



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2008
MARCH

Natural Rubber market review

March

The Kuala Lumpur rubber market ruled mixed in quiet conditions despite a slightly higher opening during the month. Prices of SMR 20 and latex concentrate lost some ground and moved downwards as buyers were reported to be on the sidelines. Compared with levels on 29 February, the price of SMR 20 declined by RM125 per tonnes or 1.5% to RM8360 per tonnes whilst latex concentrate fell by RM250 per tonnes or 4.1% to at RM5830 per tonnes. The price movements of selected grades of rubber in March are shown in **Table 1**.

Major consumers were reported to be on the sideline, waiting for a fall in prices after the earlier bullish trend in February. Shortage of supplies reported in Southern Thailand and Peninsular Malaysia due to rainy days and the impact of the wintering season failed to

boost prices as buyers had discounted the news. Producers, who earlier held back stocks in anticipation of tight supply due to wintering, were keen to sell, however there was no buying interest as buyers were well covered and waiting for better bargains. Trading was thin in the absence of fresh factors while poor overseas lead and weak advices from the rubber futures markets depressed prices further.

Meanwhile, crude oil prices hit a record high of USD111.80 a barrel during the month giving momentary support to prices. Chinese buyers were reported making enquiries for nearby while small transactions of SMR 20 and latex concentrate were reported traded to Europe. Towards the end of the month, market sentiment weakened further due to volatile fluctuations in crude oil prices and the yen which saw the profit-taking activities at the Tokyo rubber futures.

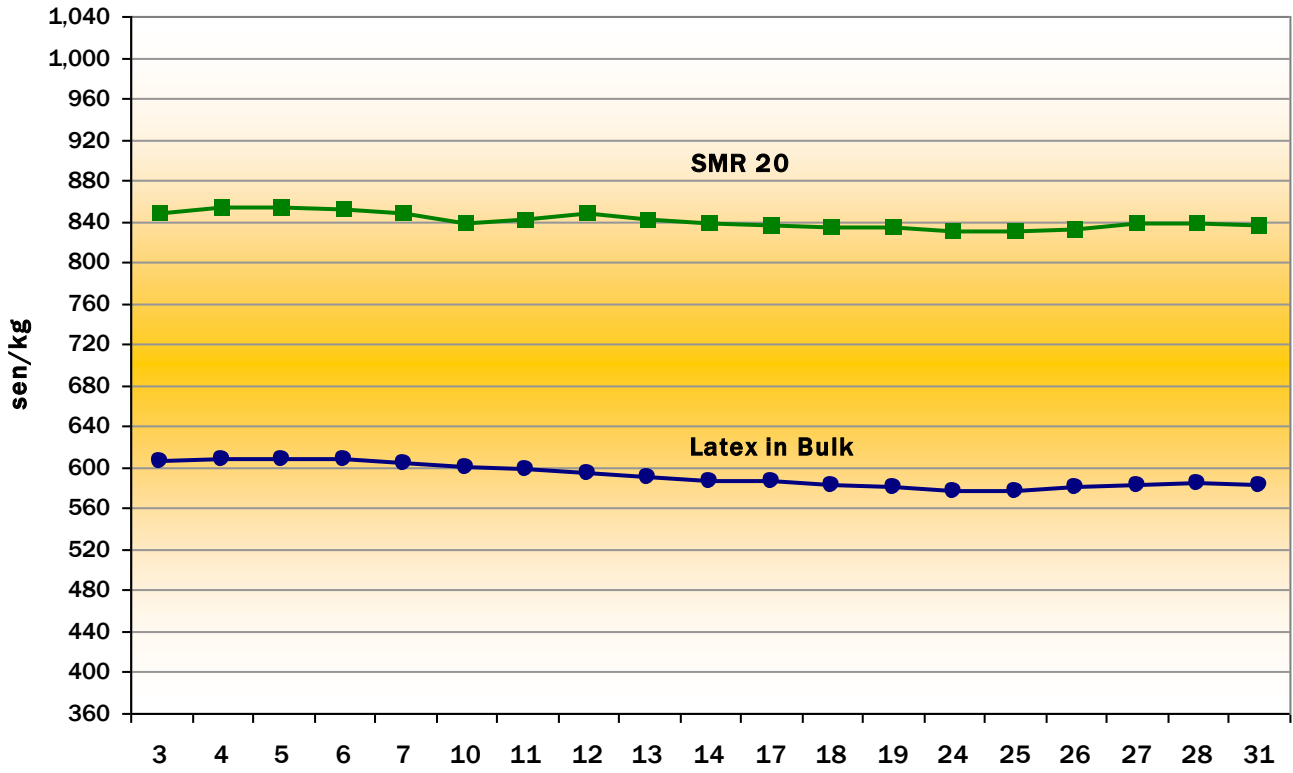
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, March 2008 (RM/tonnes)

