



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

March

In March 2016, prices on the Kuala Lumpur rubber market were mixed. The positive sentiments in early March were contributed by bullish rubber futures market, the uptrend in crude oil prices coupled with an increased confidence in global economic prospects. However, in the second half of the month, the market was largely affected by weak data on China trade performance which was worse than expected by economists. The sharp decline in crude oil prices, a stronger ringgit against US dollar, weak advices from rubber futures market as well as weak US economic indication further depressed the market sentiment. Compared with those on 29 February 2016, the price of SMR 20 increased by 30.50 sen/kg or 6.41% to close at 506.00 sen/kg while latex concentrate closed at 441.00 sen/kg, an increase of 73.00 sen/kg or 19.84%. The price movements of selected grades of rubber in March 2016 are shown in *Table 1*.

During the first trading week, the market saw an uptrend boosted by a rebound in crude oil prices, implementation of Agreed Export Tonnage

Scheme (AETS) amid wintering season coupled with an increased confidence in global economic prospects. It was reported that Tokyo Commodity Exchange (TOCOM) rubber futures rose continuously through the week supported by firmer US jobs data and gains on equities in Japan and China.

The market saw a downtrend during the second trading week after SMR 20 recorded its highest level of 549.00 sen/kg in 2016 on 7 March. The bearish sentiment was largely contributed by concerns over demand from China following the release of a weaker than expected Chinese trade performance data coupled with plunging crude oil prices from a hike in U.S. stockpiles. A stronger yen against US dollar also dampened the rubber market sentiment.

