



# MALAYSIAN RUBBER BOARD

## DIGEST

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## Natural Rubber Market Review

### February

In February 2015, the Kuala Lumpur rubber market saw a mixed trend following a further fall in crude oil prices and a weakening of the ringgit, in addition to concerns over tighter raw material supply and the absence of market operators ahead of the Lunar New Year celebration. Compared with those on 31 January 2015, the price of SMR 20 increased by 12.50 sen/kg or 2.5% to close at 509.00 sen/kg while latex concentrate closed at 396.00 sen/kg, increased by 34.50 sen/kg or 9.5%. The price movements of selected grades of rubber in February 2015 are shown in *Table 1*.

During the first trading week, the market saw an uptrend, tracking the uptrend in both Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE). The market then turned mixed as the weakening of the ringgit, which had curbed further downfall, was offset by the decline in regional futures markets owing to profit-taking activities.

Prices were mixed during the second trading week on technical correction due to adjustment in line with the currency value, in the midst of the low rubber production season in the region. The market continued to be mixed with a decline in SMR 20 and an increase in latex in bulk prices. The SMR 20 price decreased following similar trend in regional futures markets on profit-taking activities while the latex in bulk price saw an increase on tight supply of raw materials as the market generally has begun to be quiet ahead of the Lunar New Year celebration. It was reported that the aggressive purchase of the commodity by the Thai Government brought some positive sentiment, hence provided support to the market.

During the third trading week, the market rebounded following the support by higher crude oil prices and the start of wintering in a key rubber producing region in Indonesia and the positive sentiment in TOCOM. The market then saw a decline, following the same in regional futures markets in the midst of Chinese New Year holiday mood among market operators. Meanwhile, the market responded negatively over the news that talks between Greece and euro zone finance ministers broke down when the former's government rejected a proposal to request a six-month extension of its international

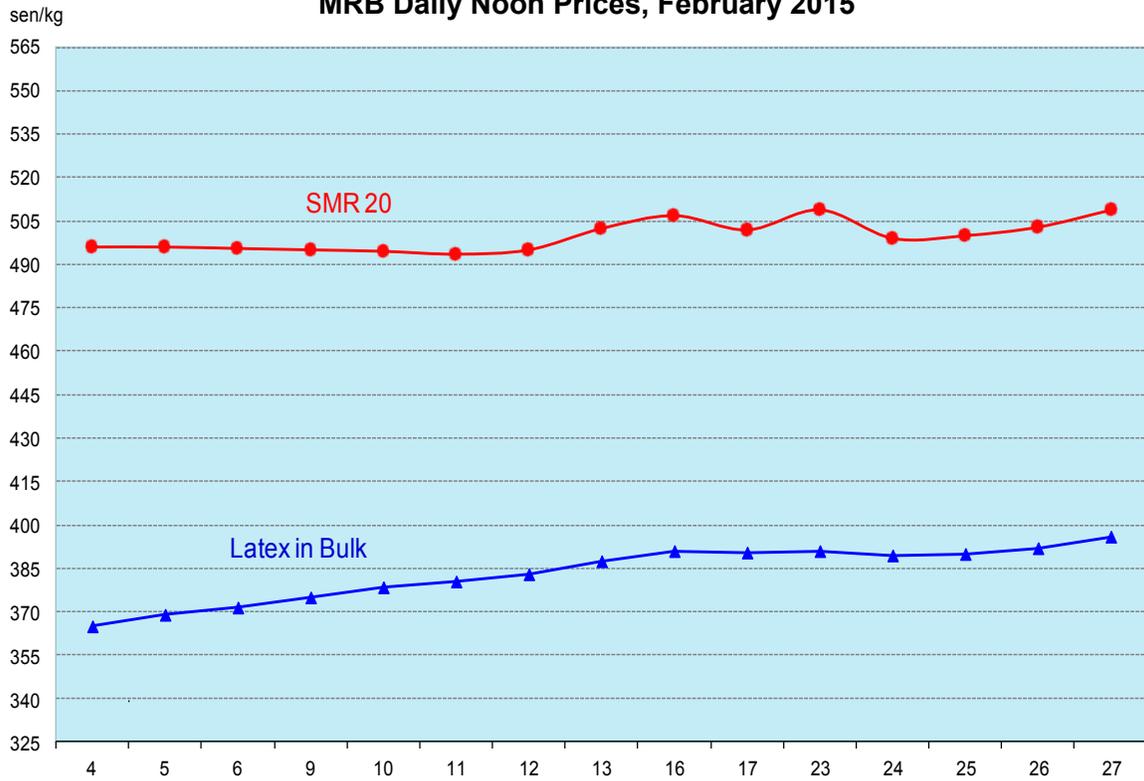
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, February 2015**

