



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber Market Review

June

In June 2014, the Kuala Lumpur rubber market returned to the uptrend, contributed by gains in crude oil prices and a stronger recovery in China's economy that lead to a stronger demand for rubber. The market also responded positively over the report that China's central bank will keep monetary policy steady in 2014, highlighting its government's efforts to energize the slowing economy, thus contributed to improving the rubber price. Compared with levels on 30 May 2014, the price of SMR 20 was up by 25.00 sen/kg or 4.65% to close at 562.00 sen/kg while latex concentrate closed at 468.00 sen/kg, an increase by 5.00 sen/kg or 1.1%. The price movements of selected grades of rubber in June is shown in *Table 1*.

The Kuala Lumpur rubber market saw a mixed trend for the first and second trading week with prices opening slightly higher in the beginning but then declined. On the negative side, the downtrend was contributed by a strengthening of the ringgit and the report that the political crisis in Thailand soaring rubber stocks and a lack of cash

had overwhelmed Southeast Asia's rubber alliance, reducing the likelihood of any practical action to rescue prices from multi-year lows. The rubber market moved up slightly on a further weakening of the ringgit, in tandem with higher opening of Tokyo Commodity Exchange (TOCOM) on gains in Japanese equities, and Shanghai Futures Exchange (SHFE) following positive reactions over a report that China's consumer inflation edged up to a four-month high of 2.5% in May 2014 while factory price deflation eased, reinforcing signs of stabilization in the country's economy.

During third trading week, the market returned to the uptrend which was contributed by gains in crude oil prices. This was the largest weekly gain since December 2013, supported by an expectation of lower supply arising from the clash in Iraq. The market also responded positively over the report that China's central bank will keep monetary policy steady in 2014, highlighting its government's efforts to energize the slowing economy. There is positive news that curbed the price decline. Firstly, it was reported that the U.S. manufacturing output rose in May and that factory activities in New York accelerated sharply during the month, buoying hopes of a strong rebound in economic growth this quarter. Secondly, Chinese

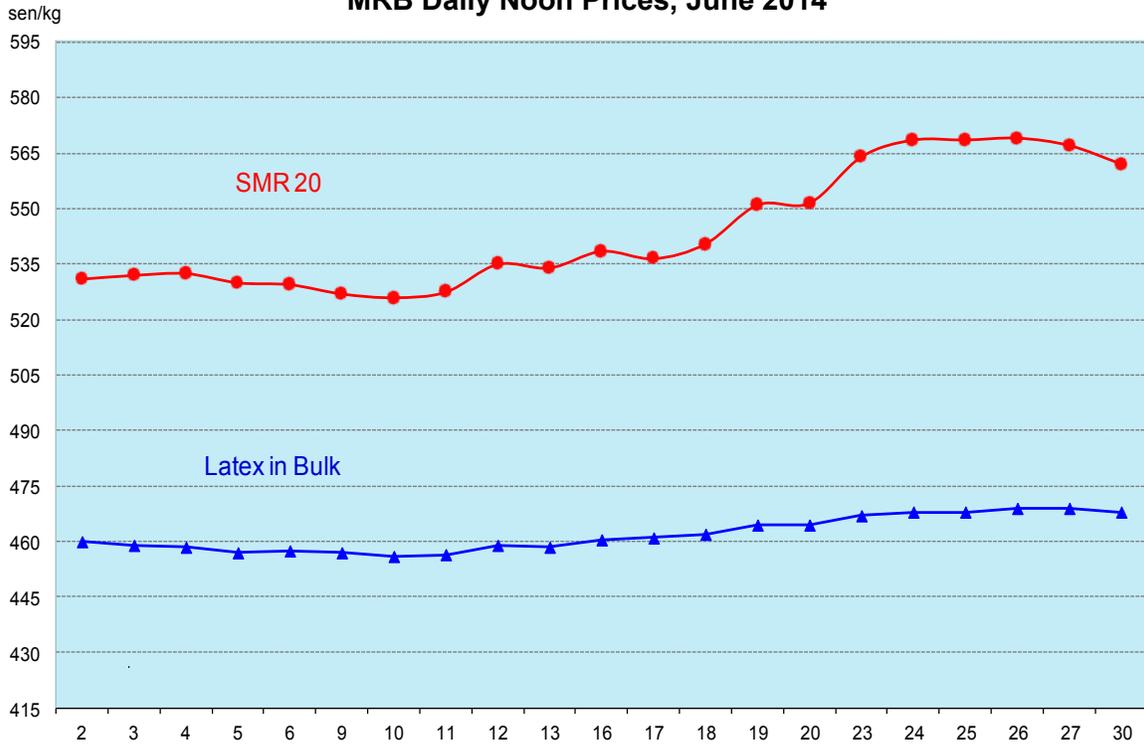
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, June 2014

