



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber market review

March

In March 2014, the Kuala Lumpur rubber market continued to be mixed with prices moved downwards following a drop in Shanghai Futures Exchange (SHFE) rubber price and a report on high stockpile of the commodity in China. The rubber market was sheltered from a further downfall following positive sentiment brought by a statement from IRCo that rubber associations of its member countries, as well as Vietnam, are supporting its call to not sell rubber at prevailing low prices. Compared with levels on 28 February 2014, the price of SMR 20 was up by 7.50 sen/kg or 1.23% to close at 617.00 sen/kg while latex concentrate closed at 499.00 sen/kg, an increase by 21.50 sen/kg or 4.5%. The price movements of selected grades of rubber in March is shown in *Table 1*.

During the first trading week, the market witnessed an uptrend following positive sentiment brought by tight supply of raw materials and low production season in leading rubber producing countries including Malaysia itself. The uptrend was also in tandem with that of Tokyo Commodity

Exchange (TOCOM) owing to short-covering activities. A report from International Rubber Study Group (IRSG) forecast that the global rubber demand will grow by 4.4% this year, which is expected to come mainly from India. It is estimated that India's rubber demand will grow by 8.5% to 1.56 million tonnes in 2014, while its homegrown rubber output was hit by the heavy rains from June to September 2013.

The rubber market continued to move upwards during the second trading week with price turning lower at the first day of the week due to negative sentiment following a report on Japan's poor current account deficit in January 2014. Prices at the Kuala Lumpur rubber market then turned slightly higher on a further weakening of the ringgit against the US dollar, besides the tight supply owing to low production season, and the effects of a rebound seen in TOCOM and SHFE respectively. It was also reported that the natural rubber production in Thailand, Indonesia, and Malaysia had been declining significantly during the week due to severe dry weather in the rubber belts in these three countries. The Asian shares cautiously rebounded though investors were not in the mood to embrace risk ahead of a batch of Chinese data that might offer clues about the extent of its economic slowdown.

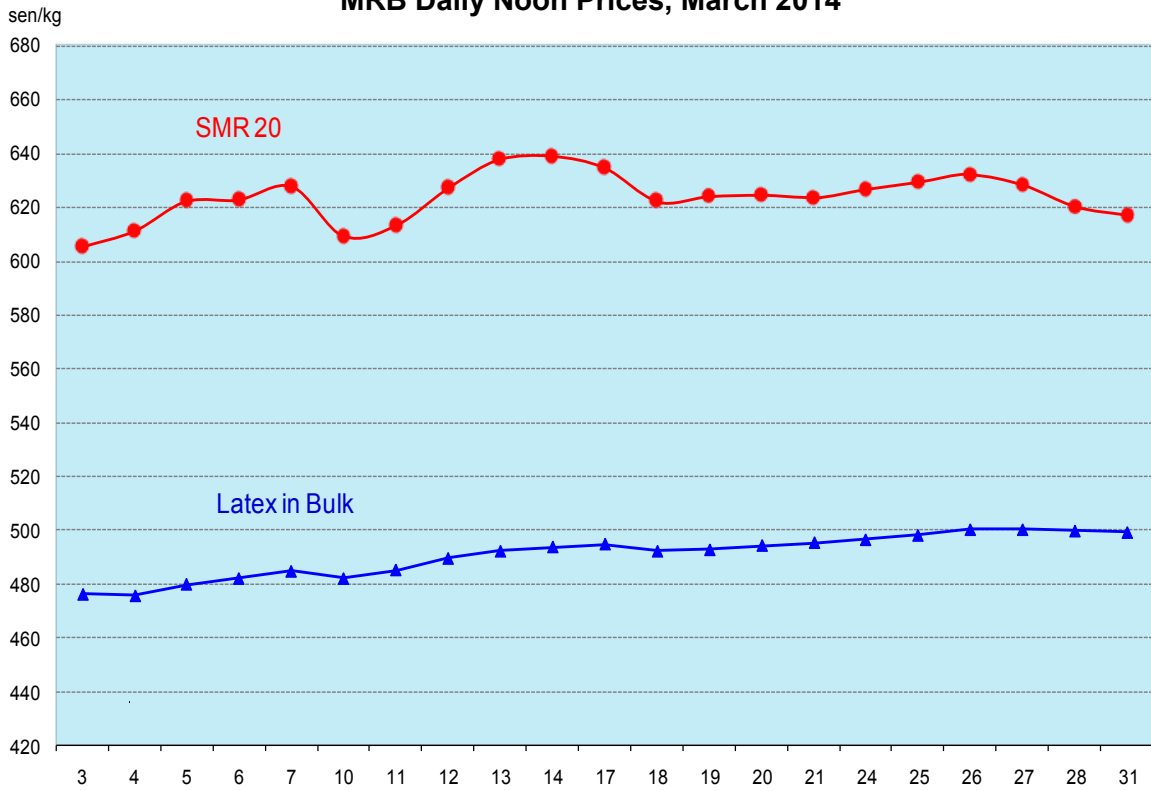
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, March 2014