	SMR CV	SMR 20	Latex Concentrate
Highest	9,540.00	8,535.00	6,080.00
Lowest	9,445.00	8,295.00	5,770.00
Average	9,487.60	8,401.30	5,909.20
Change from the last day of the previous month	85.00	-125.00	-250.00

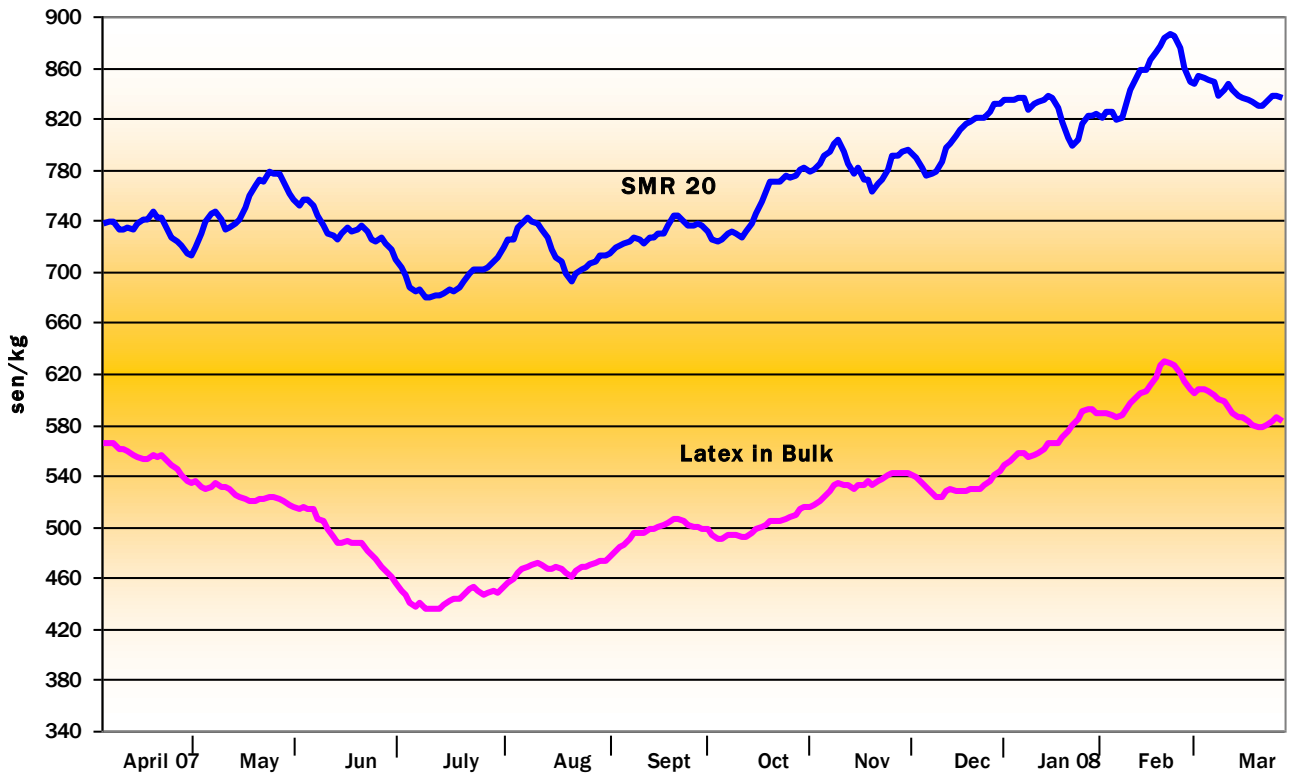
Note: * Official price of latex concentrate in bulk, 60% drc

Source: Malaysian Rubber Board

MRB Daily Noon Prices, March 2008



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices (02/04/2007-31/03/2008)



Outlook

Prices in the Kuala Lumpur rubber market are expected to rebound and stay firm as supplies of raw material continue to be limited. Chinese buyers are expected to return and start buying after being sidelined in March. Nevertheless, fluctuation in oil prices would be a major factor in determining near-term trends.