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	753.00	7,530.00	569.00	5,690.00	469.00	4,690.00
Lowest	730.00	7,300.00	526.00	5,260.00	456.00	4,560.00
Average	741.17	7,411.70	543.88	5,438.80	461.93	4,619.30
Change from the last day of the previous month	1.50	15.00	25.00	250.00	5.00	50.00

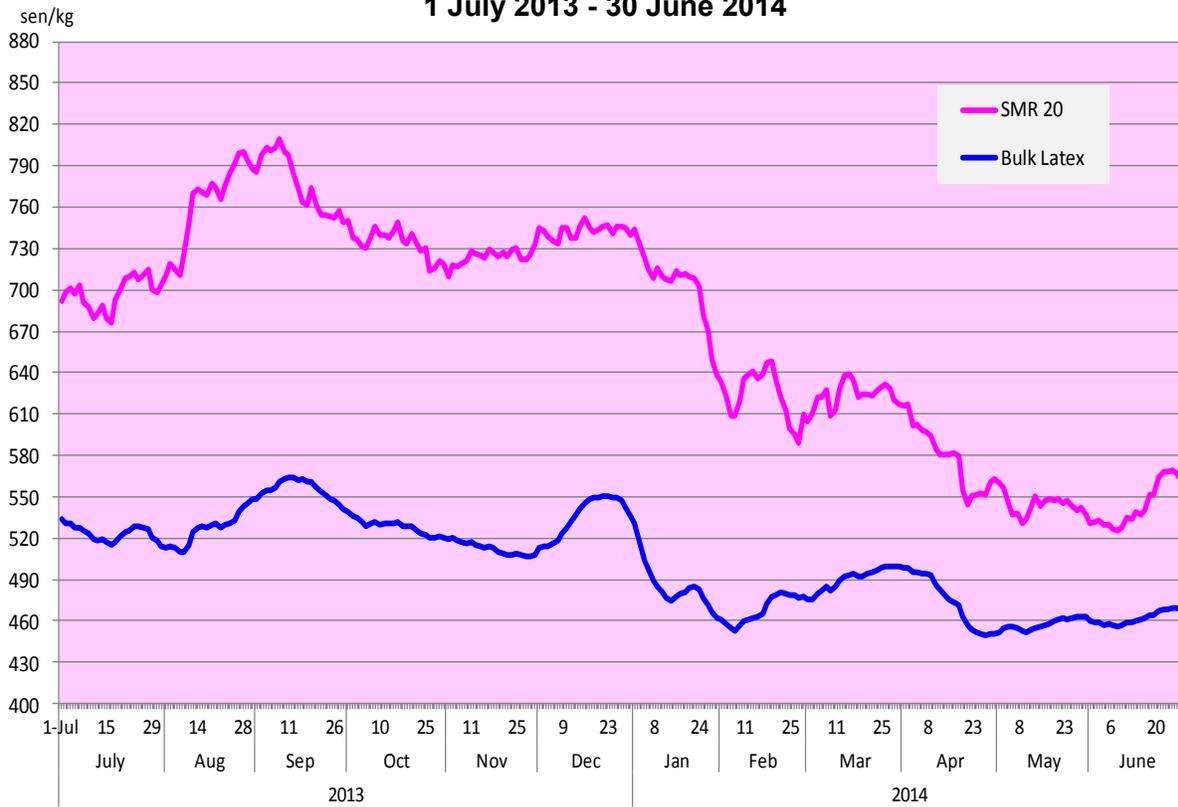
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, June 2014



