



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber market review

March

The Kuala Lumpur rubber market ruled quiet but mixed during March, in which demand and improved market sentiment slightly pushed up the prices of SMR 20 while those of latex in bulk closed lower towards the end of the month due to lack of demand. Compared with levels on 29 February, the price of SMR 20 was up by 18.0 sen/kg or 1.6% to close at 1,125.5 sen/kg whilst latex concentrate closed at 778.5 sen/kg, down 6.5 sen/kg or 0.8%. The price movements of selected grades of rubber in March are shown in **Table 1**.

During the first trading week, the market was on the downward trend on lack of fresh leads while traders being cautious on the revision of Chinese economic growth and the latest development on the Eurozone sovereign debt crisis. It was reported that Tokyo Commodity Exchange (TOCOM) rubber futures fell owing to profit-taking and the news that China trimmed its growth target for 2012. At the second trading week, the market moved in line with gains in oil prices and

supported by tight supply at the heart of wintering season.

However, easier condition in the TOCOM futures market as concern over the global economic slowdown and Eurozone debt crisis, kept the market in the doldrums during the third trading week. At the same time, profit-taking activities in TOCOM also depressed local market sentiment. In a separate development, the report about the Thai Governments market intervention programme to support rubber prices and help farmers in the Thai market had minimal impact on the local market. At the beginning of the last trading week, prices in the Kuala Lumpur market were slightly higher and moved in tandem with those in the regional rubber markets and TOCOM. Nevertheless, at the end of the week, easier condition prevailed with very little trading activity reported.

Outlook

The Kuala Lumpur rubber market is expected to be quiet following the wait-and-see attitude of its market players on the concern of the global economic growth as well as the market direction

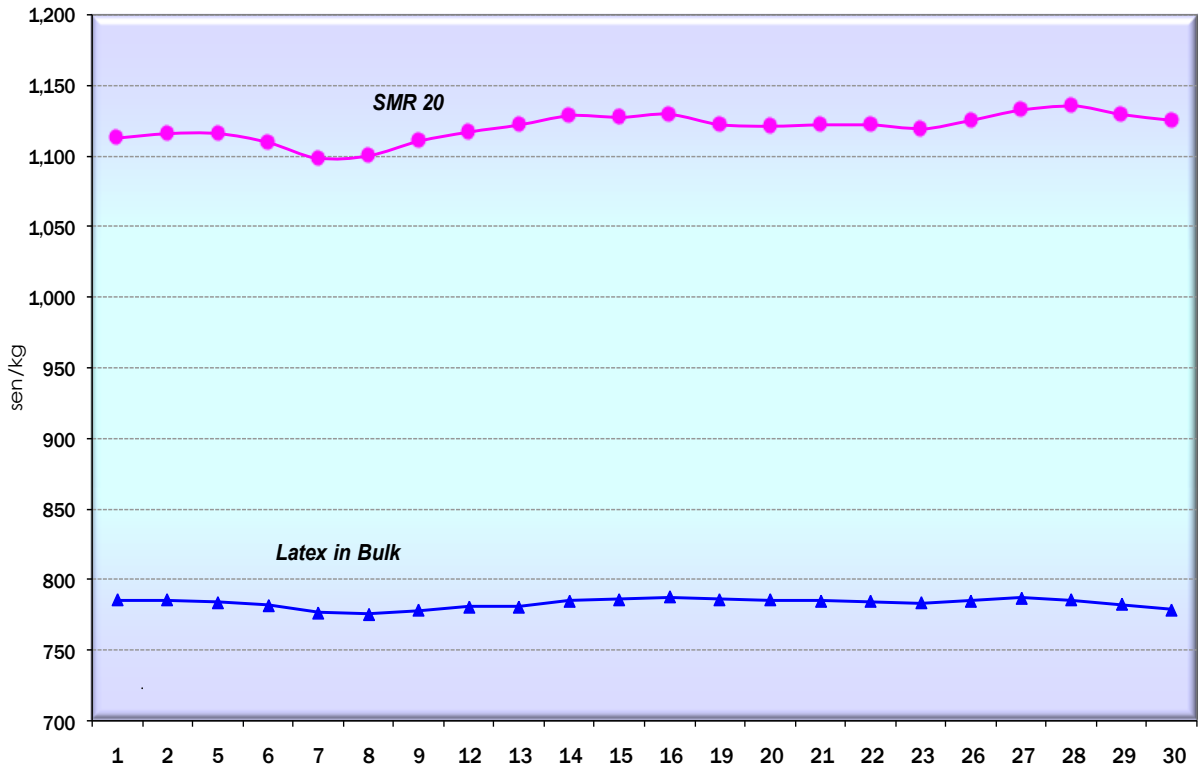
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, March 2012