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	666.50	6,665.00	509.00	5,090.00	396.00	3,960.00
<b>Lowest</b>	637.00	6,370.00	493.50	4,935.00	365.00	3,650.00
<b>Average</b>	651.83	6,518.30	499.80	4,998.00	383.33	3,833.30
<b>Change from the last day of the previous month</b>	29.50	295.00	12.50	125.00	34.50	345.00

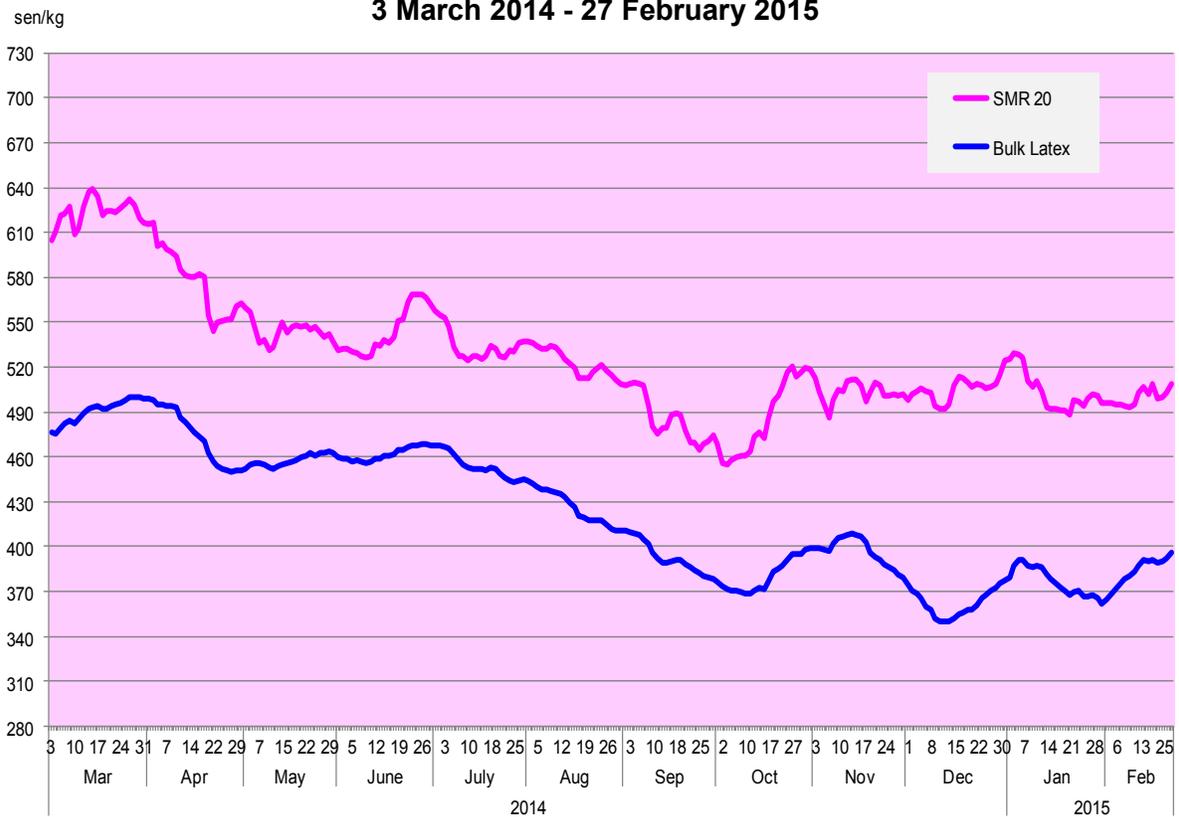
Note: \* Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

### MRB Daily Noon Prices, February 2015



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices 3 March 2014 - 27 February 2015



bailout package.

