



# MALAYSIAN RUBBER BOARD

## DIGEST

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### Natural Rubber Market Review

#### April

The Kuala Lumpur rubber market in April was on the uptrend with SMR 20 recorded its highest level of 612.00 sen/kg in 2016 on 26 April. Generally, prices on the Kuala Lumpur rubber market ruled steadier and moved upward supported by improved demand from consumers amid fears of tight supplies following prolonged wintering season and El-Nino in the rubber growing areas. The reduction of exports under 4th Agreed Export Tonnage Scheme (AETS) coupled with firmer crude oil price which peaked at USD 48 per barrel also lent support to the market. However, towards the end of the month, prices turned slightly easier owing to a stronger ringgit against US dollar as well as bearish sentiment from rubber futures market resulted from profit-taking activities and concerns on the news that Bank of Japan's decision to hold off further stimulus. Compared with those on 31 March 2016, the price of SMR 20 increased by 68.50 sen/kg or 13.5% to close at 574.50 sen/kg while latex concentrate closed at 509.00 sen/kg, an increase of 68.00 sen/kg or 15.4%. The price movements of selected grades of rubber in April

2016 are shown in *Table 1*.

During the first trading week, the market saw an uptrend boosted by an increasing crude oil prices, tightening of raw materials from implementation of Agreed Export Tonnage Scheme (AETS) amid wintering season coupled with an uptrend in the regional rubber markets. It was reported that China's manufacturing sector shrank for the eighth straight month in March, but at a slower pace than in February as a reviving property market. Prices in TOCOM rose continuously following a stronger than expected U.S. economic data and encouraging data of the Chinese's automotive sales in March.