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	1,260.50	12,605.00	1,135.50	11,355.00	787.50	7,875.00
Lowest	1,228.00	12,280.00	1,098.50	10,985.00	775.50	7,755.00
Average	1,244.64	12,446.40	1,120.25	11,202.50	782.91	7,829.10
Change from the last day of the previous month	25.50	255.00	18.00	180.00	-6.50	-65.00

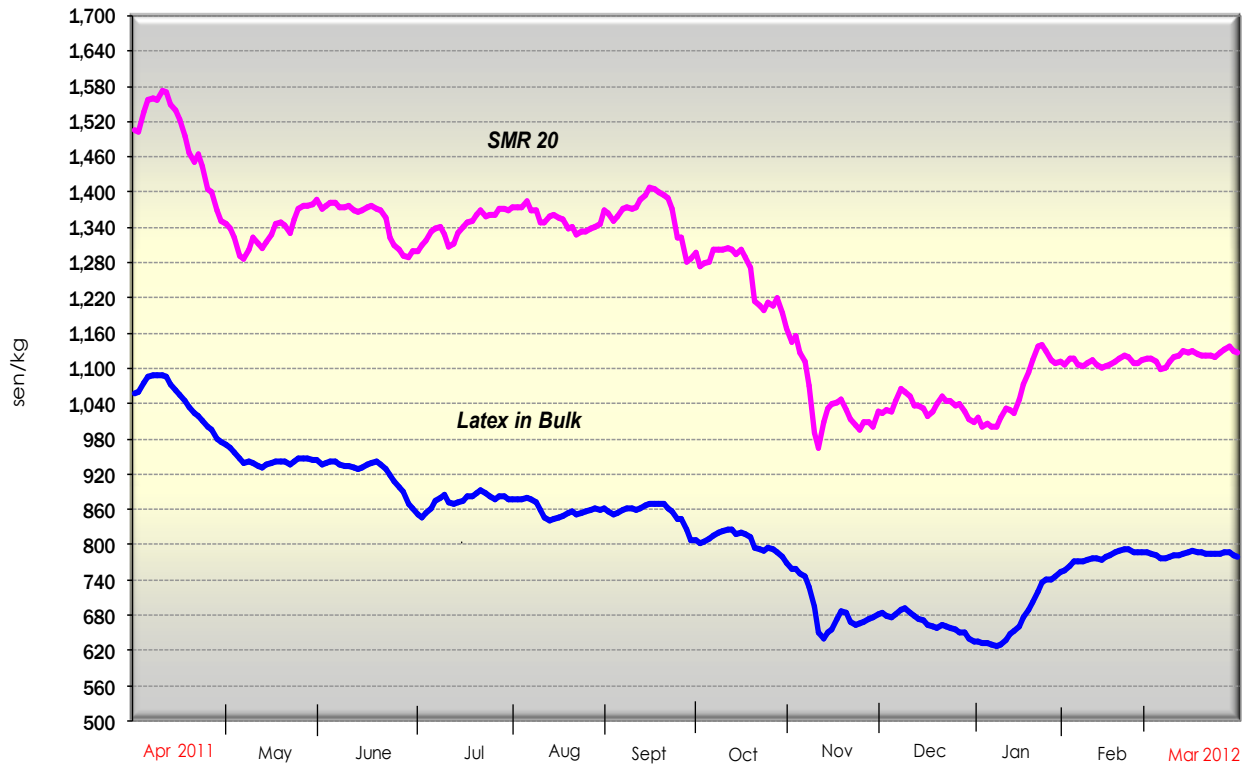
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, March 2012



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 1 April 2011 - 30 March 2012



of both physical and futures markets in the region in the near-term. However, tight-supply situation in major producing countries will stabilize the rubber prices.