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	831.50	8,315.00	639.00	6,390.00	500.00	5,000.00
Lowest	791.00	7,910.00	605.00	6,050.00	475.50	4,755.00
Average	813.83	8,138.30	623.55	6,235.50	490.50	4,905.00
Change from the last day of the previous month	42.00	420.00	7.50	75.00	21.50	215.00

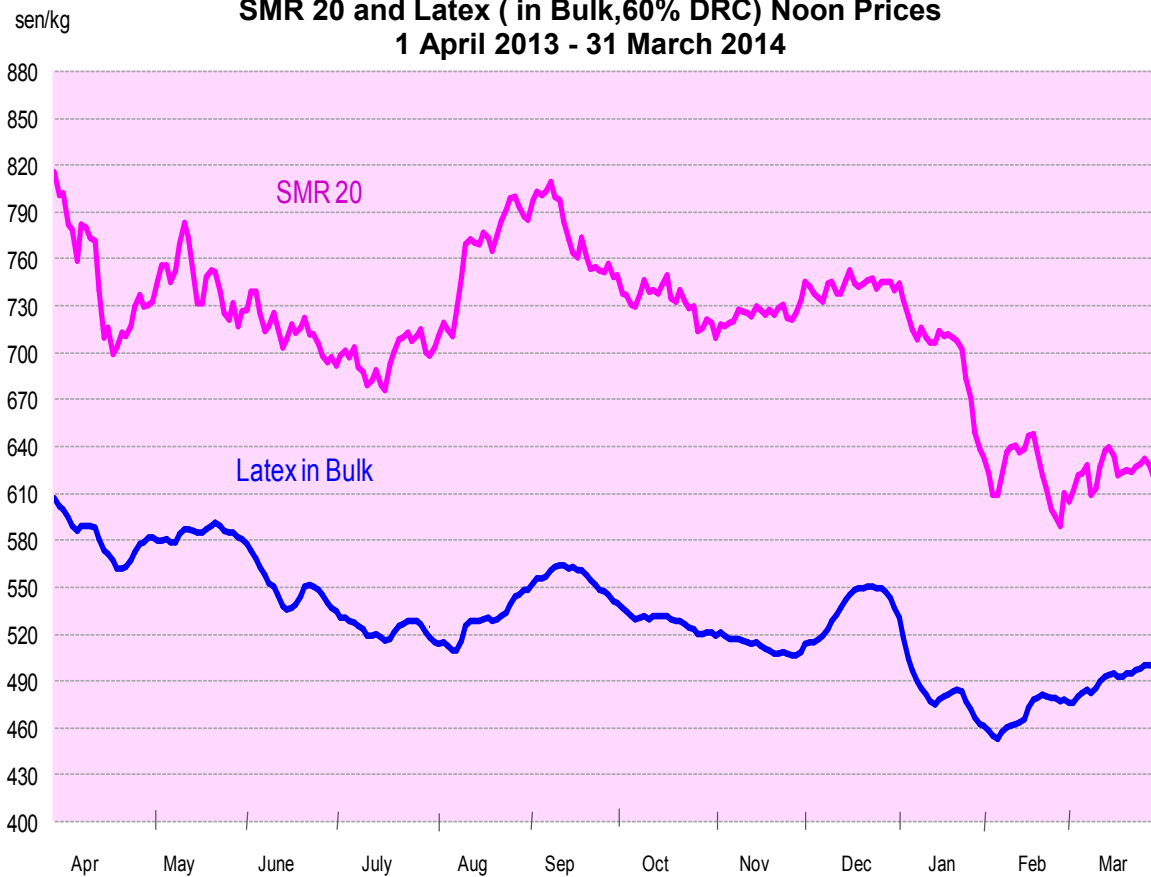
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, March 2014