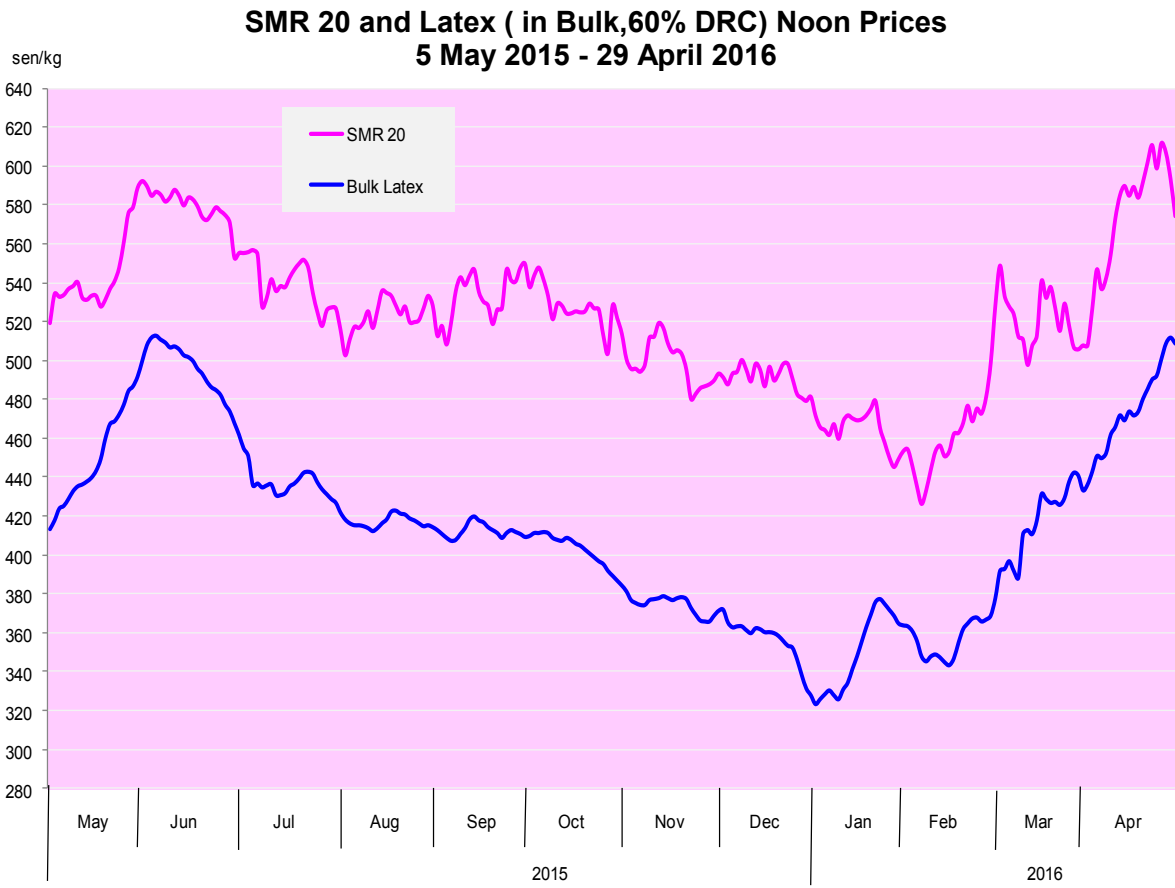
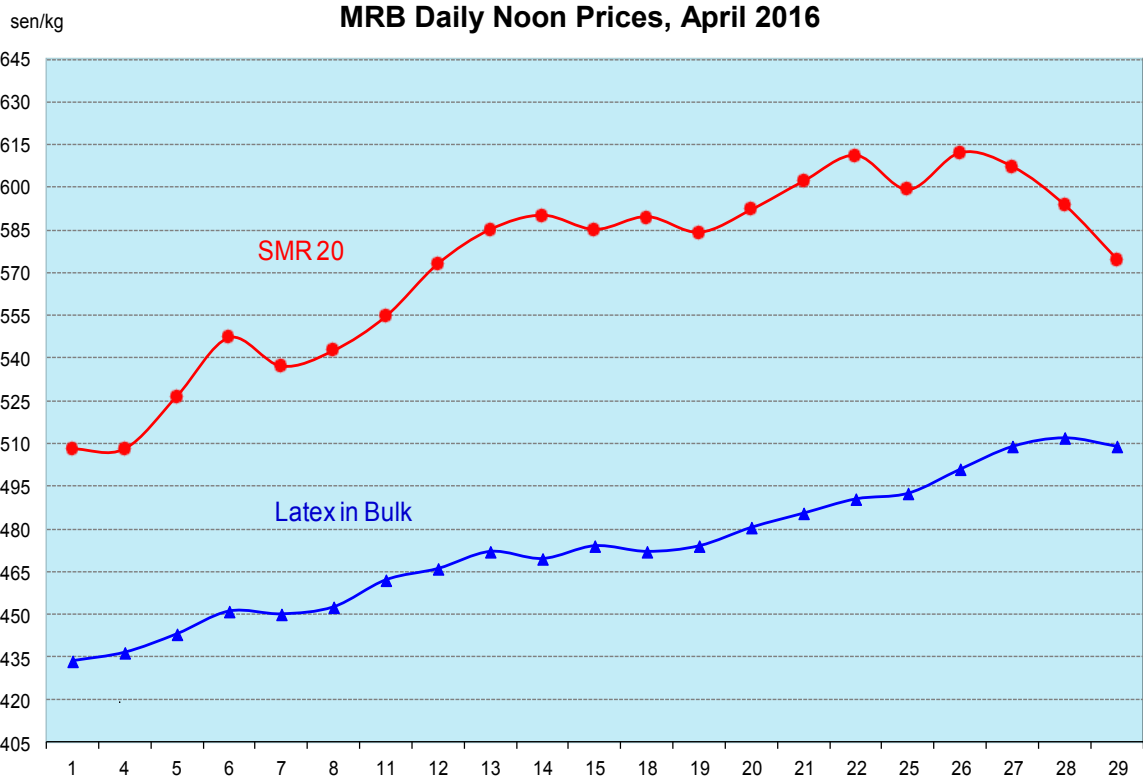
The market extended the uptrend during the second trading week where SMR 20 reached 590.00 sen/kg on 14 April with a slight decline at the end of the week following news on the Singapore's announcement of loosening monetary policy. The bullish sentiment for most of the week was largely contributed by China's economic indicators showing signs of improvement in the first quarter coupled with a jump in crude oil price following declining U.S. stockpiles ahead meeting of the major oil producers for a possible output freeze plan in Doha, Qatar.