News Brief

Malaysia's rubber products exports up 10.3% in 2011

Malaysia's exports of rubber products continued its stellar performance to hit RM14.2 billion in 2011, a growth of 10.3% from RM12.9 billion in 2010. In a statement, the Malaysian Rubber Export Promotion Council (MREPC) said that total trade in rubber products reached RM18.1 billion, an increase of 11.1% compared with RM16.3 billion in 2010.

"The United States remained Malaysia's largest export destination for rubber products accounting for 26.3% or RM3.7 billion of rubber products exports, followed by the European Union with 25.4% or RM3.6 billion," said MREPC Chief Executive Officer Datuk Teo Suat Cheng.

-Bernama Daily Malaysian News, 12 Mar

India, China will boost rubber prices

Global natural rubber prices may jump on production shortfall in the first two months of 2012 amidst increased consumption in India and China, according to the Indian Rubber Board.

Following favourable economic conditions, global production during 2011 was up by 8.2% at 10.26 million tonnes from 9.48 million tonnes in 2010, while consumption is expected to increase by 3.5% in 2012.

Demand from members of the Association of Natural Rubber Producing Countries (ANRPC), accounting for 57% of the use, may grow by 4.4% to 6.37 million tonnes.

-The Times of India, 3 Mar

Bridgestone to spend Y50b to build off-road tyre factory in Thailand

Bridgestone Corp. said that it will spend Y50 billion to build a new factory in Thailand to

produce off-road radial tyres for construction and mining vehicles.

The new plant will add to Bridgestone's existing production capacity for such tyres in Japan and the U.S., the company said, as it looks to meet increasing global demand.

Production at the Thai plant will begin in the first half of 2015, with output capacity reaching 85 tonnes per day by the first half of 2019.

-Dow Jones International News, 5 Mar

Bridgestone expects 5.3% rise in its 2012 tyre output

Bridgestone Corp. said that solid demand for replacement tyres in Asia would help boost its global tyre production by 5.3% to 1.99 million tonnes in 2012. Strong demand from tyre makers, is one of the factors supporting the prices of natural rubber, which hit a record high of 532.7 yen per kg on the Tokyo Commodity Exchange (TOCOM) on 21 February 2011.

"We expect steady demand growth to continue for a while, thanks to steady car demand, particularly in emerging markets," Bridgestone spokesman Makoto Shiomi told Reuters.

-Reuters News, 7 Mar

German investors eye rubber plantations in Indonesia

German investors have expressed interest in developing rubber plantations in Bangka-Belitung province in east Indonesia, local Investment Coordinating Board Chairman, Zakaria said. He further said that the potential of rubber plantation development and the rubber processing industry was promising as there were a lot of vacant plots that could be turned into productive land. "Rubber produced by the farmers in Bangka reaches 93,000 tonnes per year," he said.

Zakaria pointed out that German investment in rubber plantations and in the rubber processing industry would surely raise the price of the commodity on local markets, thereby encouraging rubber farmers to work even harder.

-The Jakarta Post, 10 Mar

Higher dividends expected for rubber smallholders this year

Participants of the Commercial Replanting Scheme (TSK) are expected to receive a total of RM175 million in dividends from the Rubber Industries Smallholders Authority (RISDA) this year. Rural and Regional Development Minister, Datuk Seri Mohd. Shafie Apdal said that the scheme's 23,892 participants in 2011 received a total of RM163.6 million in dividends, and RISDA remains committed to ensuring the participants' dividends continue to grow.

"Despite the world economy facing huge challenges, global demand for rubber is steady, and rubber is one of the commodities with a stable price, but even if the price goes down it is not drastic," he said.

-Bernama Daily Malaysian News, 13 Mar

Malaysia's natural rubber output up 6.6% in January

Malaysia's natural rubber production in January 2012 amounted to 85,026 tonnes, an increase of 6.6% or 5,300 tonnes versus the previous month.

However, production fell by 21.8% or 23,690 tonnes year-on-year (y-o-y), the Statistics Department said in a statement. The smallholding sector was the main producer of natural rubber, accounting for 92.6% while the remaining 7.4% was contributed by the estate sector. The highest producers of natural rubber in estates were Negeri Sembilan at 21.4%, followed by Kedah (21.1%) and Perak (17.6%), the department said.