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 1 April 2013 - 31 March 2014



On the third trading week, the market saw a downtrend. It was reported that TOCOM was weighed by high stockpiles in China and Japan, as well as external macroeconomic uncertainties. However, the low production season caused by wintering and dry weather has curbed further downfall. The rubber market extended its price decline on stronger ringgit, besides negative sentiment brought by a report on high stockpiles in both countries, which had somehow balanced concerns over supply amid the ongoing low-production season. Nevertheless, the news that major tyre manufacturers were looking for rubber dealers and stockpiled rubber for bargains had at least curb further decline. The market was also quiet during that week following the closure of TOCOM for Vernal Equinox Day.

The market saw a mixed trend during the fourth trading week with prices moved slightly higher at the middle of week following a weakening of the ringgit, amid tight supply of raw material season. Prices then moved lower following on a stronger ringgit and negative statement brought by a report on the weak Chinese economic data which raised fears of falling demand. It was reported that HSBC Purchasing Managers' Index (PMI) fell to an eight-month low of 48.1 in March 2014 from February's final reading of 48.5. The index had been remaining below the 50 level since January, indicating a contraction in the sector this year. However, traders are of the view that falling supply in major rubber producing countries is expected to provide support to the rubber prices over the next few weeks. Many of them are uncertain about the outlook for rubber, as there is still real demand from major tyre-makers, but macroeconomic uncertainties about China weighs.

Outlook

The Kuala Lumpur rubber market is expected to grow with the support of a stronger recovery in the USA and Europe as well as the increasing demand for rubber tyres that will be able to compensate for the slow growth of the Chinese economy. In addition, supply constraints resulting from a low stock level would be further aggravated in the coming months with wintering expected to be severe in the three rubber producing countries – Thailand, Indonesia and Malaysia.

News Briefs

World: Commodities - EIU's monthly rubber outlook

The Economist Intelligence Unit (EIU) expects natural rubber (NR) consumption growth to rebound in 2014 by around four percent as demand recovers in some major consuming countries. This follows estimated growth of two percent in 2013, on the back of strong demand from China and small contractions in demand for NR among consumers in the EU and the US.

China is expected to grow its consumption of natural rubber by nearly four percent on average in 2014-15 as the strong consumer demand of the final months of 2013 continues into 2014. India's demand for natural rubber is expected to grow steadily in 2014-15 to nearly 1.1 million tonnes. The global natural rubber supply is expected to grow by 1.9% in 2014, slower than EIU's last assessment owing to a downward revision to Thailand's supply outlook.

- EIU (ViewsWire), 1 Mar

Sourcing rubber from dandelion juice

Researchers at the Fraunhofer Institute for Molecular Biology and Applied Ecology IME and Continental AG, both in Germany, built the first pilot system to extract vast quantities of dandelion rubber for making tyres--an important milestone on the path to rubber procurement in Europe. The project began in October 2013 with a goal of developing the production process over the next five years so that Continental can manufacture tyres made from dandelion rubber.

- Advanced Materials & Processes, 1 Mar

Indonesia closely monitoring situation in Thailand

The Indonesian government continues to monitor the situation in Thailand, in terms of trade, as it is the biggest producer of rice and rubber, said Deputy Trade Minister, Bayu Krisnamurti. He emphasized that in the context of trade, two things must be closely monitored with regard to the situation in Thailand.

"The first is rice and the second is rubber. The prices of rice and rubber in the next few months are expected to drop in Thailand," he pointed out. As Thailand is a major producer of rice and rubber, the decline in prices of the two commodities in that country will certainly affect the prices in the world market, including in Indonesia.