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	775.00	7,750.00	612.00	6,120.00	512.00	5,120.00
<b>Lowest</b>	707.50	7,075.00	508.00	5,080.00	433.50	4,335.00
<b>Average</b>	754.60	7,546.00	572.43	5,724.30	473.14	4,731.10
<b>Change from the last day of the previous month</b>	60.00	600.00	68.50	685.00	68.00	680.00

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

Source: Malaysian Rubber Board



During the third trading week, prices were volatile with SMR 20 climbing to 611.00 sen/kg on 22 April despite ringgit strengthened and the failure of major oil producers to freeze output. The uptrend contributed by the news that indicators from the China's consumer, investment and factory sectors pointing to signs that the slowdown in China may be bottoming out. The uptrend was also supported by a decline in crude rubber inventories at Japanese ports by 3.1% to 12,624 tonnes as of March 31 from the previous inventory date.

The market saw a slight increase before declining after SMR 20 peaked at 612.00 sen/kg at 26 April during the fourth week. The market turned easier as the ringgit continued to strengthen amid recovery in crude oil prices. Slumping regional rubber futures markets coupled with the news that the Federal Reserve left U.S. interest rates unchanged but kept the door open to a hike in June also weighed on the market. Towards the end of the month, the market reacted to the closure of Tokyo Commodity Exchange due to Showa Day's holiday and also Bank of Japan's decision to hold off further stimulus.

## Outlook

Prices are expected to remain steady as fundamentals pertaining to demand and supply remains firm. The implementation of AETS amid wintering period could provide positive sentiment if supplies of raw materials are further constrained due to lingering impact of El-Nino in Southeast Asia. In addition, a projected of better-than-expected economic growth for China in 2016 will strengthen the market sentiment. However, uncertainty on the crude oil price movement, volatility in the rubber futures market as well as currency movements would continue to pressure the rubber market but prices are expected to remain steady.

## News Briefs

### ***India's 2015 natural rubber import from Thailand up 10%***

India's natural rubber imports from Thailand during calendar year 2015 rose over 10% year-on-year to 121,700 tonnes, according to data from the Thailand Natural Rubber Association. In 2014, the country had imported 110,570 tonnes natural rubber from Thailand, the association data showed quoting the country's customs department. India's natural rubber imports from Thailand account for about 30% of the country's total purchases made in overseas markets.

The country had imported a total of 412,477 tonnes natural rubber in 2015, according to data from the Rubber Board. Thailand is the world's largest natural rubber producing and exporting country. Thailand's total exports in 2015 were up 8.8% at 3.7 million tonnes, from an output of 4.3 million tonnes. "Rubber imports of the country have been on a rise due to lower international prices, but now with the top three countries deciding to cut their exports, Indian buyers will have to look for other alternatives," an official from the Rubber Board said.

- *Cogencis CommodityWire, 7 Apr*

### ***Michelin plans USD510-mil. tyre plant in Mexico***

Michelin is planning a USD510-million tyre plant in Mexico, according to a Reuters report. Reuters cites documents seen by the news agency's reporters confirming a plant is planned with a production capacity of about 5 million passenger-car and light-truck tyres per year. The plant's output will be primarily for the North American market, with some output expected to be exported to Europe and Asia. Some of the production is reported to be planned for the replacement tyre market and some for the original equipment market, specifically auto production in Mexico. CNBC quotes a Michelin spokesperson declining to confirm the report. In an emailed statement, the spokesperson said, "Michelin has a long-standing commitment to strengthening its operations in North America.

- *IHS Global Insight Daily Analysis, 8 Apr*

### **Thailand Tyre Market Forecast and Opportunities, 2020**

Thailand has emerged as one of the most preferred destinations for automobile production for various leading global automotive players due to availability of cheap labor and geographical advantage of its location in the ASEAN (Association of Southeast Asian Nations) region. Thailand is the leading rubber producing country worldwide, and accounted for around one-third of the global rubber production in 2014.

Major global automotive OEMs such as General Motors, Toyota, Honda, Mitsubishi, Isuzu, Ford, Nissan, etc., have established their manufacturing plants in Thailand, in order to address increasing domestic as well as global demand for automobiles, which in turn, has been surging demand for automotive tyres in the country. Thai automotive OEM companies cumulatively produced around 3 million light commercial vehicles and two-wheelers in 2014, thereby propelling demand for tyres from the OEM segment.

