



MALAYSIAN RUBBER BOARD

DIGEST

A monthly publication of the Malaysian Rubber Board

2010
FEBRUARY

Natural Rubber market review

February

The Kuala Lumpur rubber market fluctuated upwards in February to close the month at higher levels despite a fall in prices in the early part of the month. Chinese buyers who were procuring ahead of the Lunar New Year in mid-February aided market sentiment. Compared with levels on 29 January, the price of SMR 20 gained 545 RM/tonne or 5.5% to close at 10,425 RM/tonne while latex concentrate gained 510 RM/tonne or 7.5% to close at 7,320 RM/tonne. The price movements of selected grades of rubber in February are shown in **Table 1**.

The market opened on a positive note as it tracked the higher regional prices, especially in Thailand. Strong performance of the Tokyo futures market, driven by a bout of speculative buying, also supported local sentiment. It was further aided by tight supplies of raw material in eastern Thailand due to the wintering season in the rubber growing areas.

After the strong performance during the first three trading days, prices took a downturn, influenced by falls in the Tokyo futures. Though the market continued to be affected by tight supply, the Chinese Government's pending policy to tighten conditions for loan approvals, coupled with uncertainty over the strengthening of the U.S. dollar, weighed on prices.

Firmness in oil prices and positive data on China's January 2010 automobile sales, which would eventually see the demand from China increase, gave support to prices, leading to a market rebound. Buying interest from China, speculative rubber futures and the uptrend in the crude oil futures further aided the positive sentiment.

The China Association of Automobile Manufacturers (CAAM) reported that China's both automobile sales and output grew by more than double in January 2010 from a year earlier to exceed 1.6 million units. Meanwhile, in Thailand, it was reported that suppliers took advantage of the current high prices to release approximately 70% of their stocks. Factories were offering

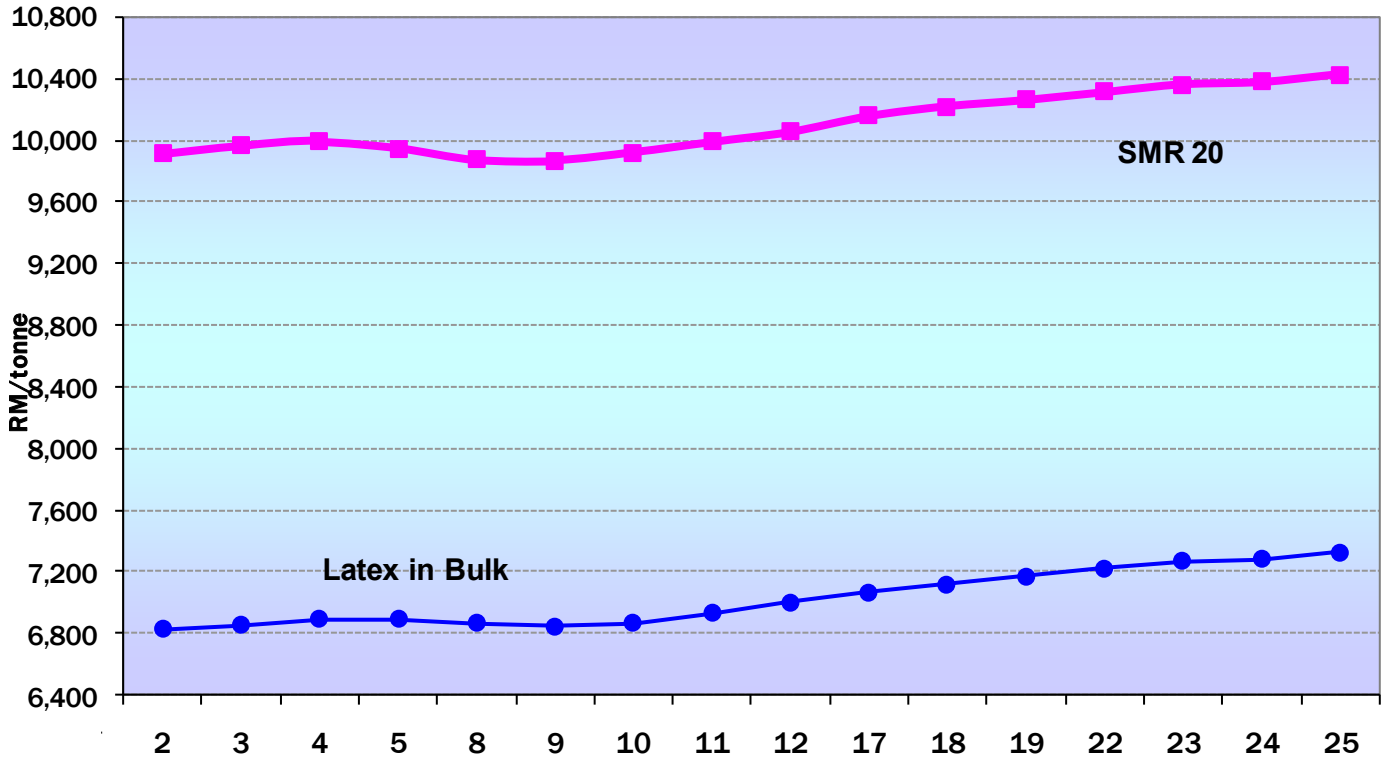
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, February 2010 (RM/tonne)