- *Philippines News Agency, 2 Mar*

Global rubber use to grow faster in 2014 on Asian demand-industry

Global rubber consumption is likely to grow faster in 2014 on rising demand from Asia, which along with an expected draw down in massive stockpiles by top consumer China, may trigger a rebound in prices, senior industry officials said.

The industry's optimism comes amid a tumble in tyre-grade prices to multi-year lows on persistent worries about a slowing economy in China, its high inventory and weakness in benchmark rubber futures in Tokyo Commodity Exchange (TOCOM). The weak rubber market has even prompted the International Rubber Consortium (IRCo), which represents main producers Thailand, Indonesia and Malaysia, to recommend the commodity not be sold at the current low prices.

- *DailyFT, 5 Mar*

Continental to invest US\$1.37bn to boost production by 2016

This is a time of rapid progress for Continental. New tyre plants are starting production around the world and hardly have the opening ceremonies drawn to a close on one continent than they begin on another. The latest news on this front comes from South Carolina where the new production lines at the Sumter plant were officially inaugurated on 28 January 2014.

The PLT tyre production in Modipuram, India will start during the course of 2014, while back on 29 October 2013, the new plant in Kaluga, Russia had been opened. These were all significant milestones en route to the unparalleled expansion of production capacities at the tyre division that will see potential global output rise by more than 20 million tyres per year in the run-up to 2016.

- *Just-Auto, 5 Mar*

China maintains growth target at 7.5%; focus shifts to reforms

China announced that it would maintain its economic growth target for 2014 at about 7.5%, as expected, signalling that its policy focus would be slanted in favour of reforms and rebalancing the economy.

Premier Li Keqiang, in a report to the National People's Congress at the start of its annual session, also said the Chinese government would maintain an inflation target of around 3.5% for 2014. Broad M2 money supply growth would be kept at 13%, which is also widely expected. "That should mean policymakers have enough room to ensure growth remains within a comfortable range while delivering the reforms," HSBC said in a note in the build up to the parliament session.

- *Thomson Reuters Eikon, 5 Mar*

Carbon Fund: Do compensate rubber smallholders

Carbon is sequestered in the rubber tree trunk, barks, twigs, roots and leaves. New high-yielding clones show promise of higher carbon absorption. Economists term this absorption of carbon dioxide by trees as carbon sink.

Perhaps it is the time for the government to address this reduction in rubber hectareage head-on by giving recognition and incentives to the green contribution of the rubber industry. At the United Nations Climate Change Summit 2009 in Copenhagen, the Prime Minister said that Malaysia will play its role in reducing global warming by pledging to reduce carbon emissions by 40% by 2020 compared with the 2005 level. In line with this, should not our rubber smallholders be compensated for helping Malaysia achieve its target in reducing its greenhouse gas emission?

- *New Straits Times, 6 Mar*

Rubber industry to remain resilient

The Malaysian rubber industry is expected to remain resilient this year, bolstered by higher export earnings of rubber products and stronger global demand for rubber gloves. Malaysian Rubber Products Manufacturers' Association President, Datuk Dr. Ong Eng Long, said there will be price increases in the next coming months amid the current dry spell.

On the sector's sustainability, Ong said that the industry needs to exploit high yield and suitable clones to reach yield of 1.8 tonnes per hectare a year and plant more densely to reach 550 stands (trees) per hectare. It was reported earlier that rubber products would continue to be the main contributor to the industry in terms of export earnings and it was expected to hit RM40.5 billion this year compared to last year's projection at RM38 billion.

- *New Straits Times*, 6 Mar

Non-tariff barriers key issue in ASEAN integration

Non-tariff barriers (NTBs) continue to dog the integration progress of the ASEAN region, ahead of the Asean Economic Community (AEC), said International Trade and Industry Minister, Datuk Seri Mustapa Mohamed. The AEC will be realised in 2015 to enable ASEAN's 10 countries to connect to trading partners, namely China, Japan, India, South Korea, Australia and New Zealand, through preferential trading.