According to "Thailand Tyre Market Forecast & Opportunities, 2020", with increasing automobile production, domestic vehicle sales, abundant rubber availability and growth-oriented government initiatives, Thailand tyre market is expected to witness consistent growth over the next five years. Two-wheeler motorization rate is very high as compared to other vehicle segments in Thailand. Consequently, two-wheeler tyre segment is anticipated to continue its domination in the country's tyre market during the forecast period, in volume terms, followed by light commercial vehicle tyre segment.

- PR Newswire (U.S.), 12 Apr

### **Chinese tyre maker to grow in Thailand deal inked at 'rubber city' roadshow**

Shandong Linglong Tyre Co, one of the top five tyre producers in China, plans to expand its investment in the Thai rubber industry, focusing on a tyre-testing centre and rubber-compound manufacturing. The decision followed the success of its subsidiary, Linglong International Tyre (Thailand). LLIT set up a US\$700-million (Bt24.5 billion) tyre factory in Rayong province in November 2012.

The Chinese company committed to the investment expansion plan under a letter of intent signed on Friday on the sidelines of a "Rubber City" seminar held by the Thai Industry Ministry during a roadshow in Qingdao, Shandong province, to woo Chinese rubber investors. Under the agreement, LLIT in its third phase expects to produce some rubber compound. This is a midstream industry that can consume a large amount of natural rubber, Industry Minister, Atchaka Sibunruang said after the meeting. The company's rubber-compound output is for export.

- The Nation, 12 Apr

### **Global PBR, S-SBR capacities continue to grow - IISRP**

Global capacities for polybutadiene (PBR or BR) and solution styrene butadiene rubber (S-SBR) are expanding at faster rates than for those of other synthetic rubber, according to an industry group on Wednesday. "This has to do a lot with the demand for green tyres and high-performance tyres," said Roxanna Petrovic, General Director of programs at the International Institute of Synthetic Rubber Producers (IISRP).

Petrovic was speaking at the IISRP 57th Annual General Meeting in New Orleans, Louisiana. "Starting with PBR, we have seen a lot of investments for that elastomer kind, especially in the Asia Pacific region," she said. "A lot of new projects came on stream in the last four years, and also, we are expecting more to come in 2016 and 2017." Global PBR capacity in 2015 was 4.977m tonnes, according IISRP data. However, operating rates in 2015 were only at 64%.

- ICIS News, 14 Apr

### **Natural rubber demand growing with tyre industry - consultant**

Global consumption of natural rubber (NR) reached nearly 12 million tonnes in 2015, led by the growth in the downstream tyre industry, according to an industry expert. "NR demand is dominated by the tyre industry, which made up 75% of NR consumption in 2015", said Robert Simmons, Head of Rubber and Tyre Research at consultancy firm LMC International. The tyre industry contributed to 84% of the NR consumption increase since 1995, he said at the

International Institute of Synthetic Rubber Producers (IISRP) 57th Annual General Meeting in New Orleans, Louisiana. The emerging markets have become the driver of this growth, Simmons said. However, vehicle sales have slowed since 2013 in many of those emerging markets, he added.

- ICIS News, 14 Apr

### **Malaysian's fundamentals still sound, say agencies**

Global rating agencies, impressed with the five per cent growth Malaysia chalked up last year despite tough economic conditions, have acknowledged that the country's fundamentals remain sound. Their assessment of Malaysia came out of the meetings between Second Finance Minister, Datuk Seri Ahmad Husni Hanadzlah and senior representatives of Fitch Ratings, Moody's and Standard & Poor's (S&P), ahead of the International Monetary Fund-World Bank annual spring meetings in Washington.

"Malaysia's prospects are even brighter as the government plans and prepares to take the country beyond Vision 2020 that will see Malaysia competing successfully with other high-income countries," said Husni in a statement.

- New Straits Times, 20 Apr

### **Iraq: Oil producers to meet in Russia in May**

Major Organisation of the Petroleum Exporting Countries (OPEC) and other crude producers will meet in Russia, possibly next month, in a new push to agree on an output freeze to shore up oil prices, said Iraq's Deputy Oil Minister, Fayyad Al-Nima. Iraq sees oil prices rising slowly despite the failure of OPEC and other producers, including Russia, to reach an agreement on an output freeze in Doha on April 17, said Al-Nima, who assumed the duties of oil minister after Adel Abdul Mahdi suspended his participation in the cabinet last month.