News Brief

Bank Negara projects 5-6% growth this year

Bank Negara Malaysia has projected 5-6% growth for the Malaysian economy this year against a backdrop of mounting external uncertainties, said governor Tan Sri Dr Zeti Akhtar Aziz.

Its gross domestic product forecast for this year assumes that growth in the US will slow down to 1%, although it could potentially dip below that.

She said that the Malaysian economy remains resilient this year, supported by steady growth in income, firm labour market conditions, diversified exports, high commodity prices and a conducive financing environment.

-New Straits Times, 27 Mar

Indonesia boost rubber exports to China

Indonesia has boosted exports of natural rubber to China during the first two months of 2008, taking advantage of falling supplies from Thailand and Malaysia.

Indonesia exported 56,190 tonnes of natural rubber to China in January and February, up 63.7% from 34,325 tonnes in the same period last year, the Association of Rubber Companies (Gaikindo) said.

Gaikindo director Suharto Honggokusumo said the seasonal fall in productivity is not yet over in

Thailand and Malaysia, offering an opportunity for Indonesia to grab a larger share of the market in China.

Indonesia is likely to see a 4% rise in natural rubber exports this year, down from nearly 5% in 2007, due to a U.S economic slowdown, an industry official said recently.

Last year, Asia Pacific countries bought 1.2 million tonnes of Indonesian rubber exports, while European and African countries jointly bought 400,000 tonnes.

According to the Association, the country's domestic consumption is expected to rise by 5% to more than 400,000 tonnes in 2008, from 319,000 tonnes in 2007 due to rising demand from tyre producers.

Rubber output from Indonesia accounts for nearly 30% of global natural rubber output, which last year amounted to 9.69 million tonnes, according to International Rubber Research Group.

-factiva.com, 3 Apr

Preventing insurgent attacks on southern agriculturists

The Para Rubber Council of Thailand is calling on the government to provide assistance to southern agriculturists affected by the southern insurgency.

The Chairman of the Para Rubber Council of Thailand, Mr. Uthai Sonlaksup, reports that insurgents in the three southern border provinces and 4 districts of Songkhla province are causing great grievance to para rubber agriculturists who are unable to safely harvest their crops. Many agriculturists have been injured or killed by insurgent ambushes while several rubber plantations have suffered damages.

The Association of Rubber Agriculturists of Thailand is therefore asking the Para Rubber Association of Thailand to speak on its behalf and call on proper authorities to handle the problem. Mr. Uthai revealed that on February 28 he and rubber agriculturists will be meeting with the Minister of Agriculture and Cooperatives in order to propose that the government supply growth hormones for rubber trees.

The initiative will allow rubber crops to be harvested during daylight hours, which will greatly reduce the danger from insurgent ambushes.

-factiva.com, 22 Feb

Vietnam post bigger rubber export value in first quarter

Vietnam exported 123,000 tonnes of rubber worth 281 million U.S. dollars in the first quarter of this year, down 10% in volume but up 17.9% in value over the same period last year, according to the Vietnam Rubber Association.

Vietnam, the world's 4th biggest natural rubber exporter, is estimated to ship abroad 780,000 tonnes of rubber worth nearly 1.5 billion dollars this year, posting respective increases of 4% and 2.3 percent.

The country, currently having 495,000 hectares of rubber plantations, plans to increase the acreage to 700,000 hectares by 2010. It has also grown hundreds of thousands of hectares in Laos and Cambodia.

-factiva.com, 31 Mar

Rubber cultivation to be given a boost in some State in India

Union Minister of State for Commerce, Jairam Ramesh announced a slew of measures to boost production of plantation crops such as coffee, cardamom, pepper, tobacco and rubber in some southern States.

Speaking to presspersons here, Mr. Ramesh said that the Rubber Board had identified Dakshina Kannada, Udupi, Shimoga, Uttara Kannada and Chikmagalur districts in the State for cultivation of rubber.

The Minister said that the Board had studied the potential for rubber cultivation in non-traditional areas and concluded that rubber could be planted on one lakh hectares in these districts. The State already has 26,000 hectares under rubber.

He said the Board would launch a special scheme to grow rubber on 2,500 hectares over a

five-year period.

A subsidy of 35% would be given to growers as an incentive. Kerala and Tripura were the two major rubber producing States in the country with the former accounting for 93% of the country's production.

India, he said, was the fourth largest rubber consumer in the world, and in a couple of years it would become the second largest consumer after China. If production was not increased, India would become a major importer of the product.