This will create a region where there will be free flow of goods, services and investments, as well as freer flow of capital and skilled workers. ASEAN economic ministers, who met in Singapore, have resolved two of the six NTB cases identified through a compliance review mechanism. According to Mustapa, 77.5% of the AEC measures, which eliminate tariffs and liberalise trade in services, have been implemented. In the case of Malaysia, 88% has been implemented.

- *New Straits Times*, 6 Mar

Concise Analysis of the Chinese Tyre Retreading Industry - Forecasts to 2017

In 2012, the output volume of radial tyres in China reached over 460 million and the volume of scrap tyres exceeded 200 million. The output volume of retreaded tyres in 2012 was 18 million, increasing by more than 10% over 2011 and the market scale exceeded 6 billion renminbi. However, the market concentration rate of China tyre retreading industry is rather low. According to incomplete statistics, although there are about 500 regular tyre retreading enterprises and a number of small workshops in China, retreading over 30 million tyres annually, less than 20 of

them had an annual production of more than 100,000 units in China in 2012.

With the yearly increase of automobile reserves in China, the volume of scrap tyres generated has kept growing by over 10% annually and scrap tyres have become a major source of solid waste pollution. There are many ways in recycling tyres and retreading is one of the important ways. Compared with new tyres, retreaded tyres consume less resource and are sold at lower prices.

- *PR Newswire Europe*, 6 Mar

China Hainan Rubber sets up Aviation Rubber Research Centre

China Hainan Rubber Industry Group announces that with the approval from the Equipment Department of PLA (People's Liberation Army) Air Force, the company and the Shuguang Rubber Industry Research and Design Institute will jointly set up air force aviation rubber research and production centre. The company will pick some branches to be natural rubber production bases, processing bases and R&D bases for the centre.

- *SinoCast Metals & Mining & Chemicals Beat*, 7 Mar

The benefits of retreading

Fleets that use retreaded tyres are definitely contributing to the sustainability of natural rubber and other raw materials. In fact, the typical retread saves about 40 pounds of materials like rubber, steel and carbon black. Truck tyre retreading also reduces carbon emissions by 396,000 tonnes each year because it takes a lot less energy to produce a retread versus a new tyre. And while about 89% of all tyres are currently recycled, that number is sure to drop if the 15 million tyres that are retreaded annually are added to the waste stream.

Retreading is the best form of recycling because the majority of the raw materials and energy costs go into the manufacturing of the casing. These products are designed and engineered to have multiple lives as retreaded tyres, which is the essence of recycling.

- *Fleet Owner*, 10 Mar

NR exports in January 2014 up by 3.2% to 70,423 tonnes

Natural rubber exports in January 2014 increased by 3.2% to 70,423 tonnes from the same period in 2013, the Statistics Department said. Standard Malaysian Rubber (SMR) contributed 94.2% of the total exports, with 55% of that comprising SMR 20, the department said in a statement.

Natural rubber was exported mainly to China (49%), followed by Germany (14%), the United States (6.9%), Brazil (3.4%), Iran (2.7%), South Africa (2.4%), Portugal (2.1%) and South Korea (2.1%). Production for the month under review totalled 91,567 tonnes, up by 3.5% year-on-year, with the smallholding sector contributing 93.6% while the estate sector accounting for 6.4%.

- BERNAMA, 12 Mar

Vietnam becomes third world largest producer of natural rubber: ANRPC

Vietnam has surpassed Malaysia and India to become the third largest producer of natural rubber latex in the world, with an annual output of over one million tonnes, said the Association of Natural Rubber Producing Countries (ANRPC).

In 2013, Vietnam produced over 1.04 million tonnes of rubber latex, up by 20.8% on year, according to the ANRPC's statistics. With the volume, Vietnam jumped two positions in the world ranking. Rubber is one of Vietnam's export staples. Vietnam has 910,500 hectares of rubber, exceeding the country's planning of 800,000 hectares until 2020. A UK-based consultancy firm forecast that Vietnam's natural rubber output will increase by 1.5% on year to 995,000 tonnes in 2014.