	SMR CV	SMR 20	Latex Concentrate
Highest	11,510.00	10,425.00	7,320.00
Lowest	10,870.00	9,865.00	6,820.00
Average	11,152.20	10,101.30	7,023.10
Change from the last day of the previous month	1,025.00	545.00	510.00

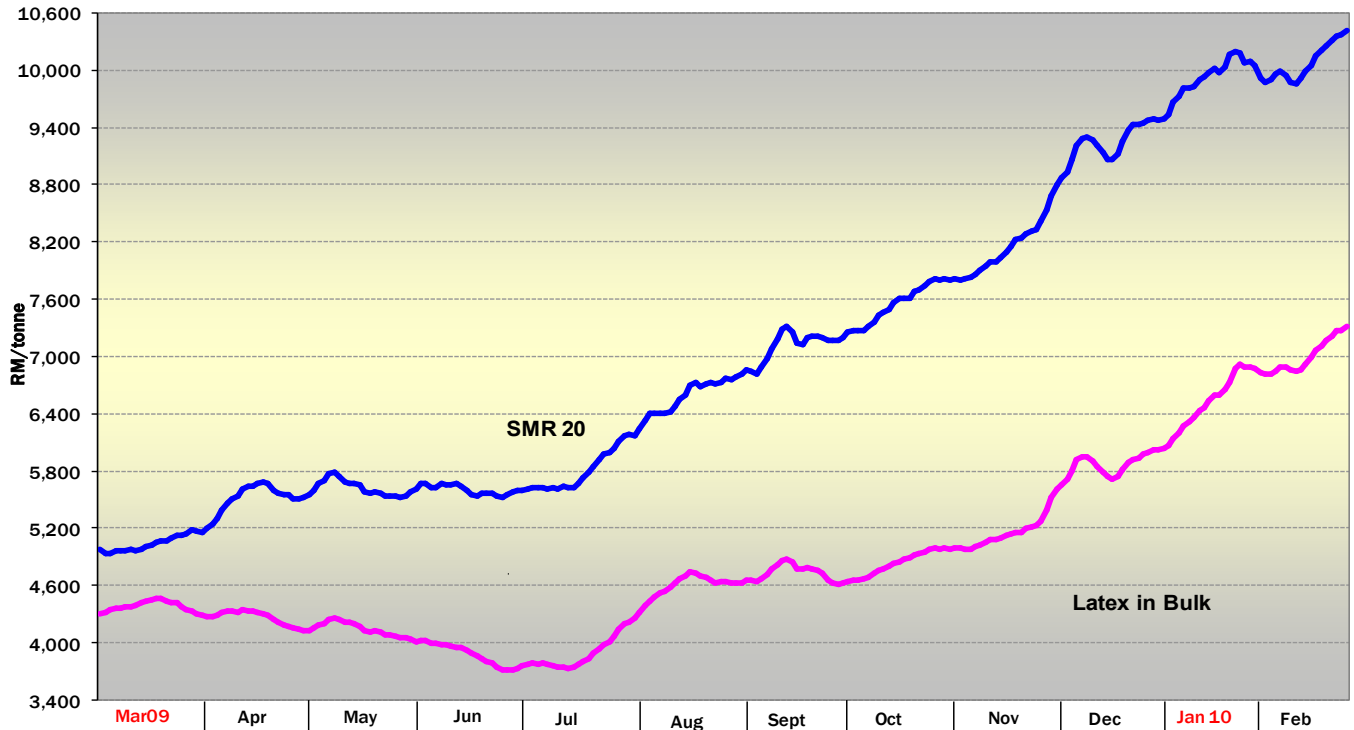
Note: * Official price of latex concentrate in bulk, 60% drc