"Iraq will take part in this meeting," said Al-Nima. "Iraq's view is to have a freeze in output for a short period to help protect the interests of both producers and consumers equally by easing the surplus from the market and improving prices." "Revived hope about the big freeze has traders

covering their shorts," said Phil Flynn, a senior market analyst at Price Futures Group in Chicago.

- New Straits Times, 22 Apr

### **Malaysian rubber glove manufacturers say prices to rise further**

Rubber glove prices, which have increased since early this month, are expected to rise further on costlier raw materials and as Malaysian manufacturers contend with a stronger ringgit. Malaysian Rubber Glove Manufacturers Association (MARGMA) said in a statement that the industry has also taken into account the impact of the anticipated rise in minimum wage and the natural gas price. "Prices of rubber gloves are expected to rise further on the back of a continuous rise in the costs of production inputs, including natural rubber latex and nitrile latex, which are the two main ingredients in glove making." Adding to the cost of raw material rises, the weakening of the US dollar against our ringgit also means that glove manufacturers will be getting less ringgit for their exports," MARGMA said.

- The Edge Financial Daily, 22 Apr

### **Rubber price begins to pick up on export cut policy**

Rubber price began to pick up on export cut by member countries of the International Tripartite Rubber Council (ITRC) -Thailand, Indonesia and Malaysia. The three countries agreed to cut exports starting March until August this year by a total of 615,000 tonnes to shore up rubber price. The export cut will be shared proportionally by the three ASEAN countries. Chairman of the South and Central Kalimantan branch of the Rubber Association of Indonesia (GAPKINDO), Andreas Winata said the price of natural rubber from that region has increased to Rp16,000 per kilogram from Rp12,000 earlier. Andreas said the cut in exports apparently has caused panic in international market on shortage in supply resulting in surge in price.

- LKBN ANTARA, 22 Apr

**Malaysia has not imposed ban on import of rubber - Noriah Kasnon**

Malaysia has not imposed a ban on the import of natural rubber, said Deputy Minister of Plantation Industries and Commodities, Datuk Noriah Kasnon. Noriah said the ban was not feasible given the lack of raw material, especially latex, for the rubber glove industry. "The production of latex in the country last year amounted to 45,862 tonnes while the use of latex stood at 406,930 tonnes," she said in reply to Senator Ramli Shariff at the Dewan Negara sitting.

Ramli wanted to know the measures taken by the state government to curb the entry of rubber from other countries. Commenting further, Noriah said the government, through the Malaysian Rubber Board (MRB), had conducted periodical investigation to ensure that the quality of imported rubber was equivalent to what was declared in the Import Form.

- Bernama, 25 Apr

**Eco-friendly tyre almost ready to roll; Continental is developing rubber tyres - made from dandelion roots**

"Our goal remains to develop tyres based on dandelion rubber to readiness for series production within the next five to 10 years," said Nikolai Setzer, a member of the executive board of Continental. The company's research has resulted in road-ready tyres that are currently being tested in Europe - so far with exceptional results. But not just any dandelion will work; Continental is harvesting a particular variety from Russia, which contains natural rubber latex in its roots. With global demand for rubber on the rise, this durable and easy-to-harvest crop provides the potential to ease dependence on rubber trees, most of which grow in a relatively small area of rainforest near the equator.

- North Bay Nugget, 27 Apr

**Vietnam's rubber exports may drop to 1 million tonnes in 2016**

Vietnam's natural rubber exports this year could drop 12 percent from 2015 to a six-year low at around 1 million tonnes, as part of the country's commitment to curb supplies and help stabilise

prices, an industry official said. Benchmark rubber futures in Singapore and Japan sank in early January to their lowest levels since end-2008 to early 2009.

The projection for lower shipments follows Vietnam agreeing with Thailand, Indonesia and Malaysia to cut rubber supply, the Customs Online newspaper, run by the customs department, cited a Vietnam Rubber Association (VRA) forecast as saying. "We have encouraged rubber companies to reduce their output," said the official at the VRA, who declined to be identified by name as he was not authorised to speak to media. "The ongoing drought has also delayed the rubber latex process and reduced output," he added.