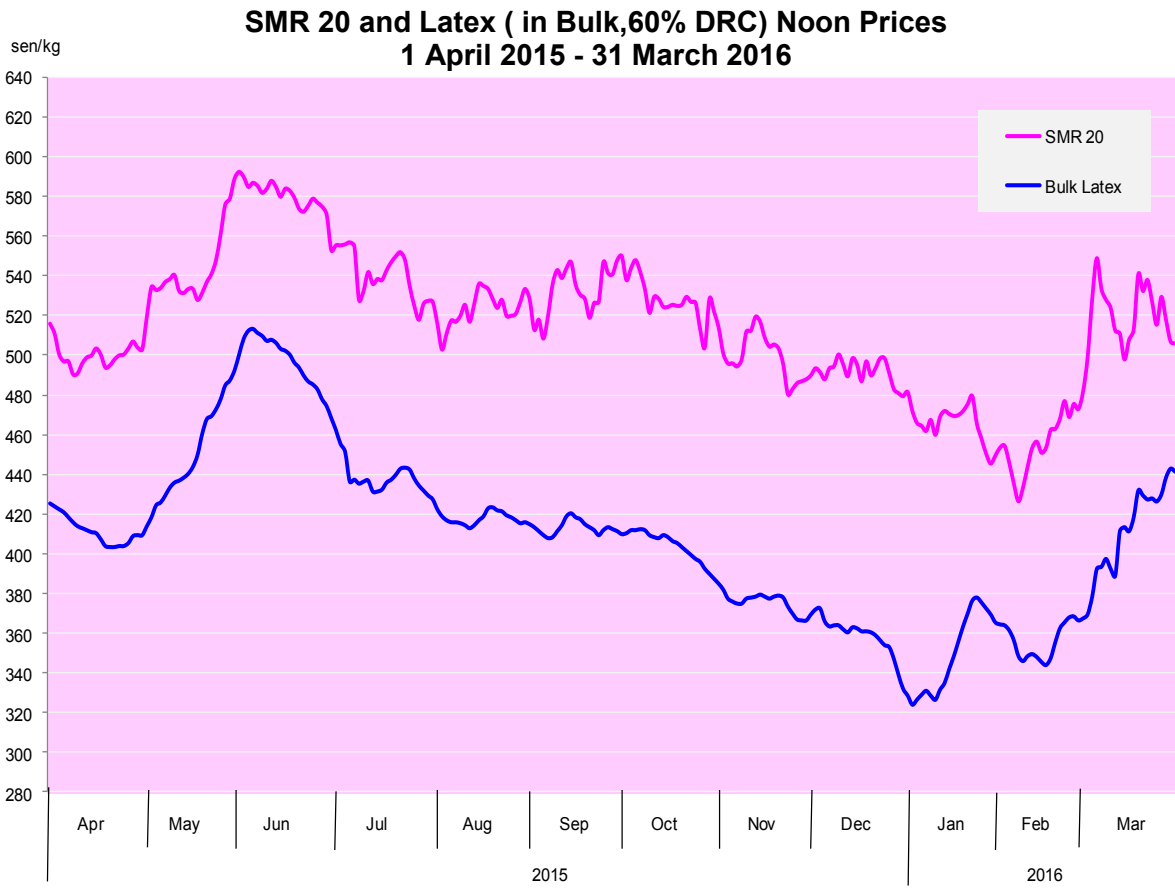
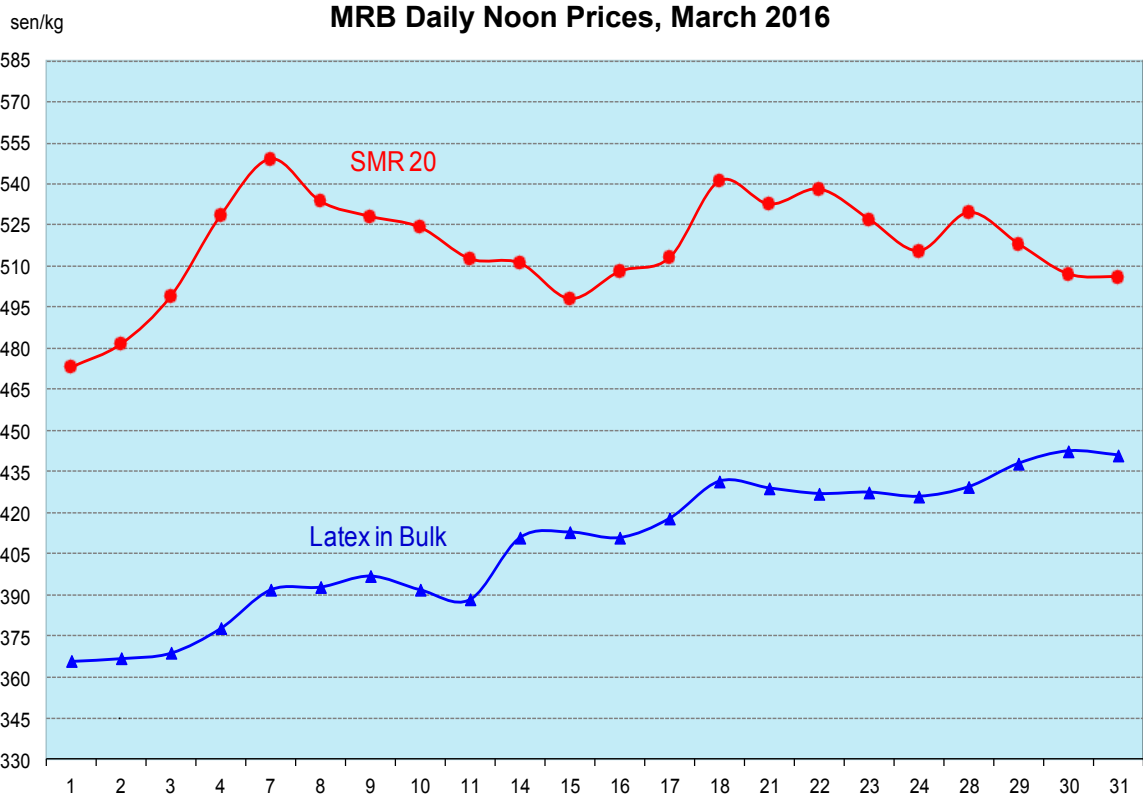
During the third trading week, prices regained their uptrend momentum despite ringgit strengthened. The uptrend was contributed by the news that the Bank of Japan has kept their monetary policy unchanged after its two-day meeting coupled with the US Federal Reserve decision to retain on their current interest rate. The uptrend was also supported by a jump in crude oil prices following the news that major oil producers firmed up plans to meet in Doha on

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, March 2016

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	701.50	7,015.00	549.00	5,490.00	442.50	4,425.00
Lowest	569.00	5,690.00	473.00	4,730.00	366.00	3,660.00
Average	625.80	6,258.00	516.98	5,169.80	408.52	4,085.20
Change from the last day of the previous month	133.00	1,330.00	30.50	305.00	73.00	730.00

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

Source: Malaysian Rubber Board



April to discuss an output freeze plan.