The market slightly rebounded during the fourth trading week following a weaker yen against US dollar despite lower crude oil price, with a further support by higher prices in TOCOM on the first day of trade for major buyer China after the Lunar New Year holidays. TOCOM was supported by slowing production due to seasonal factors and ahead of a meeting in Indonesia among Southeast Asian rubber producers to discuss on the rubber market. In addition, the rubber market rebounded with the support from an overnight jump in global oil prices with positive sentiment coming from other regional markets. Meanwhile, members of the International Rubber Consortium (IRCo) - Thailand, Indonesia and Malaysia - have meet in Indonesia, along with Cambodia, Laos, Myanmar and Vietnam, to discuss on possible cooperation towards a rise in rubber prices. During the end of the month, the market extended its gains following the support from the news of the beginning of the wintering in Indonesia's North Sumatra region, one of the main rubber-growing areas, which may disrupt the supply of raw materials.

## Outlook

The Kuala Lumpur rubber market is expected to be influenced by the movement of the value of the ringgit and the current trend in crude oil prices. In addition, the performance of regional futures markets is also expected to shape the market trend for the next month.

## News Briefs

### ***Thailand: Surat Thani rubber growers petition govt for help***

Rubber growers in Surat Thani province have submitted a letter to Prime Minister and leader of the National Council for Peace and Order, Prayut Chan-ocha proposing their solutions to the plunging rubber prices.

For the short-term solutions, rubber growers suggested that the government regulate the entire pricing system to cover operators of rubber sheets, natural rubber sap and rubber scraps by specifying the minimum price of each type of

rubber, and set up a special unit in each district to buy all categories of rubber twice a month.

As for the long-term solutions, the government should encourage farmers to work in group and promote the production of high-quality rubber. Meanwhile, rubber markets should be expanded and farmers be given access to new alternative occupations in order for them to secure stable incomes.

*-Thai News Service, 2 Feb*

### ***Japan maintains investment base in Thailand***

The Japan-Thailand Joint Trade and Economic Committee has confirmed that Japan will not withdraw its production and investment base from Thailand, while the world's second largest developed economy is also ready to help develop infrastructures in the kingdom. Eizo Kobayashi, Chairman of the Committee, said that the stance has resulted from Thailand's positive factors, including the more stable political situation now, established infrastructure systems and mutual trust between Tokyo and Bangkok.

According to the Japan Business Federation (Keidanren) chair, Japan is ready to take part in further developing infrastructure systems in Thailand and he believes that the Thai prime minister's upcoming visit to Japan, scheduled for 8-10 February, should be successful. The Thai prime minister, in turn, thanked Japan for using automotive parts from Thailand and urged Japan to further boost production capacity in the Thai economy, transfer modern technologies and conduct research and development (R&D) in automobile tests and natural rubber.

*- Organisation of Asia-Pacific News Agencies, 4 Feb*

### ***To help growers, rubber import duty hike likely***

"The Indian Commerce Ministry has proposed to the country's Finance Ministry to increase the duty on natural rubber from the current 20% to 30%," a government official told Business Line. Rubber growers have been asking for a higher increase in import duties, with some demanding that it be raised to 75 per cent. "Such a sharp rise would hit rubber users such as tyre manufacturers. We cannot allow that as all interests have to be kept in mind," the official said.

*-Business Line (The Hindu), 5 Feb*

**Thailand: MOAC holds video conference with 69 provinces to solve rubber issue**

The Ministry of Agriculture and Cooperatives (MOAC) held a video conference broadcasted across 69 provinces nationwide on the topic of solving the rubber pricing issue. The MOAC Deputy Minister Amnuay Patisae hosted a video conference to find an effective management of natural rubber to solve the ongoing rubber pricing issue.

The MOAC Deputy Minister stressed on the importance of management at the provincial level to enforce effective operations. Provincial-level information will be gathered and analyzed for a inclusive national plan to tackle the rubber pricing issue. The meeting saw many interesting suggestions, such as developing the Andaman sea provinces as a central market, starting at Trang. Bridging the development gap between the southern and northeastern rubber farming industries was also another interesting suggestion from this meeting. Buriram province had volunteered as a representative for the northeastern region's industry.