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
1 July 2013 - 30 June 2014**



Prime Minister, Li Keqiang mentioned that he was confident that his country would hit its growth target of 7.5% this year, adding that his government was ready to adjust policy to make sure it does. The market also reacted positively over a report that the U.S. Federal Reserve is widely expected to chop another US\$ 10 billion from its monthly bond purchases. The trend was in tandem with that in TOCOM prices resulting from higher crude oil prices and improving economic data from China, which supported the buying sentiment.

Besides responding to a weakened ringgit and a firmer crude oil price, the market reacted positively over a report on the fall in rubber stockpile in Chinese port of Qingdao from a peak in May after a fraud investigation at the said port. Meanwhile, the fall in rubber stockpile was also reported by the Rubber Trade Association of Japan (RTAJ), where the inventories there stood at 21,627 tonnes as of 10 June 2014, down by 2.4% from 10 days earlier. In a separate development, the crude oil price went upwards, supported by continued fighting in Iraq, supply disruptions in Libya and expectations of a decline in U.S. crude inventories.

The market continued its uptrend during fourth trading week following a gain in Japanese stock prices and a softer yen. The rubber prices were trading higher, contributed by the strong China's June PMI data, which shows that output expanded for the first time in six months and the expectation of a stronger recovery in China's economy that lead to a stronger demand for rubber. Moreover, the report on the expansion of activities in China's factory sector in June for the first time in six months as new orders surged, which offers new signs economic stabilization as a result of its government's measures to shore up growth, has curbed further falls in the market.

Outlook

The Kuala Lumpur rubber market is expected to be influenced by the supply disruptions in crude oil price and the expectation of a stronger recovery in China's economy that lead to stronger demand for rubber.

News Briefs

China to meet this year's 7.5% growth target - Premier Li

China is confident it will hit its growth target of 7.5% this year, Chinese Premier Li Keqiang said, adding that the government was ready to adjust policy to make sure it does. "China's economy needs to grow at a proper rate, expected to be around 7.5% this year," Li wrote. "It is slower than the past, but normal."

"Despite considerable downward pressure, China's economy is moving on a steady course. We will continue to make anticipatory and moderate adjustments when necessary. We are well prepared to defuse various risks. We are confident that this year's growth target will be met."

-Thomson Reuters Eikon, 16 June

Uggah: Determining rubber prices with input from farmers

The federal government has come up with a mechanism that allows Malaysian Rubber Board (MRB) to determine the prices of rubber based on input from the farmers. Disclosing this, Minister of Plantation Industries and Commodities (MPIC) Datuk Amar Douglas Uggah Embas said that the mechanism was approved by the Cabinet two week ago to help rubber smallholders.

"The Cabinet, about two weeks ago, approved a mechanism and we are now studying it for implementation." "With such mechanism, the MRB will help cooperatives to buy directly from the farmers and sell directly at predetermined prices," Uggah told reporters at an MPIC Gawai celebration held in Kuching.

-Freenewspaper.com, 23 June

Kuching to host ITRC meeting next month

The meeting of the International Tripartite Rubber Council (ITRC) which has been postponed due to the chaos in Bangkok will be held next month in Kuching, said Plantation Industries and Commodities Minister, Datuk Amar Douglas Uggah Embas.

"This council is a mechanism where the three

countries— Thailand, Indonesia and Malaysia—work together to ensure that the stock among the three countries can be managed so that there is always a reasonable balance between supply and demand which will affect the rubber price," he said. This council will decide on what is to be done and once decisions are made, the three countries have to implement them, he said, citing an agreement in 2013 to reduce exports.

In December 2001, Thailand, Indonesia and Malaysia inked a joint ministerial agreement, known as the 'Bali Declaration', establishing the Bangkok-based ITRC with the objective of boosting natural rubber prices and supporting farmers' incomes.