The market exhibited a mixed trend during the fourth week before declining in the fifth trading week. Conditions eased as ringgit continued to strengthen. During the fourth week, prices increased slightly before resuming the downtrend owing to slumping in crude oil prices and regional rubber futures market. The market sentiments also weighed down by profit-taking activities at TOCOM market as market operators were concerned on fluctuation in crude oil prices, as well as uncertainties in U.S. job data and China's manufacturing activity.

Outlook

The market is expected to be volatile as external factors continue to play a major role in determining prices. The market is expected to weigh down by China's and US economy development, movements of crude oil prices and ringgit as well as the market direction of both physical and futures markets in the region in the near-term. However, the implementation of 4th Agreed Export Tonnage Scheme (AETS) starting 1 March 2016 could limit the volatility in prices.

News Briefs

RISDA to step up marketing of latex, scrap rubber

The Rubber Industries Smallholders Development Authority (RISDA) is stepping up marketing of latex and scrap rubber. Its chairman, Datuk Zahidi Zainul Abidin said the move was to create more demand for the two products so that they could fetch better prices as these products are priced lower as compared to rubber sheets which are more popular particularly with tyre makers.

"Our smallholders also prefer to market latex and scrap rubber," he told reporters after attending a RISDA function in Kampung Saradan Tenghilan. Zahidi added that RISDA would also be working with the Malaysian Rubber Board on the matter. Meanwhile, Zahidi said RISDA would also be coming up with a mechanism to help smallholders registered with them to cope with the rising cost of living by providing basic necessities like rice, sugar and flour at low prices. On another matter, Zahidi said RM247,241,848.31 had been

allocated for rubber replanting in Sabah for the period of 2010-2016 involving 11,852 lots with an acreage of 35,995.96 hectares.

- BERNAMA, 4 Mar

Vietnam-Japan project unveils protein-free natural rubber

Vietnamese and Japanese researchers from the Ha Noi-based University of Science and Technology, Rubber Research Institute of Vietnam and Nagaoka University of Technology have collaborated to develop an environment-friendly and sophisticatedly deproteinised natural rubber. "Allergy is one of the serious problems using natural rubber gloves. We can solve this problem," Professor Masao Fukuda from Nagaoka University of Technology said at a symposium on March 3 in Ha Noi.

He said as his invented natural rubber contains no protein, it does not cause allergy. Some companies have tested its safety in their products. The invention is an outstanding achievement, resulting from a collaborative project entitled "Establishment of carbon-cycle-system with natural rubber" (ESCANBER). The project, launched by Japan Science and Technology Agency (JST) and Japan International Cooperation Agency (JICA) in 2011, aims to prevent global warming with collaborative research on natural rubber between institutions in Vietnam and Japan.

- Vietnam News Summary, 4 Mar

Indonesia's rubber output to drop slightly

Indonesia is expected to produce 3.1 million tonnes of rubber in 2016, down slightly from 2015. Chairman of the Rubber Association of Indonesia (GAPKINDO), Moenarji Soedargo said the long dry season has impacted Indonesia's rubber output. The rainy season has come, he expects cultivation and production activities will return to normal soon.

In February, Thailand, Indonesia and Malaysia agreed to cut down exports of natural rubber latex by 615,000 tonnes for six months from March to reduce supply and increase prices that were at nearly six-year lows. The three Southeast Asian countries, which produce over 60 percent

of the world's rubber, said the move would help put an end to a decline in rubber prices, which has a direct effect on the income of rubber planters in the nations. According to The Rubber Economist Ltd, global rubber production will exceed demand in the next two years. Demand is forecast to decline by 1.3 percent to 12.6 million tonnes, while the output will rise by 3.8 percent to 13 million tonnes in 2016.

- Vietnam News Agency Bulletin, 7 Mar

Revised rubber export tax scheme criticised

Rubber producers said the Cambodian government's decision to amend the export tax scheme on natural rubber fell short of expectations and would do little to stem the losses of farmers as rubber prices hover near a six-year low. Prime Minister Hun Sen issued a sub-decree on March 4 to revise the sliding tax scale tax on exports of natural rubber, previously set at \$50 per tonne where the export price is below \$2,000 per tonne. Under the new scheme, rubber shipments will not be taxed when the export price is below \$1,000 per tonne. Exporters will pay \$150 per tonne on shipments valued between \$1,000 and \$2,000 per tonne, and \$200 per tonne on shipments up to \$3,000 per tonne. Thus, the sub-decree does not help current situation as international market price is above \$1000 per tonne. Leng Thyvuth, finance director of Krek Rubber Plantation, said that the sub-decree could help some producers, but at current market prices the \$50 per tonne export tax would remain in effect.