-Bernama Daily Malaysian News, 13 Mar

Global rubber demand to reach 26.8 million tonnes in 2012 -IRSG

Global rubber demand will likely reach 26.8 million metric tonnes in 2012, the International Rubber Study Group (IRSG) said, lower than its last estimate of 27.2 million tonnes, which it made in December 2011.

In a statement, the IRSG forecast that demand for natural rubber and synthetic rubber to rise 3.4% and 3.6%, respectively, compared with

2011. The forecasts fell from 4.6% and 5.5%, respectively, in December 2011.

The demand in 2012 will be 3.9% higher than last year's global consumption of 25.8 million tonnes, which was in turn up four percent on-year, "reflecting a decelerating increase in the demand for vehicles and tyres," the IRSG said.

-Dow Jones Commodities Service, 13 Mar

Buoyant outlook for rubber product exports

Asia overtook North America as the largest export market for Malaysian rubber products in 2011, as the value of overseas shipments rose 10.3% to RM14.3 billion. The Malaysian Rubber Export Promotion Council (MREPC) sees rubber exports continuing their upward trend in 2012.

"The demand for rubber products will continue to remain buoyant as Asian economies will grow, spurring increased demand in healthcare, automotive components and infrastructure development," CEO Datuk Teo Suat Cheng said in a statement.

-The Sun, 15 Mar

Oil price remains a concern

The elevated price of crude oil, which translates into higher costs, will continue to be the main concern among ASEAN economies as they face a slowdown in growth due to a drop in exports.

For Malaysia, economists are now leaning towards no change in the benchmark interest rate, which has been kept at three percent since May 2011 when the overnight policy rate (OPR) was raised by 25 basis points.

The consumer price index (CPI), which measures inflation, has been gradually falling after peaking in the middle of 2011. January's CPI came in at 2.7% while the median estimates of a *Bloomberg* survey showed the CPI would drop to a 2.3%-pace for February.

-The Star, 17 Mar

Thai rubber intervention buying starts, slowly

A rubber intervention programme has started in Thailand aimed at supporting prices to help farmers but not much has been bought so far, so the impact on the market has been minimal, government officials and rubber cooperatives said. The government approved a 15 billion baht-(\$488-million) budget in January to buy unsmoked sheet (USS3) from farmers at 120 baht per kg to prop up prices. The buying is to be done through cooperatives.

-Reuters News, 19 Mar

Global economy on recovery path

The global economy has stepped back from the brink of danger and signs of stabilisation are emerging from the Eurozone and the United States, but high debt levels in developed markets and rising oil prices are key risks ahead, according to the International Monetary Fund (IMF).

IMF Managing Director, Christine Lagarde said signs of stabilisation were emerging to show that policy actions taken in the wake of the global financial crisis were paying off, that US economic indicators were looking a little more upbeat and that Europe had taken an important step forward in solving its crisis with the latest efforts on Greece.

-The Star, 19 Mar

Chinese authorities urged to abolish rubber import tariff

China Rubber Industry Association (CRIA) has urged government authorities to call off customs duties for imported rubber to protect domestic tyre makers, according to a report by Shanghai Securities News. Now, Chinese rubber importers need to pay 20% of import duty compared with five per cent of tyre customs duty among ASEAN member countries.

CRIA also suggested the government to expand the capacity of national natural rubber reserve facilities and encourage domestic player to go global with tax incentives.

-Langka Business Online, 19 Mar

Malaysian economy expected to pick up steam in latter part of year

The Malaysian economy is likely to pick up momentum in the latter part of 2012 as improving external conditions boost demand for the electrical and electronic products.

Expectation by a Business Times poll is for the economy to grow at an average moderate pace of 4.41% this year. The gross domestic product (GDP) will probably grow by 5.28 per cent by 2013.

-News Straits Times, 20 Mar

Analysts praise Sime Darby's investment in Indonesia rubber plantation

Sime Darby Bhd's maiden foray into the rubber plantation industry in Indonesia is an excellent long-term prospect, according to research analysts. Affin Investment Bank recently said in a report that it viewed the acquisition positively, given the shortage of land in Malaysia and Sime Darby's established know-how in plantation development.

-The Rubber International, 20 Mar

Thai minister seeks rubber cooperation with China

Mr. Nattawut Saikua, Thai Deputy Minister of Agriculture and Cooperatives, said in February after meeting with China's Dongying governor Lv Xue Ping from Shandong Province and his associates that the Ministry accepted the invitation by Dongying governor to bring officials from Thai rubber state enterprises and state units to visit Chinese rubber operators in Dongying city.