Source: Malaysian Rubber Board

MRB Daily Noon Prices, February 2010



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices (02/03/2009-25/02/2010)



higher prices for raw materials as the wintering season in Thailand would only end in April.

The market turned bullish towards the end of the month as crude oil prices closed at US\$80.16 per barrel on 22 February 2010, supported by a refinery strike in France and escalating tensions on Iran's nuclear programme, coupled with strong buying interest from Chinese buyers, who were back from their Lunar New Year holiday break.

Outlook

The market is expected to remain steady in the near term due to continuous shortage of raw material supply in Thailand and in anticipation of Chinese demand. Prices will be influenced by movements on Tokyo rubber futures and crude oil prices, which are expected to be volatile as more investors return from their long break.

New DG takes over in Feb 2010



The Malaysian Rubber Board welcomes the appointment of Dr. Salmiah Ahmad as the new Director-General with effect from 9 February 2010. Dr. Salmiah succeeds Y. Bhg. Dato' Dr. Kamarul Baharain Basir, who retired on 6 February 2010.

Prior to her appointment, Dr. Salmiah was the Deputy Director-General (Services) of the Malaysian Palm Oil Board (MPOB) where she has garnered 27 years of experience in the palm oil industry. Her areas of expertise include oleochemicals, organic chemistry and non-food uses of palm oil. As a scientist, her projects had won numerous awards, including the ITEX (Gold, Silver and Bronze) and the *Salon International Des Inventions Genève* (Gold and Silver).

Dr Salmiah holds a Bachelor and Master of Science (Organic Chemistry) from Northern Illinois University, USA. She received her PhD in Chemistry Physics from the Imperial College in London, United Kingdom. She also holds an Executive MBA from the ASEAN Institute of Management in Manila, the Philippines

News Brief

Malaysia registers 4.5% GDP growth in Q4, full year contracts 1.7%

The Malaysian economy registered a positive Gross Domestic Product (GDP) growth of 4.5% in the fourth quarter of 2009, amid strengthened domestic and external demand, but the entire year's growth contracted 1.7 per cent.

The government had earlier projected a contraction of three per cent in GDP for 2009. In 2008, Malaysia's GDP growth was 4.6 per cent.

"The recovery in the global economy had improved further in the fourth quarter of 2009. This positive trend is expected to continue in 2010, although the pace of the global recovery is expected to be gradual and uneven," the central bank said.

-factiva.com, 25 Feb

Govt to address manufacturers' power shortage

The Government will provide more gas to industries on the country's peninsula after some manufacturers complained that a power shortage was slowing their growth.

State oil and gas company Petroleum Nasional Bhd (Petronas) will re-allocate 100 million standard cubic feet of natural gas currently meant for independent power producers, Malaysian Industrial Development Authority director-general Datuk Jalilah Baba told reporters here yesterday.

"This is as interim solution to the gas shortage situation."

"This is to fill the gap until 2011," he added.

-The Star, 05 Feb

Green Rubber extends deal with Timberland

Green Rubber Inc, a subsidiary of The Petra Group, has extended its deal with US-based giant footwear company Timberland to make athletic shoes, boat shoes and boot soles from recycled latex.

The agreement comes on top of an existing partnership under which it manufactures soles from recycled tyres.

“Timberland shoes featuring ‘green rubber’ made from waste latex went into production last December and will be on sale in shops by spring 2010,” Green Rubber said in a statement yesterday.

The waste latex from various glove factories in Malaysia would be made into green rubber at the company’s plant in Sungei Buloh, it added.