- Vietnam News Brief Service, 13 Mar

Rubber seen advancing as drought reduces Southeast Asian supply

Natural rubber will probably climb as dry weather cuts production in Southeast Asia, the main growing region, and consumption increases, said the International Rubber Consortium (IRCo).

Output in Thailand, Indonesia and Malaysia is set

to drop by six to eight per cent this year because of an exceptional dry season during the low-production cycle, the consortium said in a recent statement. The exceptional dry season, coupled with severe wintering that is expected to be prolonged, will delay the new tapping season, said IRCo. The price is expected to be strengthened in the coming months.

- The Nation, 18 Mar

ITRC aims to stabilise rubber prices

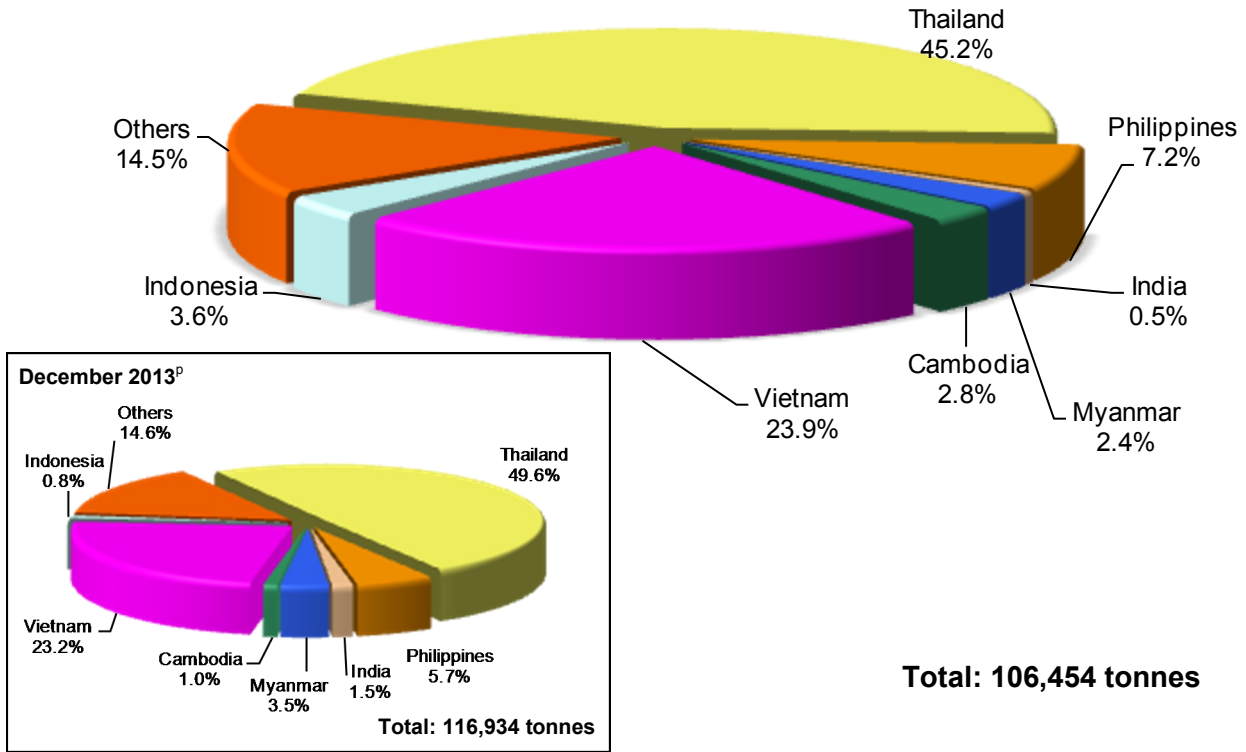
The cooperation between the three major rubber producers – Malaysia, Indonesia and Thailand – in the form of International Tripartite Rubber Council (ITRC) is expected to stabilise the declining price of natural rubber. Plantation Industries and Commodities Minister, Datuk Amar Douglas Uggah Embas said that the ITRC is a forum to discuss the stabilisation of rubber production and help strengthen rubber prices.