He noted that this is a good start to expand Thai rubber to China. The two parties also discussed about the opportunity to bring Chinese tyre manufacturers to invest in Thailand by setting up tyre plants in Thailand.

-The Rubber International, 20 Mar

Indonesia establishes \$5.6 billion plantation firm

Indonesian Government plans to create one of the world's largest palm oil and rubber firms in March by combining state planters with total assets of \$5.6 billion, a government minister told Reuters News Agency in February.

A planned listing of the firm will tap investor interest in a country with a recently acquired "investment grade" rating and create a rival to top regional planters such as Malaysia's Sime Darby and Singapore's Wilmar.

The government will consolidate the assets of 15 state firms, whose revenues last year stood at around 40 trillion rupiah (\$4.45 billion), under parent company PT Perkebunan Nusantara III. "This holding will become one of the largest plantation firms in the world with one million hectares of palm oil and rubber," State Enterprises Minister Dahlan Iskan said.

-The Rubber International, 20 Mar

Developing countries to boost natural rubber consumption by 3.3% over next decade

With the rising demand for natural rubber from the developing countries, the global natural rubber consumption is set to grow by 3.3% over next decade. The overall rubber market share by the developing countries has risen to 43% from 39% over the last decade.

According to reports from Olam International, to meet the growing demand, plantations need to be expanded by 1 million hectares within the next five years.

Meanwhile, Africa is also rising up as one of the favourite destinations for natural rubber and if the planting is increased in the west African region, it may out-phase Indonesia and Malaysia.

-Commodity Online, 22 Mar

China rubber sector gross output value expected to up 18%

The China Rubber Industry Association (CRIA) predicted on 22 March 2012 that gross industrial

output value and sales incomes of China's rubber industry would enjoy an increase of roughly 18% and export will keep a growth of about 28%. The whole sector is likely to grow moderately and structure adjustment will achieve progress.

On the other hand, impacted by China's policy of making progress while ensuring stability, China's rubber sector will have development opportunities in new material, new-energy vehicle, information and even in foreign emerging markets. He emphasized that the rubber sector needs to implement 10 strategies to power itself like implementing new material development, diversified market, low-carbon economy and circular economy.

*SinoCast Metals & Mining
& Chemicals Beat, 23 Mar*

Thailand to clear more rubber trees to support prices -report

Thailand intends to double the size of the area it will clear of old rubber trees every year to 500,000 rai (80,000 hectares), reducing the annual supply of natural rubber by 65,000 tonnes and thereby raising global prices, the Bangkok Post reported, citing the deputy agriculture minister.

The Thai Government will ask the Office of the Rubber Replanting Aid Fund (ORRAF) to set aside 5 billion baht (\$163 million) as compensation to encourage growers to cut down old rubber trees, the Post said, quoting Deputy Agriculture Minister Nattawut Saikuar.

-Dow Jones Commodities Service, 28 Mar

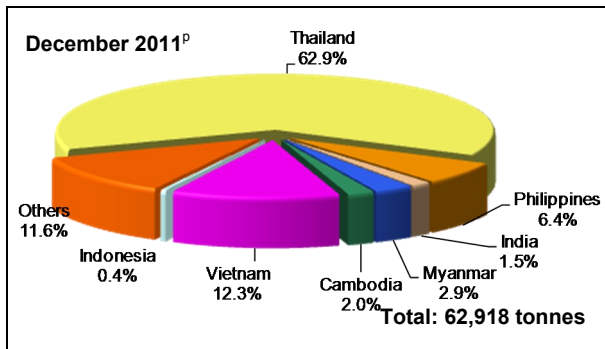
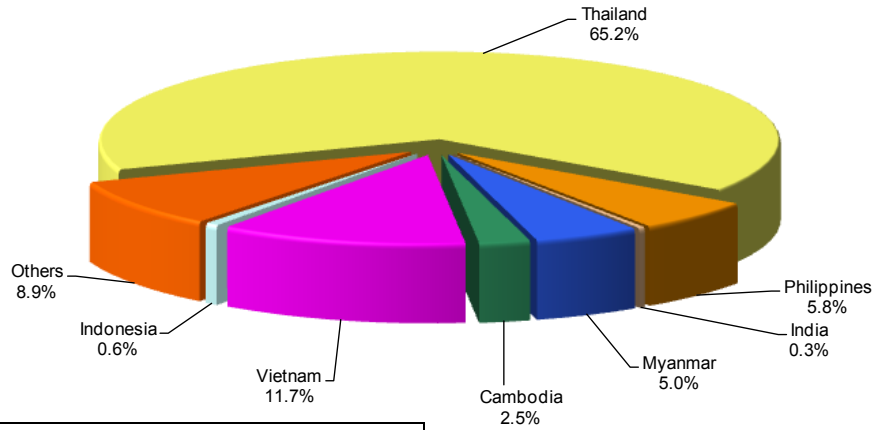
Global rubber consumption to approach 31 million metric tonnes in 2015