-factiva.com, 23 Mar

China's rubber import growth robust in first two months of 2008

Growth of China's rubber imports was robust in the first two months of this year, according to statistics released by the General Administration of Customs.

Natural rubber imports rose 21.8% year-on-year to 305,232 tonnes while synthetic rubber imports expanded by 12.2% year-on-year to 220,262 tonnes.

Thailand, Indonesia and Malaysia were the top natural rubber exporters to China while South Korea, the United States and Taiwan were the leading synthetic rubber exporters.

China is the world's largest rubber consumer with its tyre and shoe manufacturing industries, both of which are world market leaders, contributing to the heavy demand.

-factiva.com, 26 Mar

China's tyre market faces intense competition

Fast investment in the past years has made tyre production capacity balloon with output in 2007 reaching 330 million pieces, exceeding the anticipated market demand of 300 million pieces in 2010. But tyre makers are striving to expand their capacity based on the balance between supply and demand in 2007 driven by the fast growth in export.

Statistics show that tyre projects, which just completed construction or are still under way, will add 70-million -pieces per year of all-steel radial tyre production capacity and 200-million -pieces per year of semi-steel radial tyre capacity. It is forecast that 6 million pieces of radial tyres will go on the market this year to further heat market competition.

The surging cost of raw materials is another headache for China's tyre enterprises. Statistics from the China Rubber Industry Association showed that tyre makers have to annually bear a 30% rise in costs, which is cutting into the competitive edge of Chinese tyres on international market.

-factiva.com, 22 Feb

Tyre makers may hike prices by 3-5%

Tyre manufacturers are gearing up to increase since costs of every consumable input have gone up.

The tyre industry is raw material-intensive, with raw materials accounting for over 70% of the production cost, directly affecting the profitability of tyre companies.

Speaking to Business Line, the Vice-President (Sales & Marketing) of Ceat Ltd, Mr Arnab Banerjee, said the price of key inputs used by the tyre industry, including natural rubber, synthetic rubber, carbon black and tyre cord, has risen sharply in recent months. Hence, "we are planning to increase the price by 3-5% in April. If we have to maintain our margin and pass on the entire burden then we may need to increase the price by 8-10%. But we think that the commodity prices may or may not stay at these levels and so we wanted to go half way and stay there to wait and watch. If our optimistic thinking comes true then that should suffice."

Besides, several rubber growers were exporting due to attractive prices. To that extent availability of the rubber in the domestic market was affected, he said.

This was one of the prime reasons for the increase in prices of natural rubber, he said. For instance, the average price of natural rubber in

2007 was Rs 90 a kg, which increased to Rs 104 in 2008. indications were that it might go up to Rs 110 in the near future. This would severely impact the tyre manufacturers.

-factiva.com, 29 Mar

Lanxess to raise rubber prices

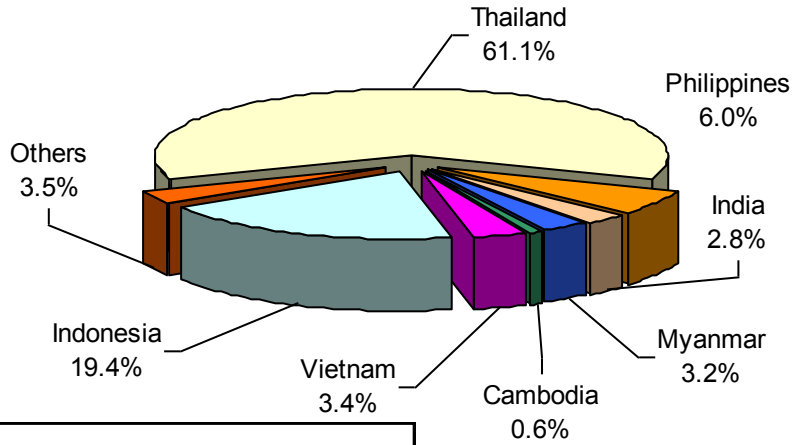
The company's Technical Rubber Products unit announced on March 31, that depending on the region prices of Buna EP, an ethylene-propylene-diene rubber (EPDM), will be increased by up to 100 euro/\$150 per tonne, and of the polychloroprene, Baypren (CR), by up to 250 euro/\$375 per tonne. The prices of Levapren/Levamelt (EVM) as well as of Perbunan/Krynac (NBR) will be raised by up to 200 euro/\$300 per tonne.