*-Thai News Service, 5 Feb*

**Meeting to seek solution to falling rubber prices**

Kuala Lumpur will play host to 11 ministers from rubber-producing countries in May 2015 to find a solution to the decline in world rubber prices. Plantation Industries and Commodities Minister, Datuk Amar Douglas Uggah Embas said the ministers would find ways to overcome the problem and ensure steady rubber prices in the world market. "The meeting was initiated by our government to ensure rubber prices remain at a reasonable level".

Uggah said this after attending a briefing on the Rubber Transaction Permit Authority at the Malaysian Rubber Board. He hoped that the cooperation among the countries could help alleviate problems faced by Malaysia, including the decline in rubber output.

*-New Straits Times, 6 Feb*

**Thais put pep in rubber**

Big interventions by Thailand in the natural-rubber market are propping up prices and keeping supplies tight, benefiting the world's largest producer of the raw material. Global benchmark natural-rubber futures on the Tokyo Commodity Exchange posted a seven-per-cent gain this week, hitting a one-month high before settling 1.2% lower at 206.4 yen (US\$1.76) a kilogramme.

The Thai Government purchases currently account for five per cent to 20% of daily rubber sales in the local market, according to Pongsak Kerdvongbundit, Managing Director at Von Bundit Co., one of Thailand's biggest rubber exporters. In October 2014, the Thai Government approved a budget of up to 30 billion baht (US\$918.9 million) for buying rubber, and has been purchasing the commodity aggressively from farmers.

*- The Wall Street Journal Asia, 6 Feb*

**Cambodia's rubber exports up by 33% last year**

Cambodia recorded a 33% rise in dry rubber exports volume in 2014, but the revenue decreased by eight percent due to a plunge in global rubber price, according to figures from the Ministry of Commerce. Last year, the Southeast Asian country exported 97,800 tonnes of dry rubber, up by 33% from 73,550 tonnes in a year earlier, the figures showed. The revenue from the exports stood at US\$155 million last year, down by eight percent from US\$169 million in 2013.

*- Emerging Markets Business Information News, 7 Feb*

**The growth rate of Chinese automotive market in 2015 is estimated to be 7% to 9%**

In January, China Automotive Industry Association had mentioned the growth rate of Chinese automotive market would be around seven per cent as same as Chinese GDP and the sales volume would be 25,130,000, among which domestic sales volume would be 24,270,000 and exporting sales volume would be 860,000. The related data shows that the production and sales volumes were 23,722,900 and 23,491,900 in 2014, increasing by 7.3% and 6.9% on year-on-year basis. The growth rates of production and sales in 2014 declined by 7.5% and 7% on year-

on-year basis. Chinese Automotive Technology & Research Centre was more confident for the automotive market in 2015 and thought the growth rate would be nine per cent due to subsidy policy quitted and new energy vehicle accepted.

- *Gasgoo Automotive News*, 9 Feb

### **India tyre exports to grow 4-6% in 2014-15: ICRA**

India Tyre exports are set to grow by four to six per cent for 2014-15 as anti-dumping duty by USA on Chinese tyres is likely to create fresh opportunities for Indian tyre makers, according to rating agency ICRA. The growth in tyre exports has decelerated in the last two-and-a-half years due to the relatively subdued demand conditions in the overseas markets. For the period of April to November 2014, tyre exports (value) from India saw a modest 3.6% year-on-year growth; this follows a 7.3% year-on-year growth achieved in 2013-14 although this growth was primarily supported by the depreciating rupee.

- *Commodity Online*, 11 Feb

### **Six per cent growth fastest since 2007**

The Malaysian economy raced to a strong finish, recording a six per cent growth for 2014, against a backdrop of external uncertainties and a slump in oil prices. The strong growth, which took the market by surprise, marked the fastest pace the country has seen since 2007.

Economic activities surged in all sectors, except for agriculture, between October and December 2014, resulting in a 5.8% annualized gross domestic product (GDP) growth in the fourth quarter. Bank Negara Governor, Tan Sri Dr. Zeti Akhtar Aziz said that domestic demand was the anchor to growth with improvements in private sector activity.