The global rubber consumption is forecast to rise by 4.3% per year through 2015 to 30.5 million metric tonnes.

Rubber demand will be stimulated by an increase in tyre output growth as global motor vehicle production accelerates following a relatively weak 2005-2010 period in many developed nations around the world.

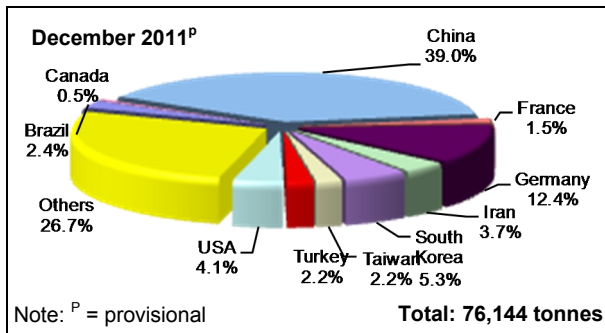
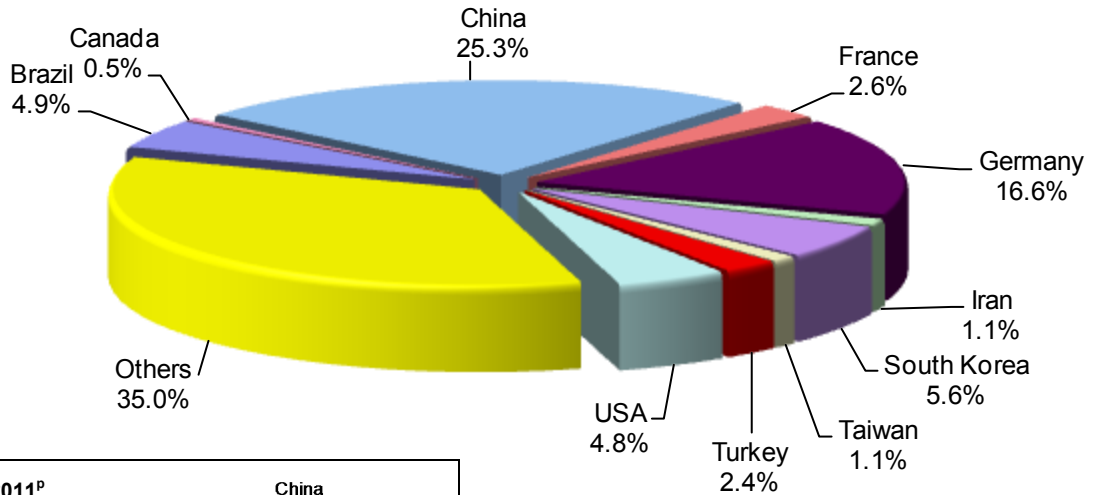
-Rubber Market News, 29 Mar