-globalrubbermarkets.com, 23 June

National rubber policy in the offing

The Union Government of India will formulate a 'National Rubber Policy' (NRP) to address the various issues relating to production, development, consumption, and import of all types of natural, synthetic, and reclaimed rubber, and export of rubber and related products. For the purpose, the Indian government has decided to set up an expert committee comprising representatives of various stakeholders in the rubber sector.

-The Hindu, 23 June

Thailand to raise local rubber consumption to support prices - RTRS

The Thai Military Government plans to shore up falling rubber prices by increasing domestic consumption instead of intervening in the market via a costly buying scheme, a senior government official said.

The move was the latest effort to stabilise physical rubber prices, which have fallen more than 10% this year due largely to weak demand in China, the world's biggest rubber consumer. "We would not rely much on exports. We want to increase rubber consumption at home to help offset falls in export demand," said Chanachai Plengsiriwat, Head of the Rubber Estate Organisation. Under the plan, rubber will be used in the construction of infrastructure such as roads, pavements and reservoirs.

- Thomson Reuters Eikon, 24 June

RM76 Million channelled to rubber smallholders

About RM76 million has been channelled to rubber smallholders under the Rubber Price Drop Special Aid Scheme, said Rural and Regional Development Minister, Datuk Seri Mohd Shafie Apdal. He said that the ministry would be distributing RM130 million as a one-off aid, with RM500 given to all 260,000 smallholders each before Aidilfitri next month.

"The price of rubber throughout the world has fallen to a low level, and some of the smallholders are earning between RM300 to RM500 a month. "The situation is pressing...but I am grateful as this allocation has enabled us to help 260,000 smallholders," he said in the 'Ruang Bicara' programme on Bernama TV.

- Bernama Daily Malaysian News, 27 June

Thailand: Measures in place to lower rubber production costs

The Office of the Rubber Replanting Aid Fund (ORRAF) is under the process of finding measures to lower the cost of rubber production to alleviate the plight of rubber farmers. The ORRAF is also planning a long-term plan in switching to plant a new type of rubber seed to increase more rubber produce per *rai*. Permanent Secretary for Agriculture and Cooperatives, Chaowalit Chookajorn said that according to the ORRAF and its plans to help save production cost for rubber planters, training will be held to give beneficial and useful information.

-Thai News Service, 30 June

Global rubber consumption up 3.3% in 2013

The total world rubber consumption registered a 3.3% rise in 2013 to 26.80 million tonnes, from 25.95 million tonnes in 2012, according to the latest *Rubber Industry Report* released by the International Rubber Study Group (IRSG). This pattern of growth was repeated for the world natural rubber and the world synthetic rubber consumptions, increasing by 2.7% and 3.5% to 11.32 million tonnes and 15.48 million tonnes respectively in 2013.

Global NR latex consumption was up by 2.8% in 2013, touching 1.4 million tonnes, supported by moderate growth in the Asia-Pacific region and firming demand growth in the US. China continued to be the largest consumer of natural and synthetic rubber.

-Rubber Asia, May-June 2014

Global NR output grows faster than SR

The world's natural rubber production registered a 3.7% increase in 2013 to 12.04 million tonnes from 11.60 million tonnes in 2012. The growth rate of world synthetic rubber output was comparatively lower at 2.3% rising to 15.50 million tonnes in 2013 from 15.14 million tonnes in 2012, according to data from IRSG. The world's production of natural rubber in fourth quarter of 2013 at 3.46 million tonnes represented the fastest growth rate since the first quarter of 2010, when the global rubber industry was starting its recovery from 2008-2009 world economic recession-driven downturn. The acceleration was led by Thailand and Indonesia.

-Rubber Asia, May-June 2014

China overtakes USA in SR capacity

China has overtaken the US as the single largest country in terms of installed capacity of synthetic rubber in 2013, estimated at 4.5 million tonnes, said the IRSG. China has been rapidly building its synthetic rubber capacity, increasing by an estimated 3.3 million tonnes in 2007-2013. Despite the large capacity build-up, China is not yet self-sufficient with the consumption 1.0 million tonnes larger than installed capacity in 2013. China produced 4.09 million tonnes of synthetic rubber in 2013, which accounted for a 7.9% increase over 2012.