- *New Straits Times*, 13 Feb

### **Thai cabinet approved six-billion-baht rubber product loan**

The Thai cabinet has approved the Rubber Estate Organisation's (REO) request for a loan of six billion *baht* from the Bank for Agriculture and Agricultural Cooperatives (BAAC) to buy rubber products to shore up prices. The decision was

unveiled by Deputy Agriculture and Co-operatives Minister, Amnuay Patisae.

Of the six billion *baht*, the REO - an agency under the Agriculture and Cooperatives Ministry - will spend four billion *baht* buying natural and smoked rubber sheets from farmers. The rest will be spent on latex and rubber cup lumps. The move is aimed at bolstering rubber prices for the next rubber-tapping season which begins in May. For the next rubber harvesting season, the Thai Government wants to maintain prices for natural rubber sheets at 60 *baht* per kilogramme, prices of smoked rubber sheets at 65 *baht*/kg, and latex prices at 50 *baht* per kilogramme.

- *Emerging Markets Business Information News*, 20 Feb

### **ATMA seeks an import duty hike on tyres**

Impaired by cheap imports from China, Indian tyre manufacturers have asked the government to double import duty on tyres to 20% in the Budget to bring it at par with natural rubber in order to provide a level-playing field to the domestic industry. Under its pre-Budget memorandum, the Automotive Tyre Manufacturers' Association (ATMA) said they are at a disadvantage as tyres can be imported at a rate of five per cent or even nil rate of duty under various trade agreements, while the same for natural rubber is at 20%. According to ATMA, tyre is perhaps the only finished product on which 'duty inversion' not only continues but has actually aggravated in recent years. This needs to be addressed and corrected on priority.

-*Accord Fintech*, 23 Feb

### **Thailand: ORRAF opens 108 more markets to individual rubber farmers**

The Office of the Rubber Replanting Aid Fund (ORRAF) has begun introducing 108 new markets, providing new opportunities to individual farmers while enabling them to estimate their management costs, says the ORRAF Deputy Director-General, Chao Songarvut. He has revealed that the office has launched 108 more rubber markets that will buy rubber from individual farmers at the central market price.

According to him, this measure of assistance for farmers comes from the cabinet's resolution to let the Rubber Estate Organisation (REO) bid on the rubber product at the central rubber market in

order to be able to influence the market, under the buffer stock project, to maintain the rubber price. The 108 new markets will ensure that all farmers have access to this aid, and will allow them to sell their product at the central market rate which is higher than the local rate, he said.

-*Thai News Service, 23 Feb*

### **Thailand will not sell rubber stocks if price is low**

Thailand will not release its rubber stockpile if the price is low, Deputy Agriculture and Cooperative Minister, Amnuay Patisae said. "If we were to sell rubber stocks when the price is low, it will put pressure on the market and have an adverse affect on rubber smallholders."

"Looking at the situation, it is a suitable time to release the stockpile to the world market now as the rubber tapping season is nearing its end on 28 February," he said after attending the National Rubber Policy Committee meeting, chaired by Prime Minister Gen. Prayuth Chan-ocha, in Bangkok. Thailand has signed a Memorandum of Understanding for Cooperation on Agricultural Products Trade with China to sell 200,000 tonnes of rubber.

- *Global Rubber Markets, 24 Feb*

### **Vietnam rubber sector looks to surmount challenges with restructuring**

Vietnam's rubber industry is expected to encounter prolonged difficulties in the time ahead, said Vietnam Rubber Association General Secretary, Vo Hoang An. To get it back on track, the rubber association is looking to restructure the sector by increasing the added value of products and reducing raw material exports.

Vietnam was ranked third in the world in 2014 for rubber output and fourth for export value. An said Vietnam produced 953,700 tonnes of rubber last year with 977,799 hectares of rubber trees. The amount produced rose by 0.7% over the previous year. It accounts for 8.1% of global output, following Thailand with 34.1% and Indonesia with 26.9 per cent.

- *Vietnam News Summary, 25 Feb*

### **ITRC agrees to cut supply in a bid to prop up rubber price**

Rubber producing countries grouped in the International Tripartite Rubber Council (ITRC) have agreed to control oversupply in a bid to jolt into life the rubber market. "Member countries of ITRC warned of the need for immediate measure to cut the oversupply which has caused the fall in the natural rubber price," Director General for International Trade Cooperation, Bachrul Chairi said in a news release.