- Phnom Penh Post, 7 Mar

Indonesian Govt plans to use 250,000 tonnes rubber in infra projects in 2016

The Indonesian government plans to use 200,000-250,000 tonnes of natural rubber in various infrastructure projects across the country, Panggah Susanto, Director-General of Agro-based Industry at the Industry Ministry, told reporters. The rubber use is aimed at increasing domestic consumption in an effort to help support the commodity's price at the farmers' gate by reducing supply to the market, Susanto said

He said the government will use the rubber mainly for making asphalt mix for roads, dock

fender for ports, earthquake silencer, and floodgate for dams, among others. To produce such rubber products the government may temporarily undertake toll manufacturing in Thailand while developing the downstream rubber industry in the country, he said. The ministry has also planned to build a mini plant in Bogor, West Java that can make these products on a smaller scale, Susanto said.

- Cogencis Indonesian Wire, 8 Mar

In 2015, China exported 44.451 million tyres and brought in an export value of USD 13.846 billion

In 2015, China exported 44.451 million tyres, decreasing 6.58% year-on-year while the export valued USD 13.846 billion with year-on-year decline of 15.81%. Influenced by the continuous decline in the global price of natural rubber in recent years, costs of tyre production have decreased too, leading to a decline in average unit price.

Chinese tyres are exported to over 200 countries and regions, among which the US is the largest export market. In 2015, China exported 1.065 million tonnes of tyres to the US with a year-on-year decrease of 20.78%, valued USD 2.783 billion with a year-on-year decrease of 23%. The EU is the second largest tyre export market. Besides, the United Arab Emirates, Mexico, Russia, Saudi Arabia and Australia, all constitute important export destinations of tyres.

- Business Wire, 9 Mar

Trade body calls for sustained rubber production

Sheela Thomas, Secretary-General, Association of Natural Rubber Producing Countries, has emphasised the need for sustained rubber production to protect farmers' income when the sector is passing through a difficult phase of low prices. The current scenario is that of oversupply, which has led to lower prices and it will have serious implications for the future of the entire rubber industry value chain, she said while speaking on the global and Indian rubber production scenario at the India Rubber Meet 2016 in Goa. The government is implementing

several steps. However, it may take a couple of years for the situation to correct itself and ensure a sustainable price to farmers, she said.

- *Business Line (The Hindu), 12 Mar*

Indian tyre industry to gain strength

With the expected turnaround in Indian economy that will lead to a surge in sales of commercial vehicles, passenger cars, and two- and three-wheelers, tyre manufacturers in India expect good growth over the coming years, writes Huned Contractor. As per the findings of an ICRA study, the credit metrics of the Indian tyre industry will remain strong with industry-wide revenue growth estimated at 4-6 per cent for FY 2017 as against 2-4 per cent de-growth estimated for FY 2016. Following a 15 per cent volume growth in FY 2015, the domestic tyre demand is estimated to grow by a muted 0-2 per cent during FY 2016 supported by 2-2.5 per cent growth in the original equipment manufacturer (OEM) segment and 1-1.25 per cent growth in the replacement segment. With an expected broad-based revival in OE demand and economic activity in the country, and a likely improvement in rural demand given the weak base, ICRA expects the domestic tyre demand to grow by 4-6 per cent over the next three years (FY 2016-18).

- *Automotive Products Finder, 15 Mar*

Vietnam joins world's largest rubber producers to cut exports

Vietnam will join world's largest natural rubber producers to cut exports in a bid to shore up the shrinking price of that commodity. Vietnam will follow Thailand, Indonesia and Malaysia to cut its exports of natural rubber by 15 percent starting March 1 until August 31, the Indonesian Association of Rubber Companies (GAPKINDO) said. Earlier the three member countries of the International Tripartite Rubber Council (ITRC) which control 70 percent of the world supply of natural rubber agreed to cut exports by 615,000 tonnes from March to August.