Malaysia's NR imports by countries January 2012^P



Total: 54,638 tonnes

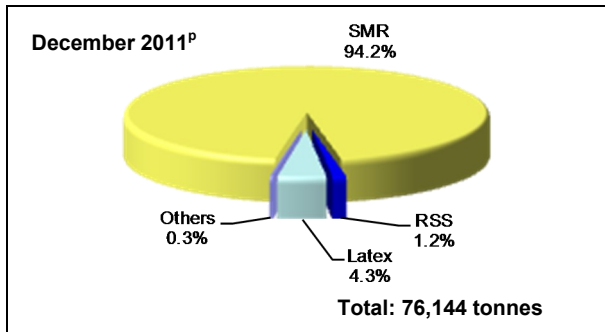
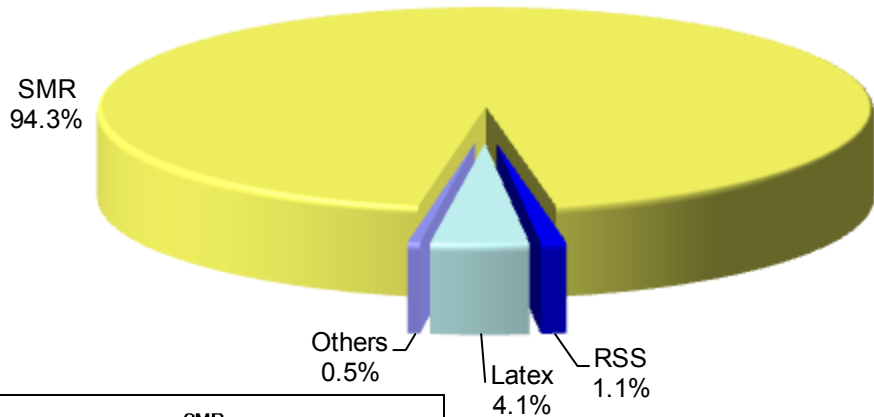
Malaysia's NR exports by countries January 2012^P



Total: 56,564 tonnes

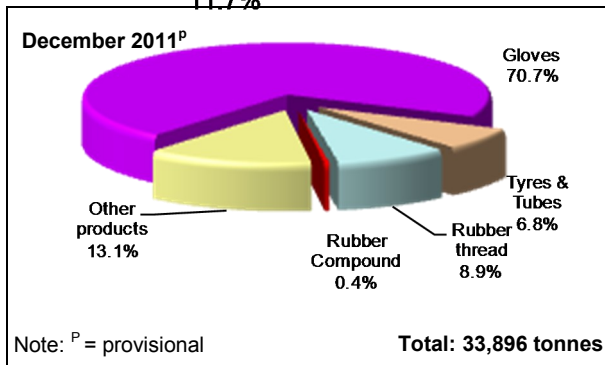
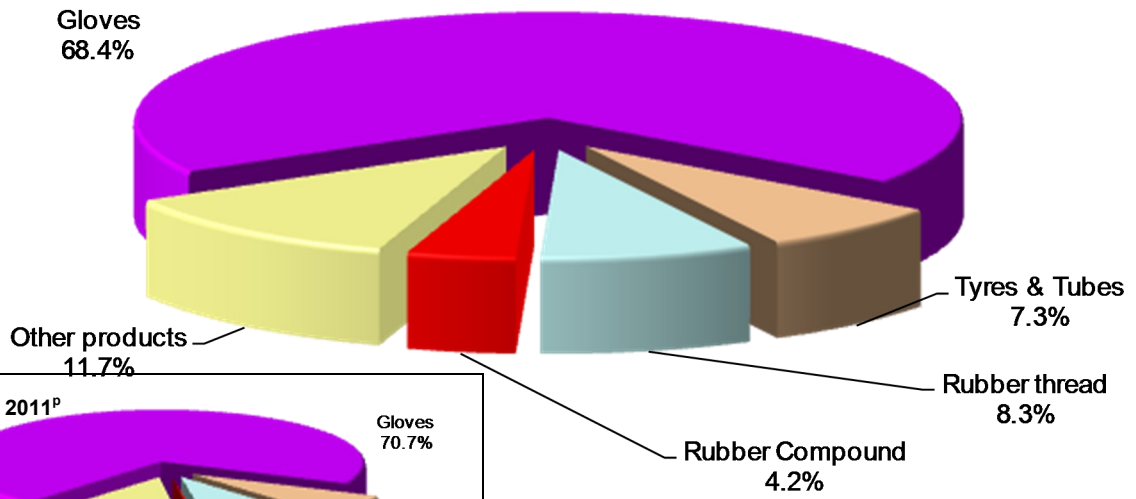
Note: ^P = provisional

Malaysia's NR exports by types January 2012^P



Total: 56,564 tonnes

Malaysia's NR consumption by sectors January 2012^P



Total: 34,940 tonnes

Note: ^P = provisional