Bachrul said that at a five-day ITRC meeting, the member countries discussed ways of reviving rubber market. They also discussed other important agenda to follow up results of ministerial meeting in November 2014 in Kuala Lumpur, Malaysia. "The meeting discussed issues such as supply and demand balance to create price stability and ways of increasing domestic consumption of natural rubber," Bachrul said.

- *LKBN ANTARA, 28 Feb*

### **Planters want import duty on rubber raised to 30%**

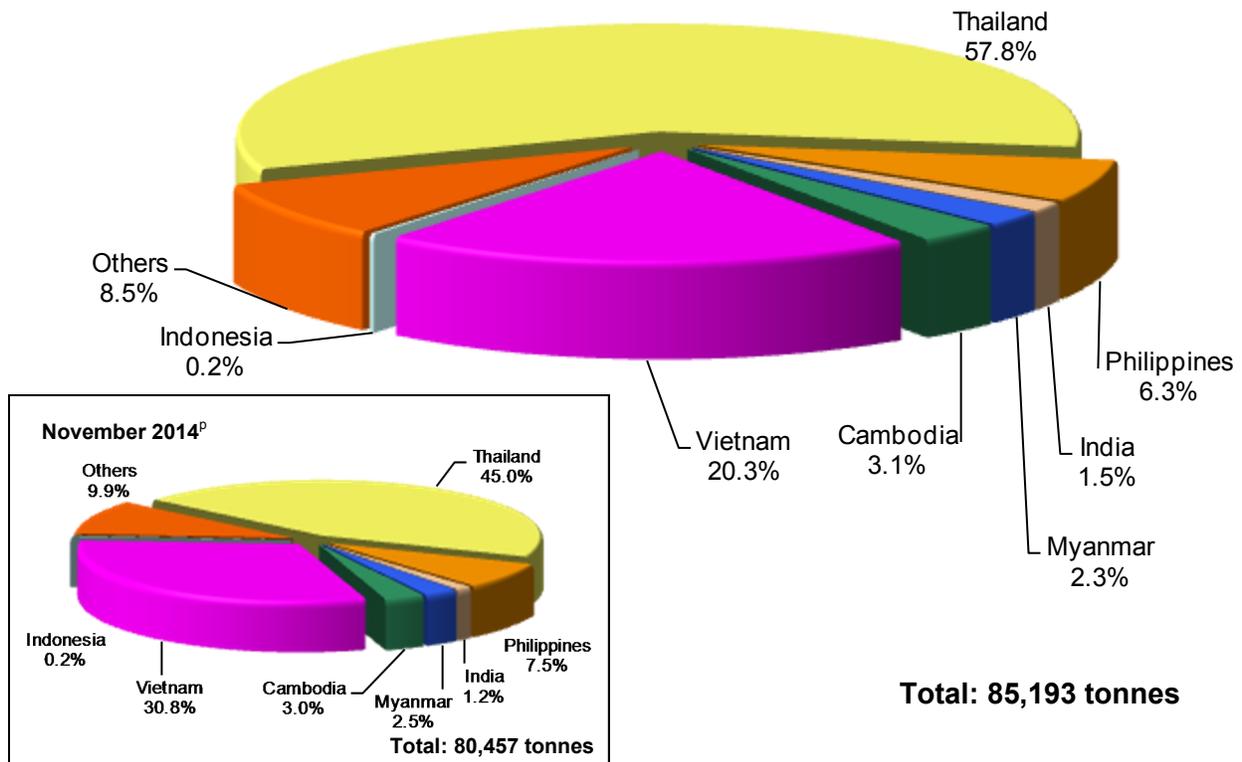
The United Planters' Association of Southern India (UPASI) has urged the government to increase import duty on natural rubber to 30% from the existing levels of 20% to protect domestic growers, who are suffering from huge losses from falling prices. A reduction in duties on goods imported mainly from the ASEAN member countries combined with low prices in Thailand and Vietnam has resulted in a massive fall in the prices of rubber in the domestic market.

Unless such an immediate measure is taken, it would affect the livelihood of 1.2 million growers who are involved in growing this important industrial raw material and there is a danger of many growers diversifying to other crops, Vijayan Rajes, president of UPASI said in a pre-budget memorandum.