With Vietnam joining the cartel, the price of natural rubber is expected to rise in international market, Executive Secretary of the North Sumatra branch of GAPKINDO, Edy Irwansyah said.

Under the arrangement, Thailand, the world's largest producer is to reduce its exports of natural rubber by 324,005 tonnes, Indonesia, the second largest producer by 238,736 tonnes, and Malaysia, the third largest by 52,259 tonnes.

- *LKBN ANTARA, 15 Mar*

The United Planters' Association of Southern India calls for declaration of national rubber policy

The United Planters' Association of Southern India (Upasi) wants immediate declaration of national rubber policy to correct imbalances in the rubber industry as it expects the natural rubber production to drop to 5.6 *lakh* tonnes from 6.4 *lakh* tonnes last fiscal and the imports to touch 4.6 *lakh* tonnes from 4.4 *lakh* tonnes a year ago. Upasi president, N Dharmaraj said the policy frame work should address such issues as, grade wise production and import targets, and what is a sustainable price. At the recently concluded India Rubber Meet in Goa, he said the national rubber production and productivity have been steadily coming down while the imports have been mounting. The consumption has marginally gone up and is expected to hover around 10 *lakh* tonnes this fiscal.

- *The Economic Times, 15 Mar*

Indonesia, Malaysia, Thailand to launch rubber physical market Apr 29

Indonesia, Malaysia and Thailand -- the three biggest rubber producing countries in the world -- have planned a soft launch of the regional physical market for rubber on Apr 29, Mardjoko, head of market analysis bureau of Commodity Future Trading Regulatory Agency at the trade ministry told Cogencis. The three countries are members of the International Tripartite Rubber Council (ITRC) established in 2002 to push price of rubber to a remunerative level for farmers.

Mardjoko said, in principle, Indonesia is ready to do a soft launch for its rubber physical market but the two other countries need more time. According to Mardjoko, the meeting is aimed at completing preparations for the joint soft launch of three rubber physical markets on commodity exchanges in Indonesia, Malaysia and Thailand

on Apr 29.

- *Cogencis Indonesian Wire, 17 Mar*

Over 785,000 tonnes of rubber sold out from Thai stocks

The Thai government reports that over 785,000 tonnes of natural rubber have been sold out from stocks to assist local farmers. Government Spokesman, Major General Sansern Kaewkamnerd told journalists that the sale amount has exceeded an earlier target, as Thai Prime Minister General Prayut Chan-ocha has urged government agencies to use local natural rubber to help local growers from low rubber prices.

Besides, promotions were also launched with local manufacturers and exporters to boost domestic rubber consumption. The spokesman said that the Ministry of Commerce had, therefore, organized two business matching events for rubber suppliers and manufacturers and outcomes were satisfactory, with the first event held in Surat Thani Province in the Thai South in 2015, where 58 foreign buyers came from 17 countries to discuss trade and placed orders for Thai natural rubber and products worth 33.74 billion *baht*, and the second event held in Bangkok last month, drawing 147 foreign buyers from 28 countries with their purchase orders estimated at 19.66 billion *baht*.

- *Organisation of Asia-Pacific News Agencies, 21 Mar*

Indonesia govt agencies to buy 500,000 tonnes of rubber to support prices

Indonesian government agencies and state owned companies will buy 500,000 tonnes of domestically produced rubber to help support prices, the government said as it launched a replanting program. The government gave no details on the timing of the purchases, but the Rubber Association of Indonesia (GAPKINDO) said it expected demand should come from infrastructure development, such as using rubber in asphalt mix for roads.

Indonesia is the world's second-biggest producer of natural rubber, but prices touched seven-year

lows last month due to a chronic supply glut and a slowdown in imports by top consumer China. "This revitalisation is aimed at increasing domestic production to boost demand and change the rubber price at the global level," Agriculture Minister, Amran Sulaiman said in a statement. The government would provide subsidised loans to farmers to replant 1 million hectares of rubber plantation between 2016 and 2019. GAPKINDO chairman, Moenarji Soedargo said the move to buy rubber was in line with a plan by Asia's top producers to cut exports by 615,000 tonnes for six months from March to support prices.