"The ITRC had proposed the implementation of Agreed Export Tonnage Scheme (AETS) to control exports through quota fixation. "The mechanism was implemented from October 2012 to end of March last year. Uggah Embas said that the ITRC had also implemented Supply Management Scheme as a long-term plan to balance demand against global supply, to determine a level of profitable rubber price.

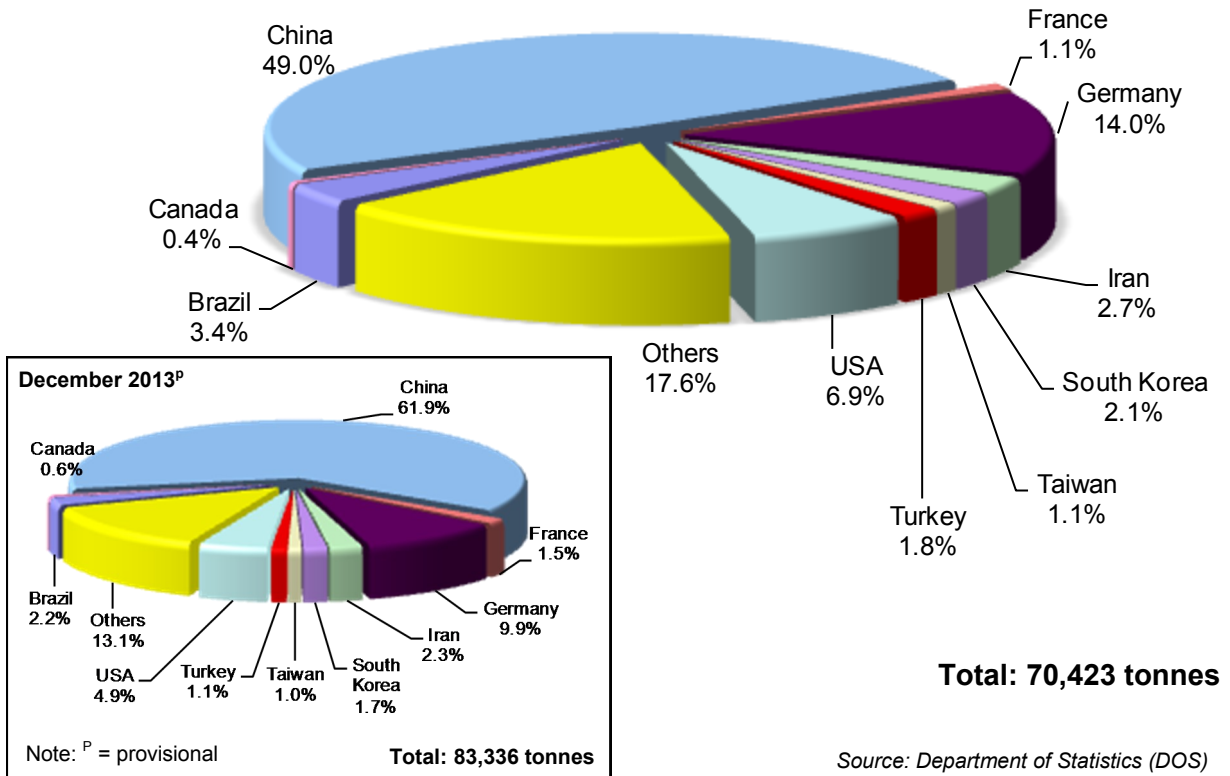
-The Malaysian Reserve, 26 Mar

Sources: Factiva-Dow Jones, New Straits Times