The aforementioned chemicals are used primarily in the production of rubber components for the automotive, gas and oil exploration, machine building, construction and cable industries.

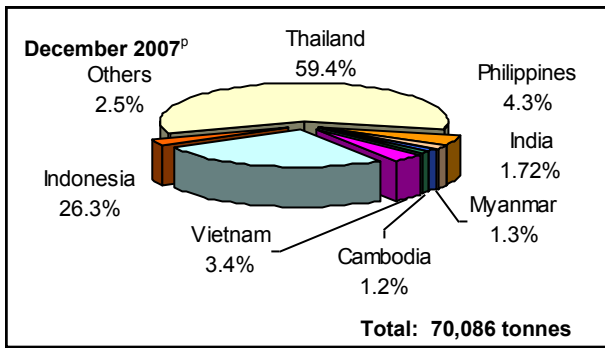
Lanxess recently announced it would also hike the prices of its vulcanisation accelerators (Vulkacit), antioxidants (Vulkanox), antiozonants (Vulkazon) and plasticisers (Vulkanol) from April 1, due to increased costs for raw materials, transport and energy.

-factiva.com, 31 Mar

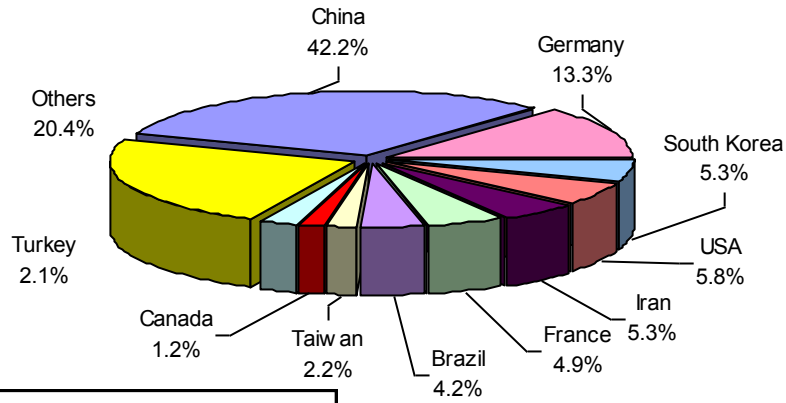
Malaysia's NR imports by countries January 2008^P