- Reuters News, 28 Apr

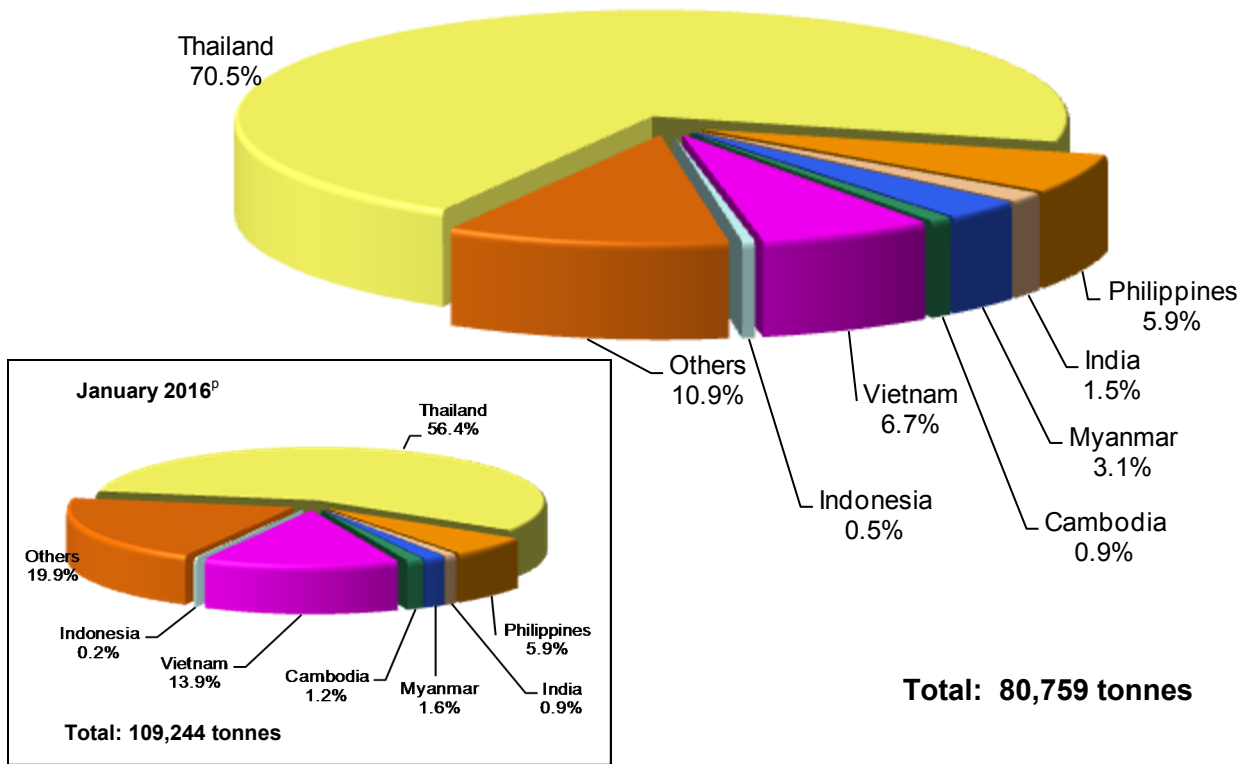
**Thai rubber production halved by ongoing drought**

Thailand's rubber industry has been hit hard by an ongoing drought. Natural rubber production from January until April fell around 50 per cent from the same period last year, according to the Rubber Holder Co-operatives Federation of Thailand. The lack of water in the country's north and north-east region is killing rubber trees, the Bangkok Post reported. Thailand's Department of Disaster Prevention and Mitigation said that 29 out of 76 provinces were being adversely affected by drought, up from the 27 provinces in mid-April.