- *Reuters News, 24 Mar*

Sinochem International & Halcyon Agri Join Forces to Create a Global Natural Rubber Powerhouse

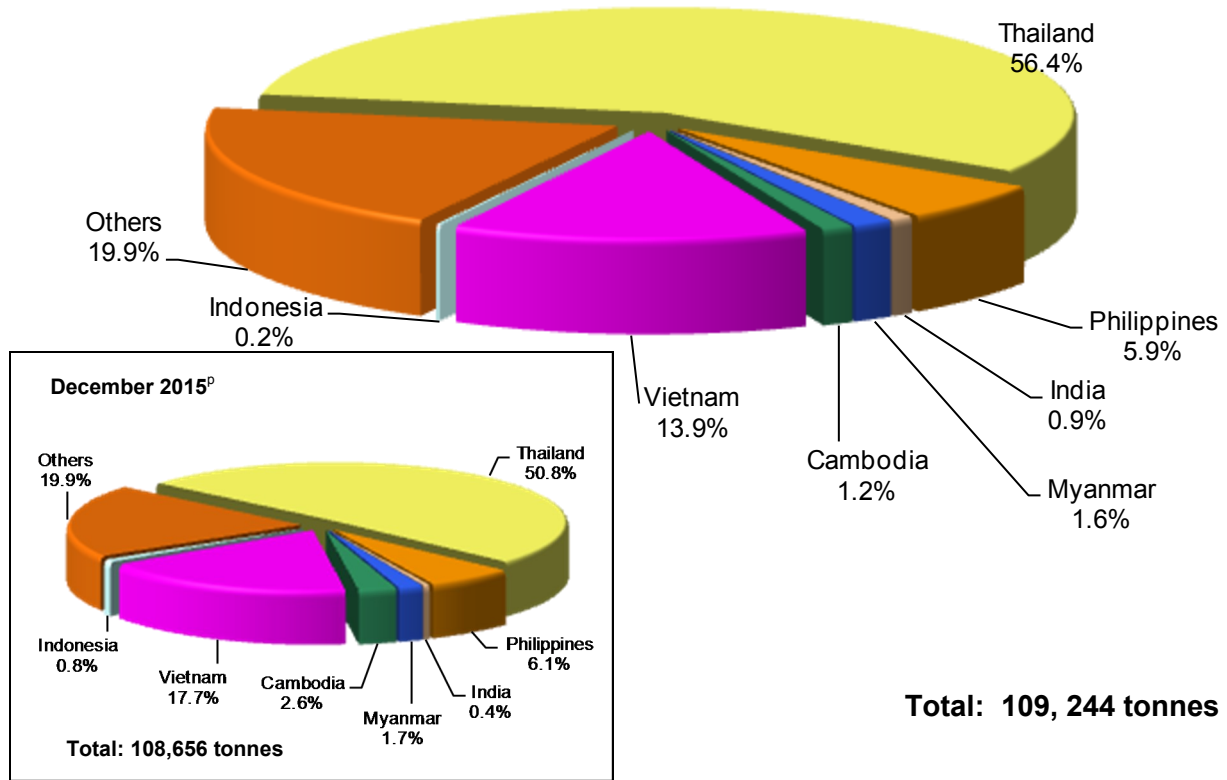
Sinochem International Corporation ("Sinochem International") and Halcyon Agri Corporation Limited ("Halcyon Agri") announced that they have signed, together with certain Halcyon Agri shareholders, definitive agreements to bring about a combination of their natural rubber assets to create the world's leading natural rubber supply chain manager. The businesses will be combined under Halcyon Agri, which will continue to be listed on the SGX.

The transaction would create the world's largest and most comprehensive natural rubber supply chain manager with strong capabilities across each segment of the supply chain. In the upstream segment, the combined business would have 153,000 ha of land in Africa and South East Asia. In the midstream processing segment, the combined business would have 35 processing facilities spanning Indonesia, Thailand, Malaysia, China and Africa with a total annual processing capacity of approximately 1.5 million tonnes. The global distribution strength of the combined business would be unparalleled, with an extensive distribution network centred around key hubs in China, Asia, Europe and the United States and annual natural rubber and latex sales capability in excess of 2 million tonnes.