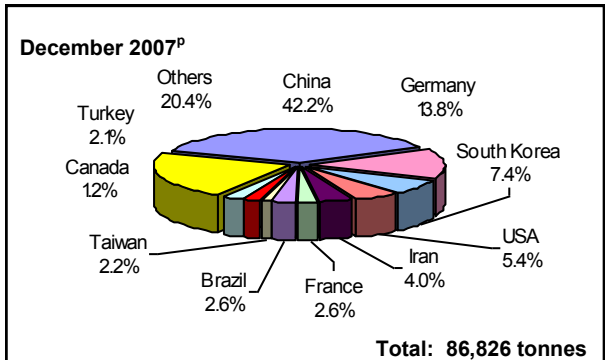
Total: 71,257 tonnes



Malaysia's NR exports by countries January 2008^P

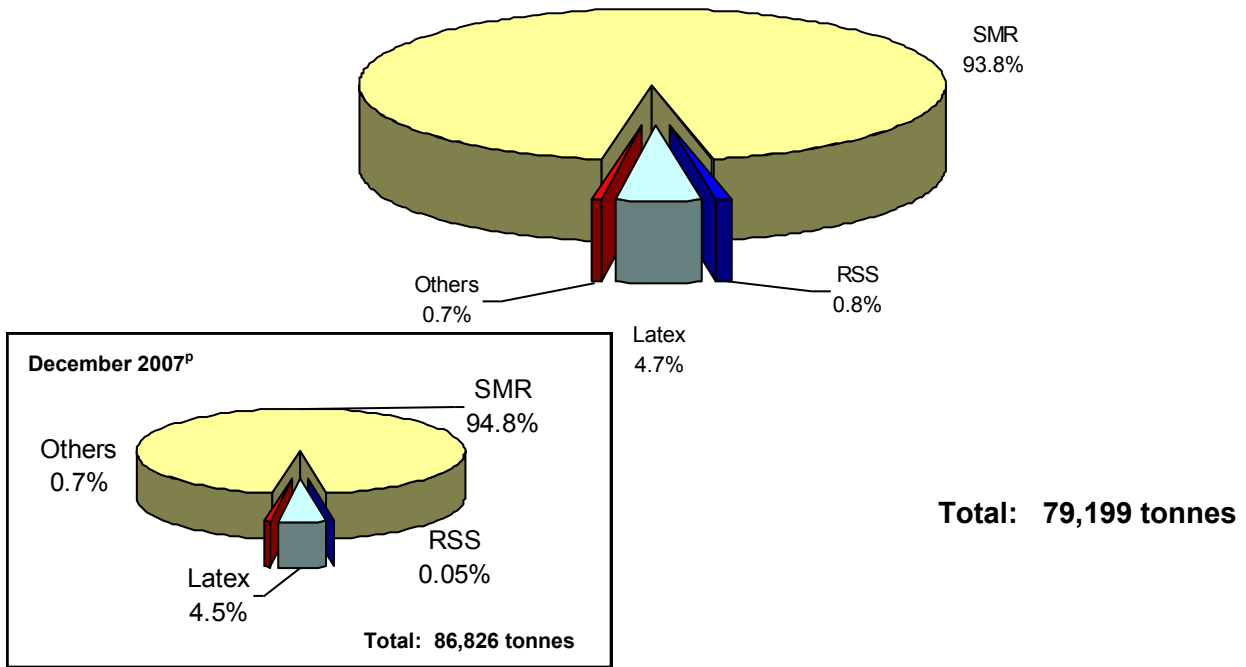


Total: 79,199 tonnes

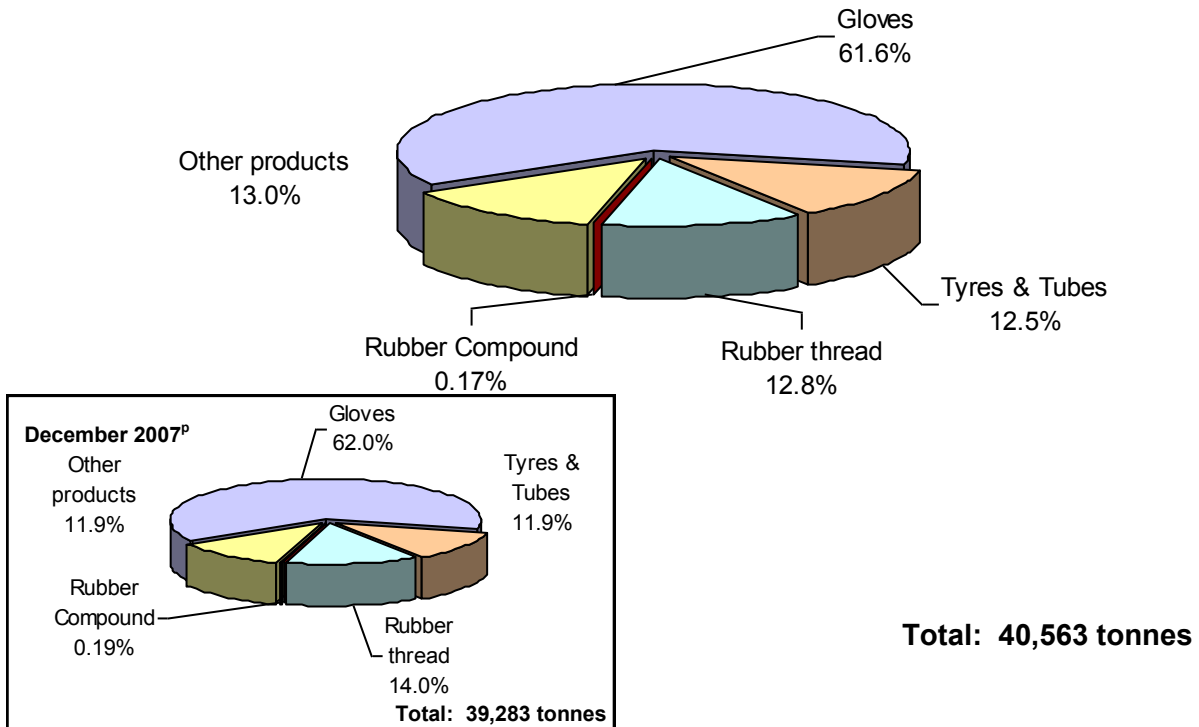


Note: ^P = provisional

Malaysia's NR exports by types January 2008^P



Malaysia's NR consumption by sectors January 2008^P



Note: ^P = provisional