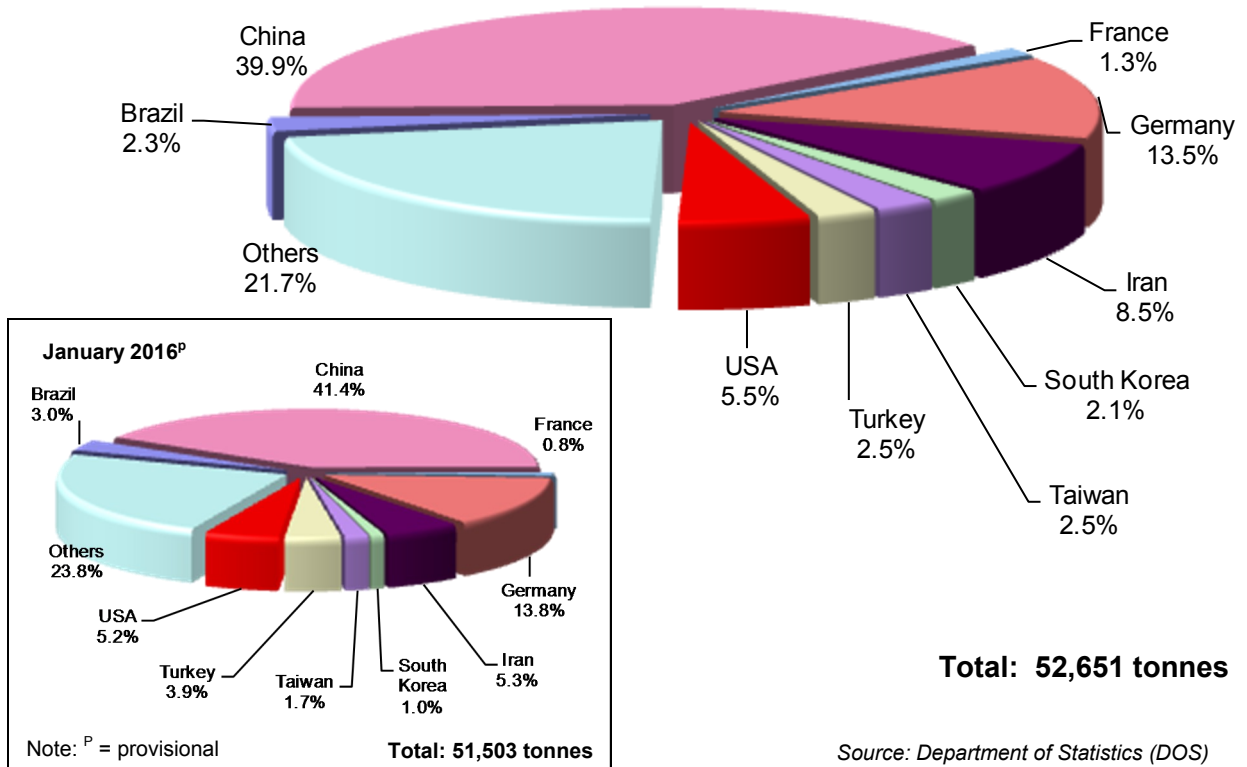
- dpa International Service in English, 29 Apr

Source: [www.factiva.com](http://www.factiva.com)