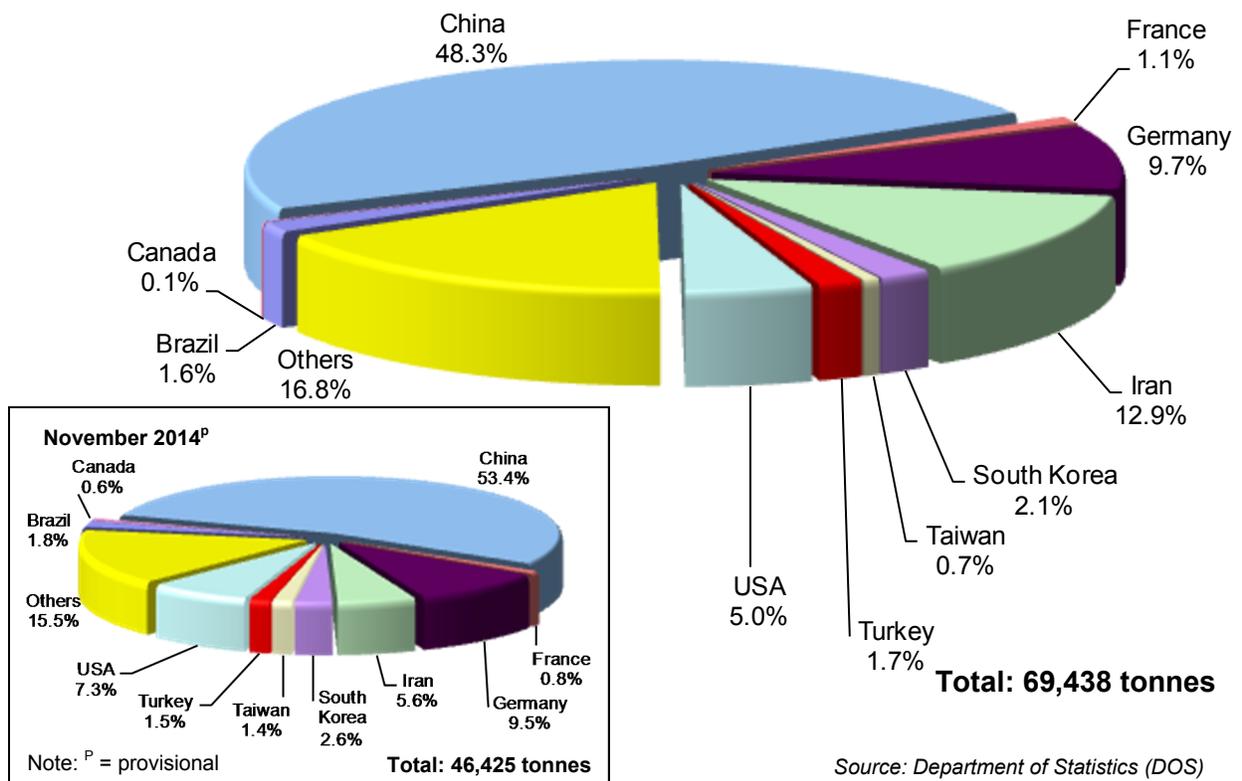
- *Emerging Markets Business Information News, 28 Feb*