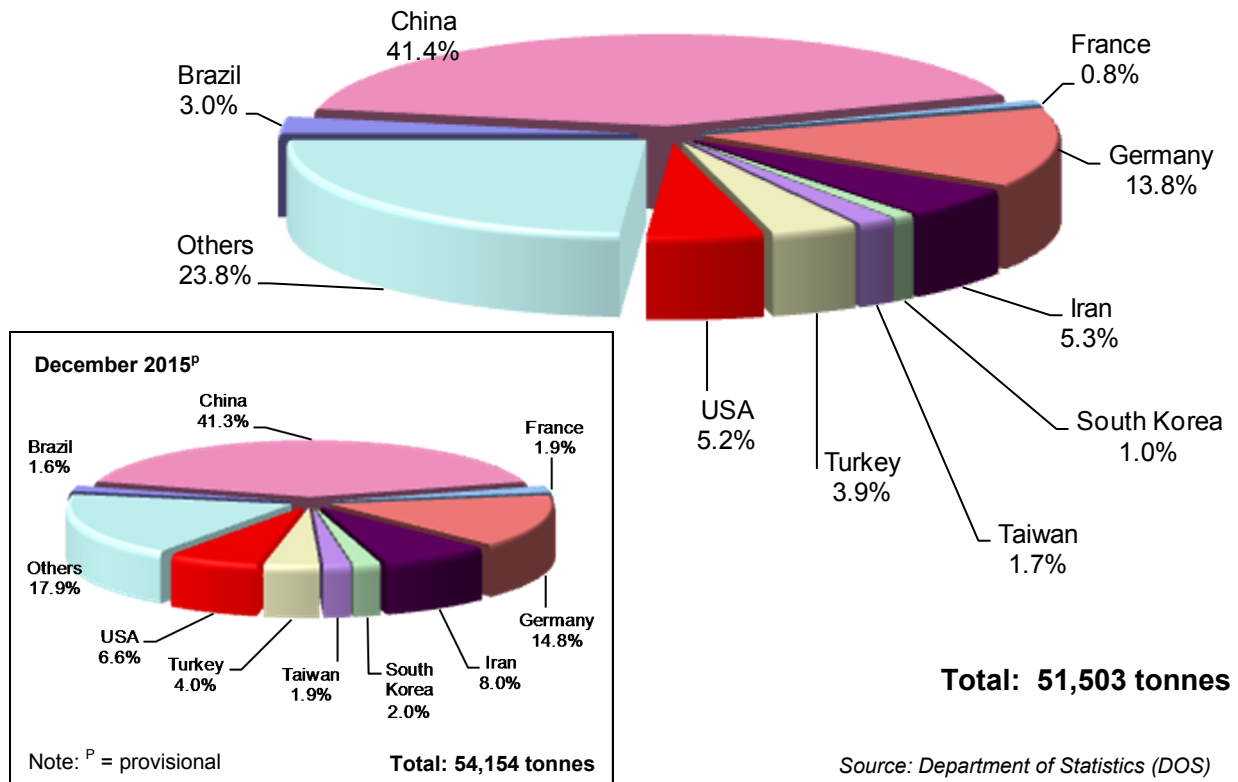
- *Business Wire, 28 Mar*

Source: www.factiva.com

Malaysia's NR imports by countries January 2016^P

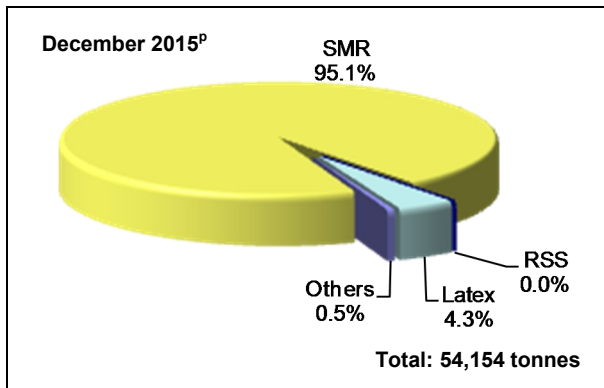
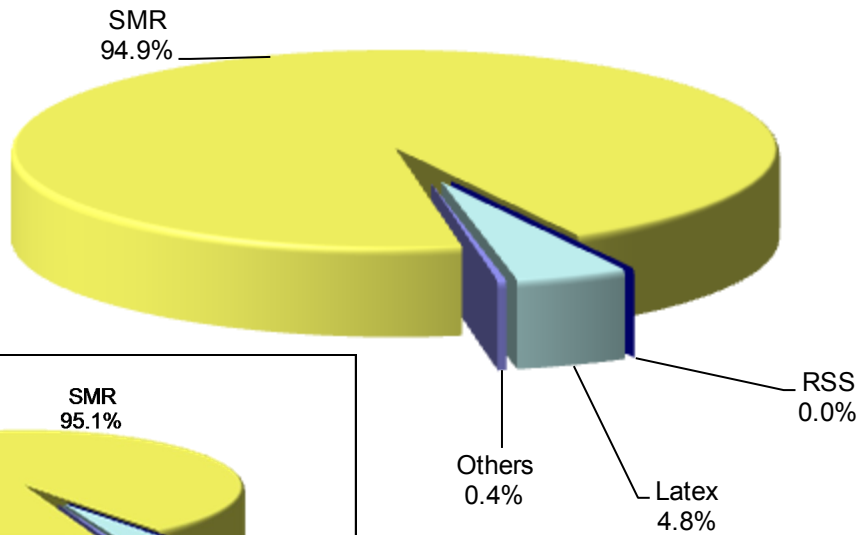