### Malaysia's NR imports by countries February 2016<sup>P</sup>

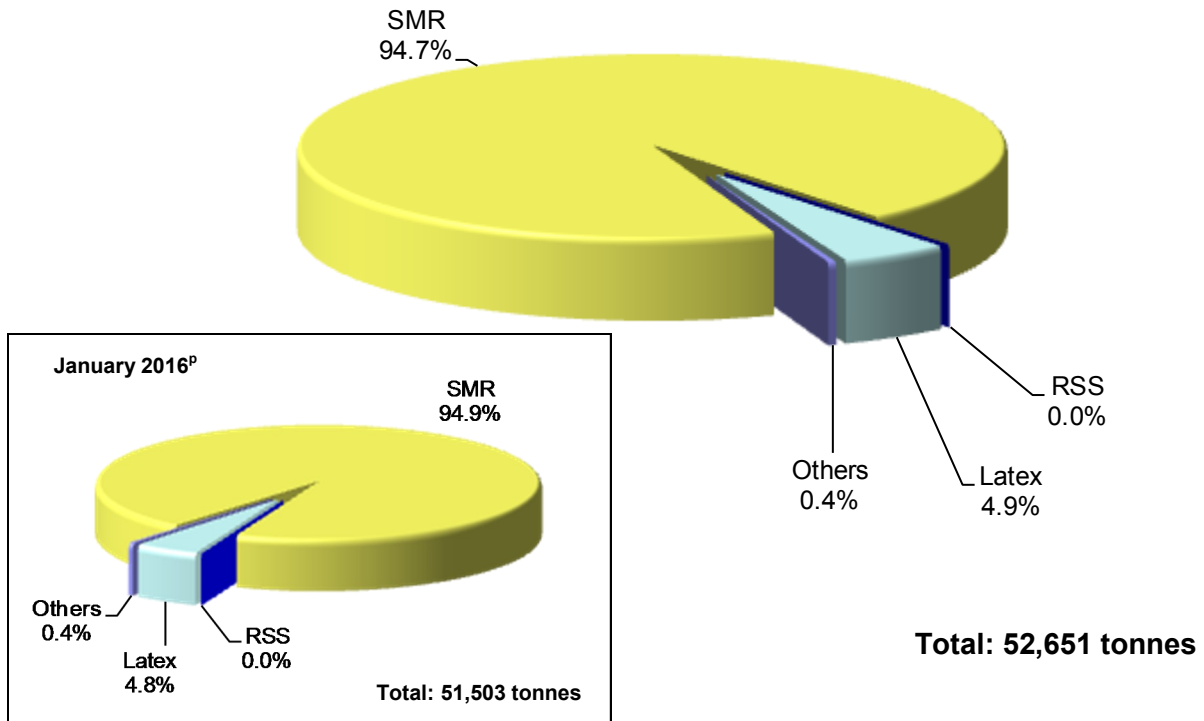


### Malaysia's NR exports by countries February 2016<sup>P</sup>

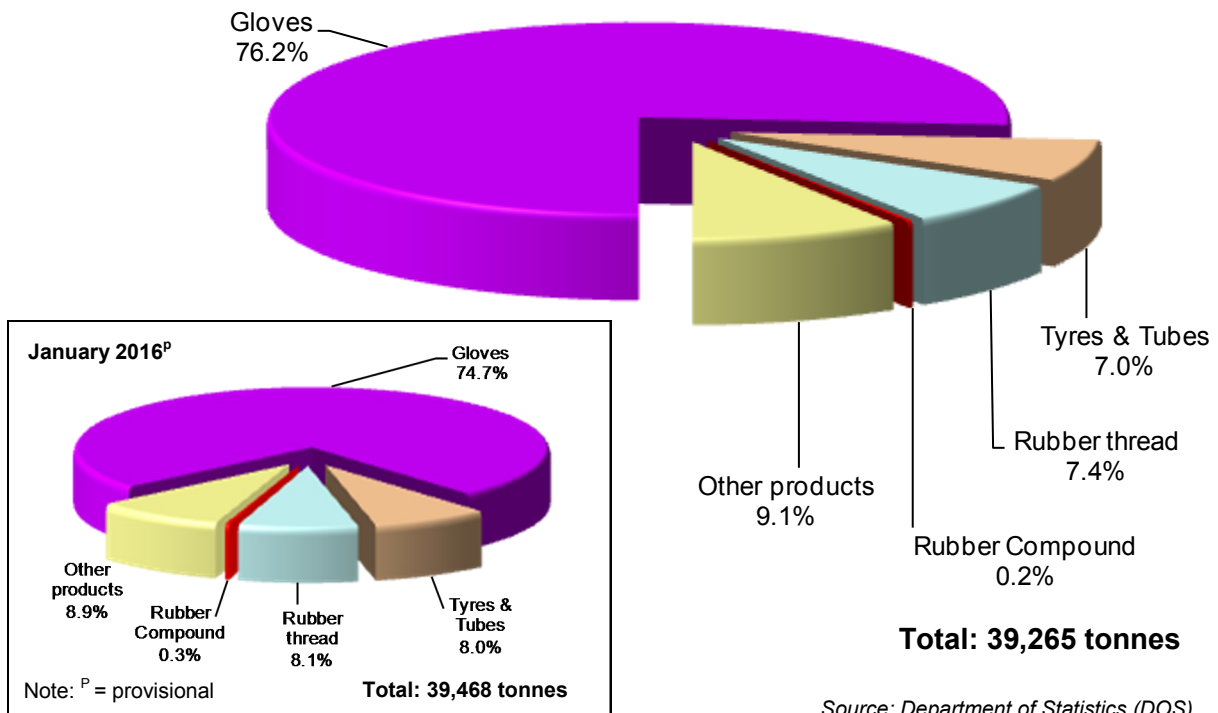


Source: Department of Statistics (DOS)

**Malaysia's NR exports by types February 2016<sup>P</sup>**



**Malaysia's NR consumption by sectors February 2016<sup>P</sup>**



Source: Department of Statistics (DOS)