*News Sources: www.factiva.com; New Straits Times, The Star*

### Malaysia's NR imports by countries December 2014<sup>P</sup>

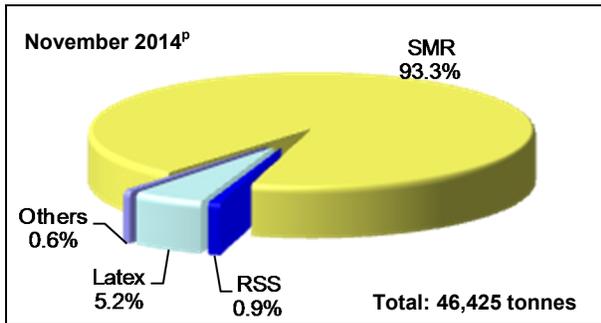
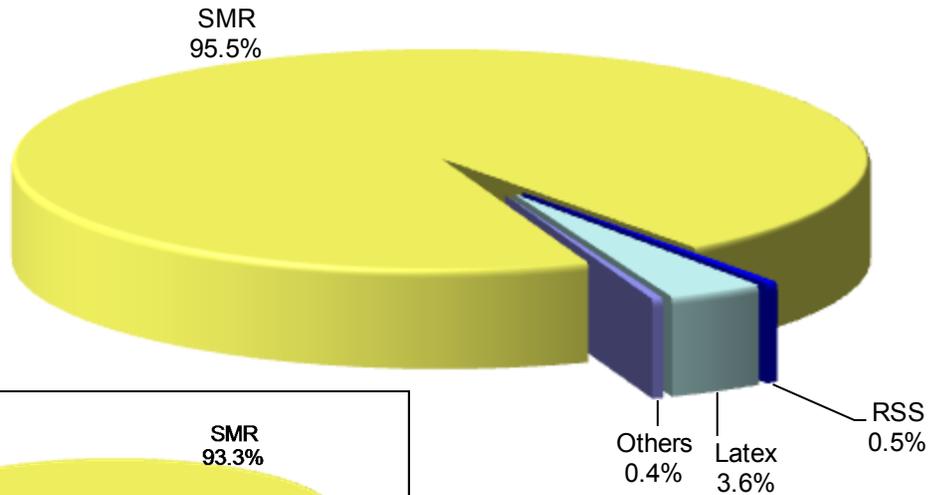


### Malaysia's NR exports by countries December 2014<sup>P</sup>



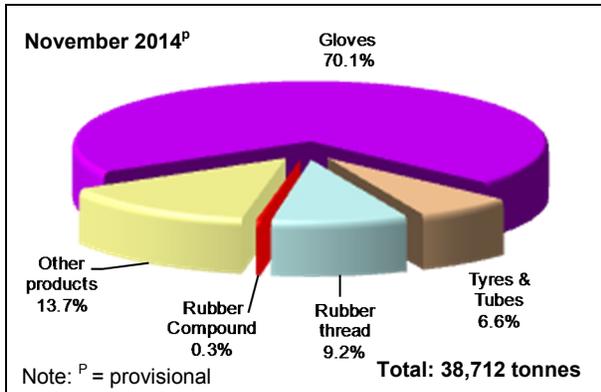
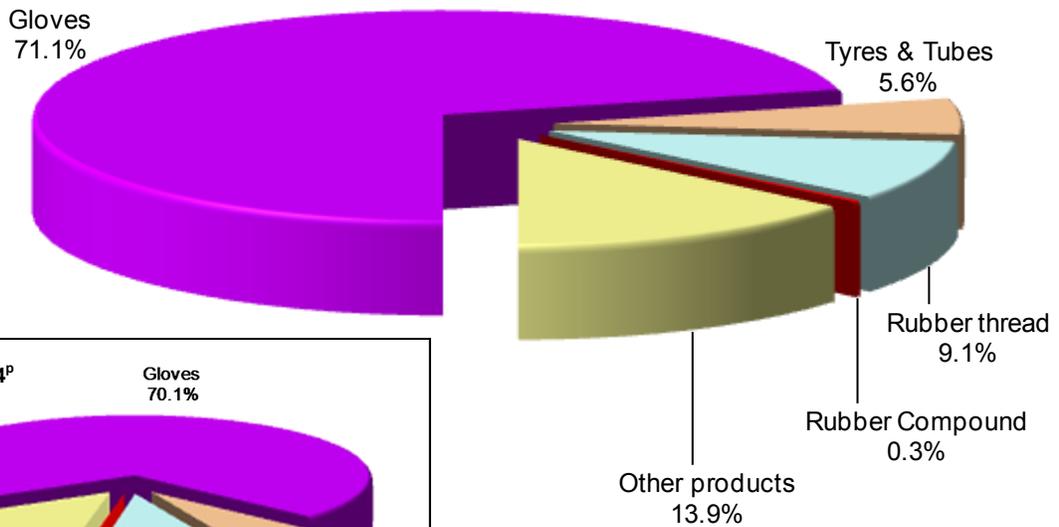
Source: Department of Statistics (DOS)

**Malaysia's NR exports by types December 2014<sup>P</sup>**



**Total: 69,438 tonnes**

**Malaysia's NR consumption by sectors December 2014<sup>P</sup>**



**Total: 37,710 tonnes**

Source: Department of Statistics (DOS)