-The Star, 19 Feb

Thailand: Export growth for January was strongest in 18 month

Thailand's export earnings grew by 30.8% YoY to US\$13.72bn in the first month of 2010, marking the biggest jump since Jul '08 (45.1% YoY). The low base effect from 2009, tariff elimination under the FTA agreement since early this year and recovering global demand all contributed to this reading. Imports also surged by 44.8% YoY to \$13.21bn, resulting in a small trade surplus of US\$515.8m for January, the Commerce Ministry reported.

Export growth was highest for natural rubber (122.9% YoY), followed by sugar (72.2%), electronic items (64.9%), plastics (48.5%), autos & parts (43.5%), electrical appliances (43.0%), and construction materials (37.5%).

-Thai News Service, 23 Feb

New levy planned on rubber sales

The National Natural Rubber Policy Committee is preparing to introduce a new levy on rubber sales.

The money raised will be transferred to the rubber replanting aid fund.

Chatchai Piyasombatkul, a committee member and the assistant to the PM's Office minister, yesterday said the new rate would likely take

effect by August.

"We will soon seek the Cabinet's green light," he said.

Currently, the levy - also known as the cess rate - is Bt1.40 per kilogram of rubber.

As per the committee's plan, the rate will be Bt0.9 a kilo if the rubber price is below Bt40 a kilo. However, if the price is between Bt40 and Bt60, the rate will be Bt1.40. If the price fluctuates between Bt60 and Bt80, the levy will be Bt2. For rubber priced between Bt80 and Bt100, the rate will be Bt3.

The cess rate will be Bt5 a kilo for prices above Bt100.

The rubber replanting aid fund has been in place since 1960.

-The Nation (Thailand), 05 Feb

Drought worsens in China's rubber-growing Yunnan

The most severe drought in China's southwestern Yunnan province in six decades has hit sugarcane, rubber and coffee crops and blocked transport on a major river bordering Laos and Myanmar, the Xinhua news agency reported.

Yunnan is China's second-largest grower of sugarcane and rubber, but the mountainous province is not a major grain area. Farmers have almost completed harvesting sugarcane and will start tapping rubber trees in April. Lower Chinese output could prompt the country, a major rubber consumer, to import more.

-Reuters News, 24 Feb

Tyre makers take it on the chin

Hit with a double whammy from skyrocketing raw material prices and lost overseas market share, Chinese tyre makers may be forced to raise prices at a time when foreign rivals are quickly expanding into domestic markets.

In 13 months, starting in January 2009, raw

rubber prices have soared 150%, meaning a price hike may be the only option left.

"A price increase would be reasonable," said one executive of the Triangle Group, a major Chinese tyre producer based in Shandong. "Manufacturers cannot afford rising costs too long," said the executive, who wished to remain anonymous.

Zheng Wenrong, secretary general of the China Natural Rubber Association, said that industry demand coupled with a drop in natural rubber production in overseas markets led to the price hikes.

"If the rubber prices continue to go up, domestic tyre makers will have to increase prices again in March by a reasonable margin to weather the current raw material price hike," said the Triangle executive.

Since December, Triangle has raised its wholesale prices by about 5%, with competitors Shandong Linglong Group and Hangzhou Zhongce Rubber Co Ltd following suit. That translates to about 80 to 100 yuan (\$11.72 to \$14.65) more per tyre.

-factiva.com, 25 Feb

Japan End-Jan Natural rubber stocks up 6% from Jan. 20

Natural rubber stocks in Japan at the end of January stood at 7,288 metric tonnes, up 6% from 6,877 tonnes Jan.20, according to data issued Wednesday by the Rubber Trade Association of Japan.

Japan's natural rubber stocks had declined to historically low levels of 3,902 tonnes Nov. 10 and are still 28% lower than at the end of May 2009.

Strong demand from tyre makers in China dragged down Japan's inventories in recent months and importers said they are now replenishing stocks.

-Dow Jones Newswires, 17 Feb

Cambodian exports to South Korea surged 391% in January compared with the same month last year to 4.33 million U.S. dollars amid an overall rise in bilateral trade between the two countries, local media reported.

Korea Chamber of Commerce in Cambodia Chairman Nam Shik-kang was quoted.