Malaysia's NR imports by countries January 2014^P

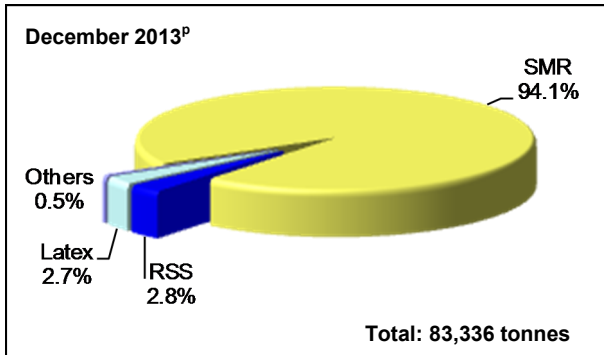
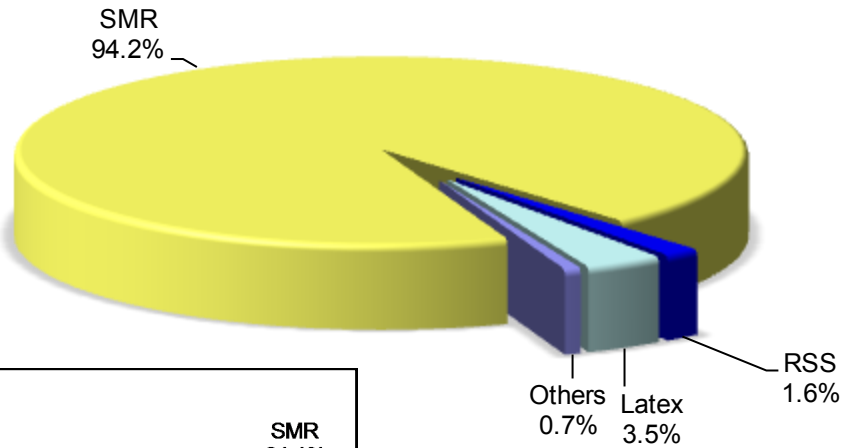


Malaysia's NR exports by countries January 2014^P



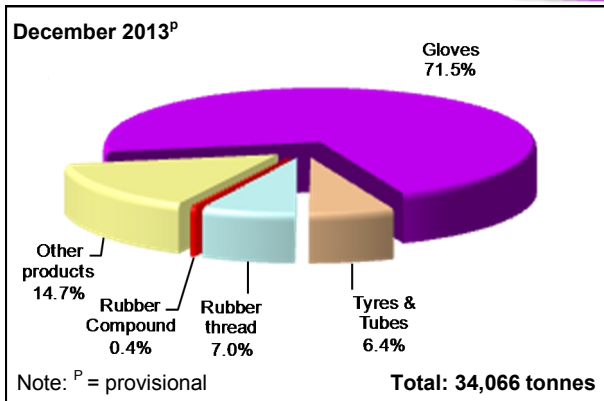
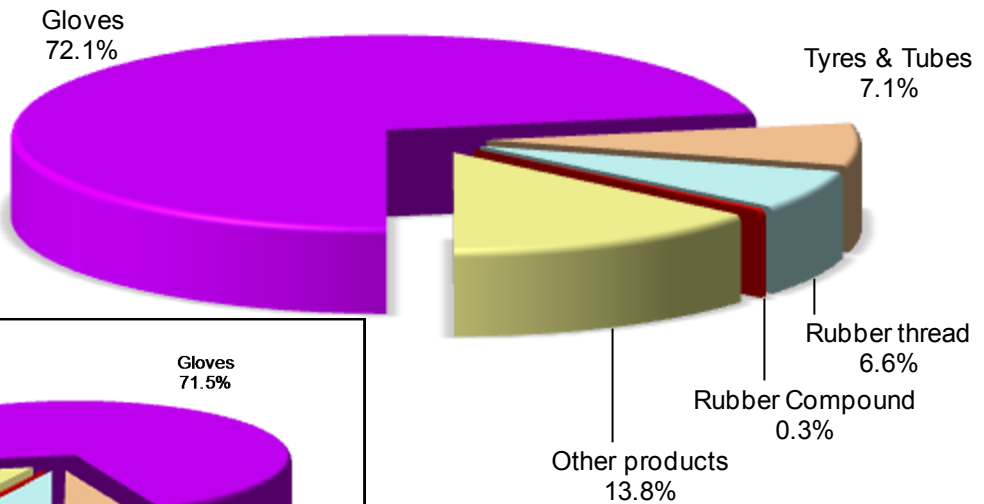
Source: Department of Statistics (DOS)

Malaysia's NR exports by types January 2014^P



Total: 70,423 tonnes

Malaysia's NR consumption by sectors January 2014^P



Total: 35,338 tonnes

Source: Department of Statistics (DOS)