Malaysia's NR exports by countries January 2016^P



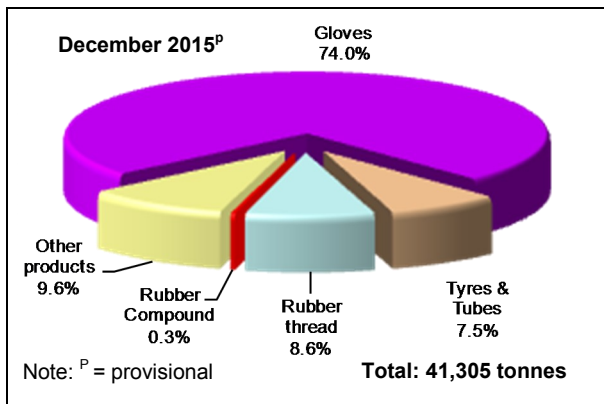
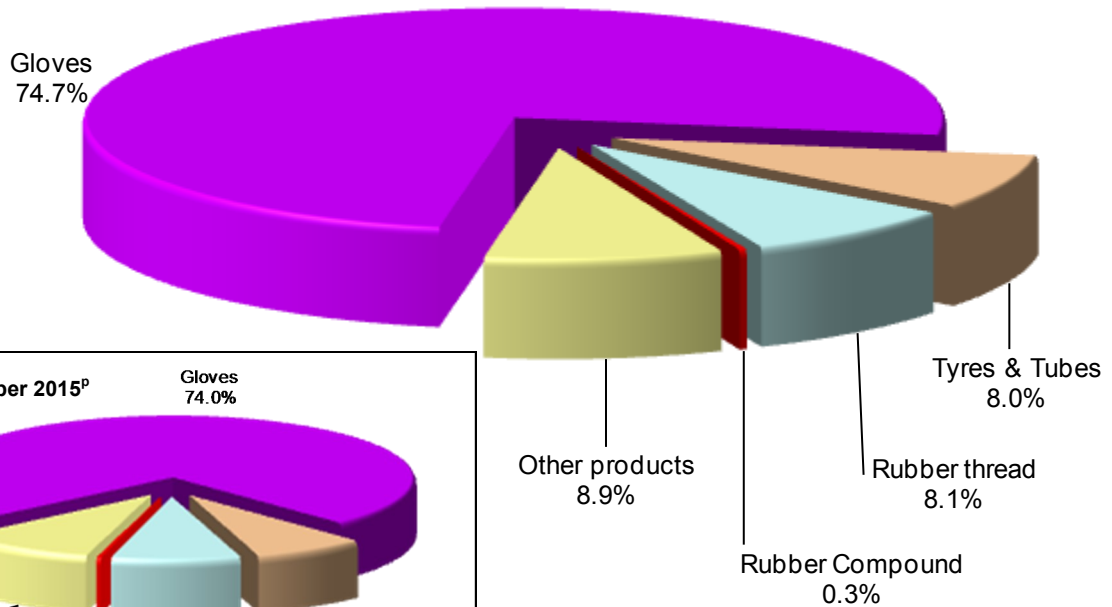
Source: Department of Statistics (DOS)

Malaysia's NR exports by types January 2016^P



Total: 51,503 tonnes

Malaysia's NR consumption by sectors January 2016^P



Total: 39,468 tonnes

Source: Department of Statistics (DOS)