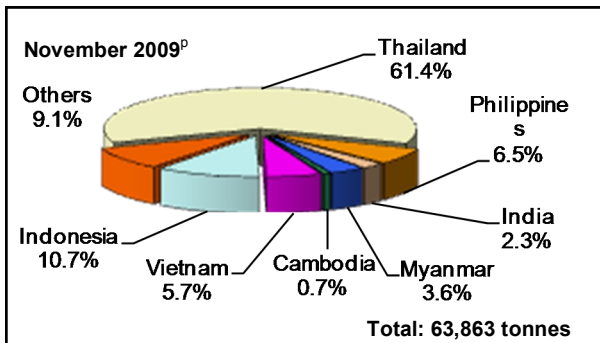
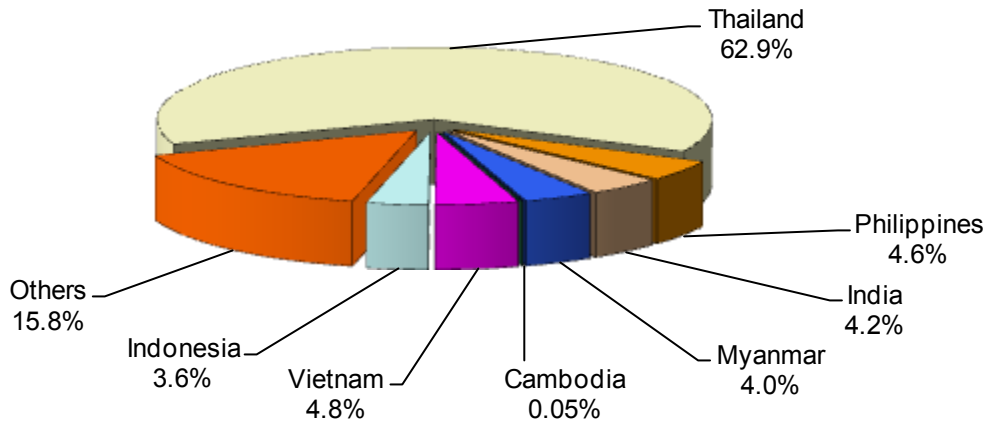
Natural rubber was by far Cambodia's biggest export to South Korea last month, accounting for more than 50% of total bilateral exports at 2.357 million U.S. dollars.

As saying that he expected bilateral trade to rise 20% this year after declining 5.51% in 2009, although he said that logistical and electricity costs in Cambodia are "too expensive compared to neighboring countries."

-Xinhua News Agency, 26 Feb

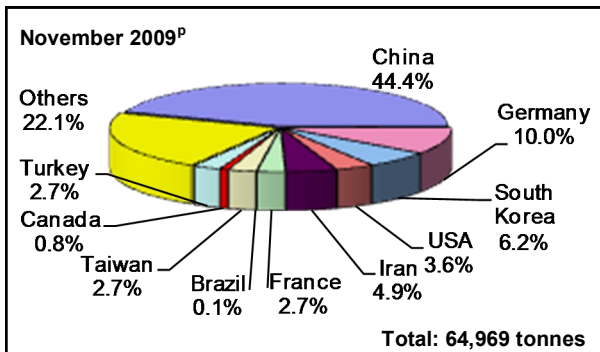
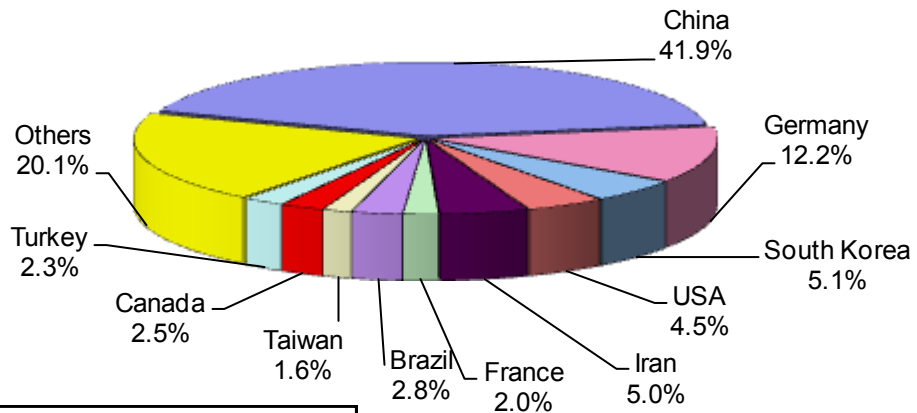
Exports to S. Korea soar as rubber begins to take off