-Rubber Asia, May-June 2014

SR holds 57.8% share in rubber consumption

The share of synthetic rubber in total global rubber consumption slightly increase by 0.4% to 57.8% in 2013 from 57.5% in 2012, reported IRSG. China's synthetic rubber share rose to 56.9% in 2013, while that of Asia (excluding China) stood at 46.6%, European Union 69.1% and USA 65.0%.

-Rubber Asia, May-June 2014

World NR exports up 12%

The volume of world natural rubber exports expanded at an annualized pace of 12% to 9.7 million tonnes in 2013, according to the IRSG. Thailand exported the largest volume of natural rubber at 3.6 million tonnes, followed by Indonesia (2.7 million tonnes) and Malaysia (1.3 million tonnes).

The volume of TSR exports stood at 4.9 million tonnes, RSS at 884,000 tonnes and latex at 743 tonnes. The main driver behind the stronger exports growth was higher inventory demand while the global demand growth generally remained subdued. Irrespective of a consistent drop in the exports of RSS historically, a relatively lower natural rubber price explains the rebound in export trends in 2013.

-Rubber Asia, May-June 2014

4.6% rise in SR exports

The volume of synthetic rubber exports posted 4.6% increase in 2013 to 8.6 million tonnes. The European Union accounted for the largest volume of exports at 3.2 million tonnes, followed by the USA at 1.1 million tonnes. Among various types of synthetic rubber, the export of SBR stood at 2.2 million tonnes and BR at 1.1 million tonnes. The growth in synthetic rubber exports is attributed mainly to a sharp turnaround in USA and the accelerated growth in consumption by countries that are either short of domestic supply of synthetic rubber or is not a producer, said IRSG.

-Rubber Asia, May-June 2014

NR, SR imports rise on higher demand

The volume of natural rubber imports posted 6.8% growth in 2013 to 9.9 million tonnes, driven by improving import demand in emerging markets as well as acceleration in imports growth in mature markets. China accounted for an import volume of 3.7 million tonnes and Asia Pacific (excluding China) 2.9 million tonnes, according to data by IRSG.

Natural rubber latex imports posted 6.2% increase to 860,000 tonnes in 2013, supported by

favourable raw material costs and resilient demand from the healthcare industry. SR imports posted 4.8% increase in 2013 to 9.1 million tonnes, supported by accelerated growth in consumption of China, Asia Pacific (excluding China) and the European Union.

-Rubber Asia, May-June 2014

Rise in area under rubber

Many major rubber producing countries increased their total rubber area and tapped area in 2013, according to estimates made by the Association of Natural Rubber Producing Countries (ANRPC). India increased its rubber area from 759,000 hectares in 2012 to 776,000 hectares in 2013 and tapped area from 504,000 hectares to 518,000 hectares. Rubber area in Vietnam increased to 920,500 hectares (910,500 hectares) and tapped area to 545,600 hectares (505,800 hectares). China's rubber area and tapped rose to 1,167,000 hectares and 687,000 hectares respectively in 2013.

Malaysian and Indonesia increased their rubber area, but reported decline in their tapped area. Malaysia increased its rubber area from 1,041,000 hectares in 2012 to 1,067,000 hectares in 2013, while its tapped area declined from 631,000 hectares to 546,000 hectares.

-Rubber Asia, May-June 2014

PanAridus gets US patents for Guayule strains

The United States Department of Agricultural Plant Variety Protection Office has granted PanAridus eight new Plant Variety Patents, certifying the company has invented and reproduced eight new strains of the *Guayule* shrub. The new development has taken the *Guayule* industry one step closer to commercialization of this natural rubber alternative. Meanwhile, PanAridus has announced that the company has tripled the size of its research and extraction departments for producing high grade natural rubber from *Guayule*. The expanded team will help the company to take the lead in both the quality and the amount of *Guayule* rubber supplied to tyre companies throughout the world.

