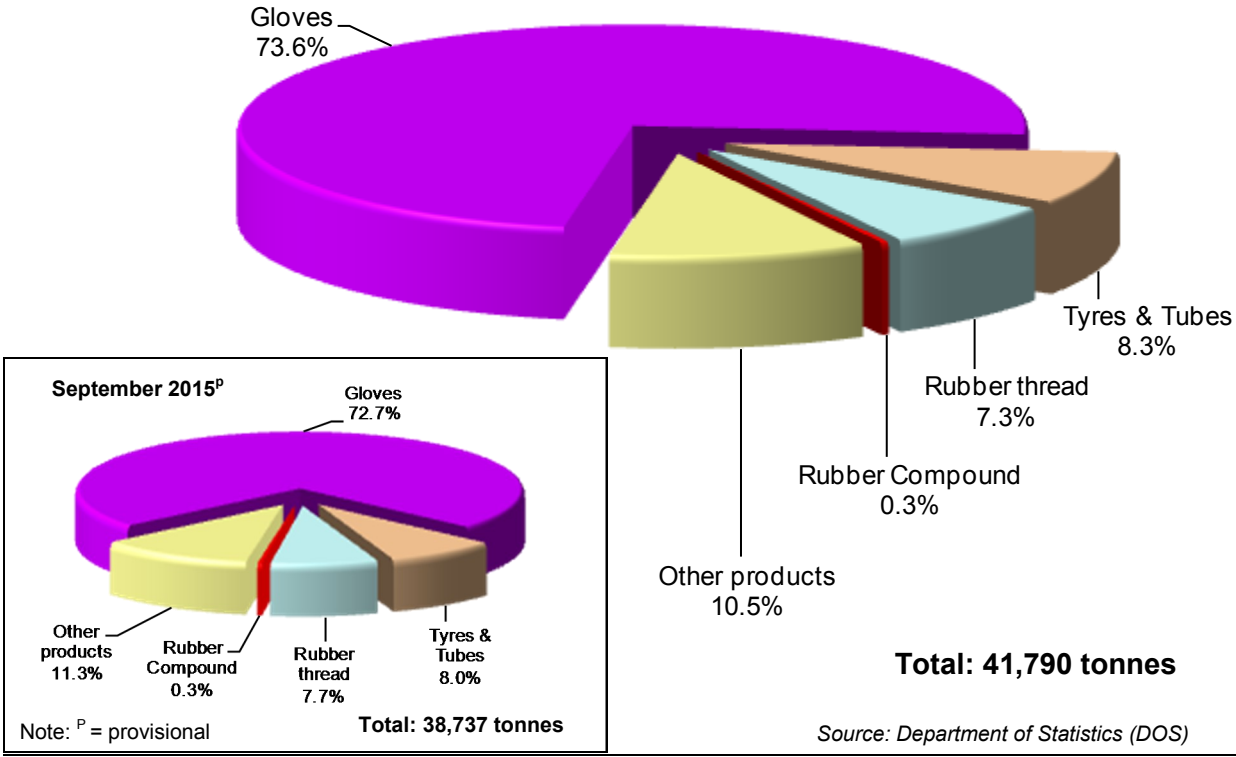
Source: Department of Statistics (DOS)

Malaysia's NR exports by types October 2015[p]



Total: 55,399 tonnes

Malaysia's NR consumption by sectors October 2015[p]



Note: [P] = provisional

Total: 41,790 tonnes

Source: Department of Statistics (DOS)

Published by the Malaysian Rubber Board, 148 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel: 603-9206 2000 Fax: 603-2161 6586