Malaysia's NR imports by countries December 2009^P



Total: 81,973 tonnes

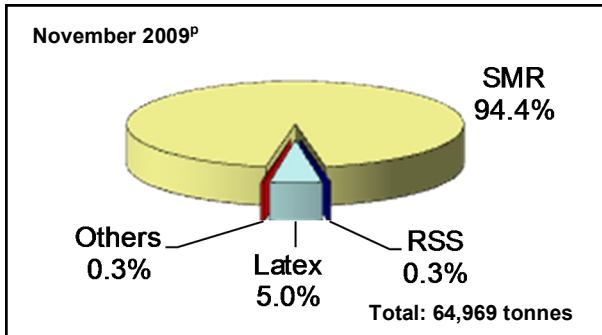
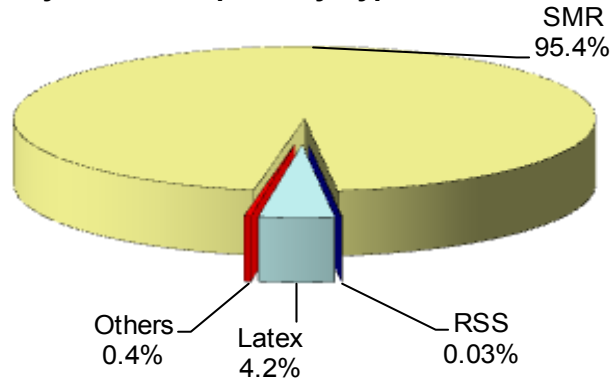
Malaysia's NR exports by countries December 2009^P



Total: 70,369 tonnes

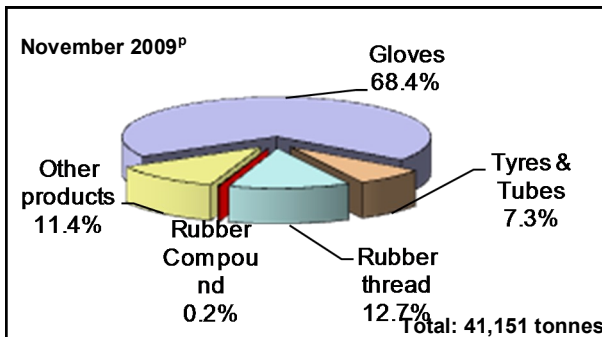
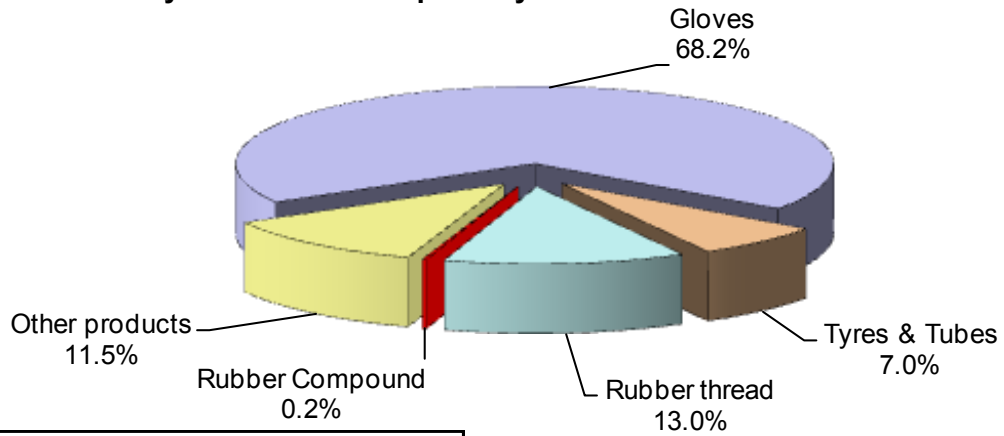
Note: ^P = provisional

Malaysia's NR exports by types December 2009^P



Total: 70,369 tonnes

Malaysia's NR consumption by sectors December 2009^P



Total: 41,572 tonnes

Note: ^P = provisional