-Rubber Asia, May-June 2014

Eurozone on recovery path

Eurozone is on the recovery path, going by the rise in its industrial output in February 2014. Industrial output increased by 1.7% in February, after downwardly revised 1.6% growth in January. The monthly rise was driven by 0.6% growth in production of intermediate goods and 0.5% rise in output of non-durable consumer goods, according to Eurostat. The Eurozone growth modestly accelerated to 0.3% in the final quarter of 2013, up from 0.1% growth in the third quarter.

-Rubber Asia, May-June 2014

India to grow at 4.8%: World Bank

The World Bank has projected an economic growth rate of 4.8% for India in fiscal year 2014 and further increase to 5.7% in 2015 on the back of a more competitive exchange rate and many large investments going forward. Meanwhile, the International Monetary Fund has said that India's economy, Asia's third largest after China and Japan, would grow by 5.4% in 2014 before improving to 6.4% in 2015, as export competitiveness improves and recently approved investment projects proceed.

-Rubber Asia, May-June 2014

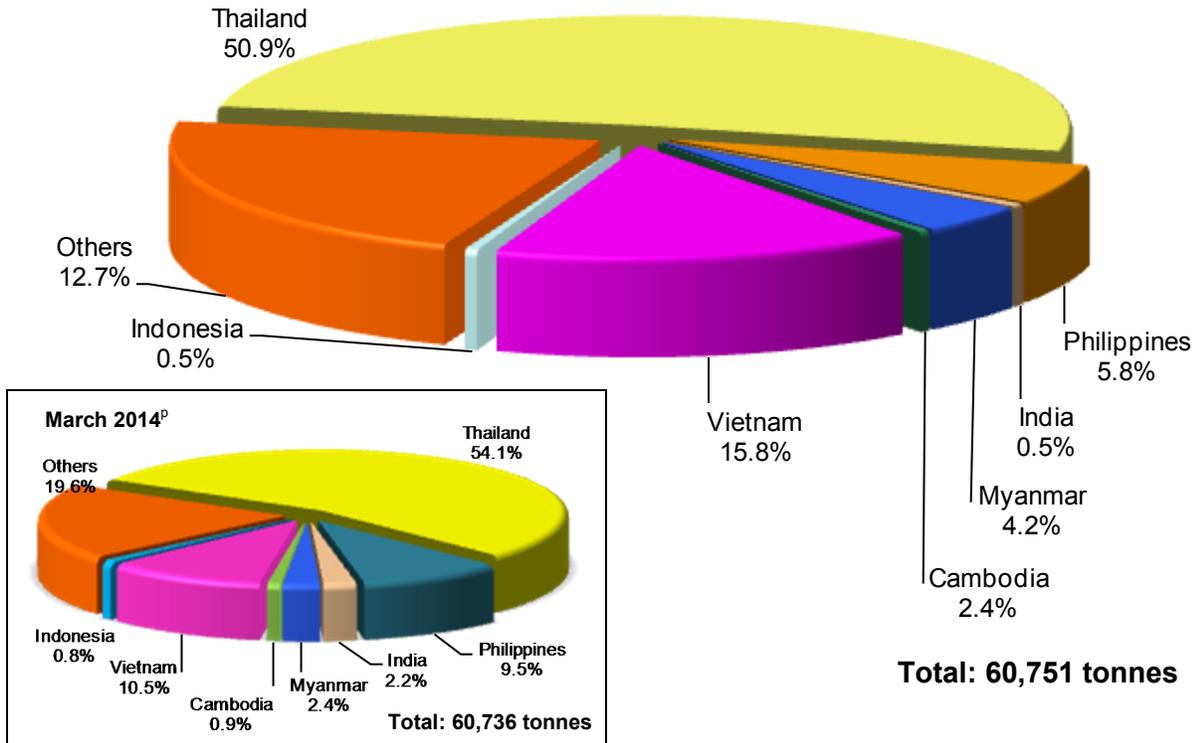
AIRIA seeks inputs on National Policy on Rubber

The Government of India has agreed to the proposal made by the All India Rubber Industry Association (AIRIA) to formulate a national policy on rubber (NPoR). The AIRIA has advised all stakeholders of the rubber industry to give their inputs for framing the NPoR.

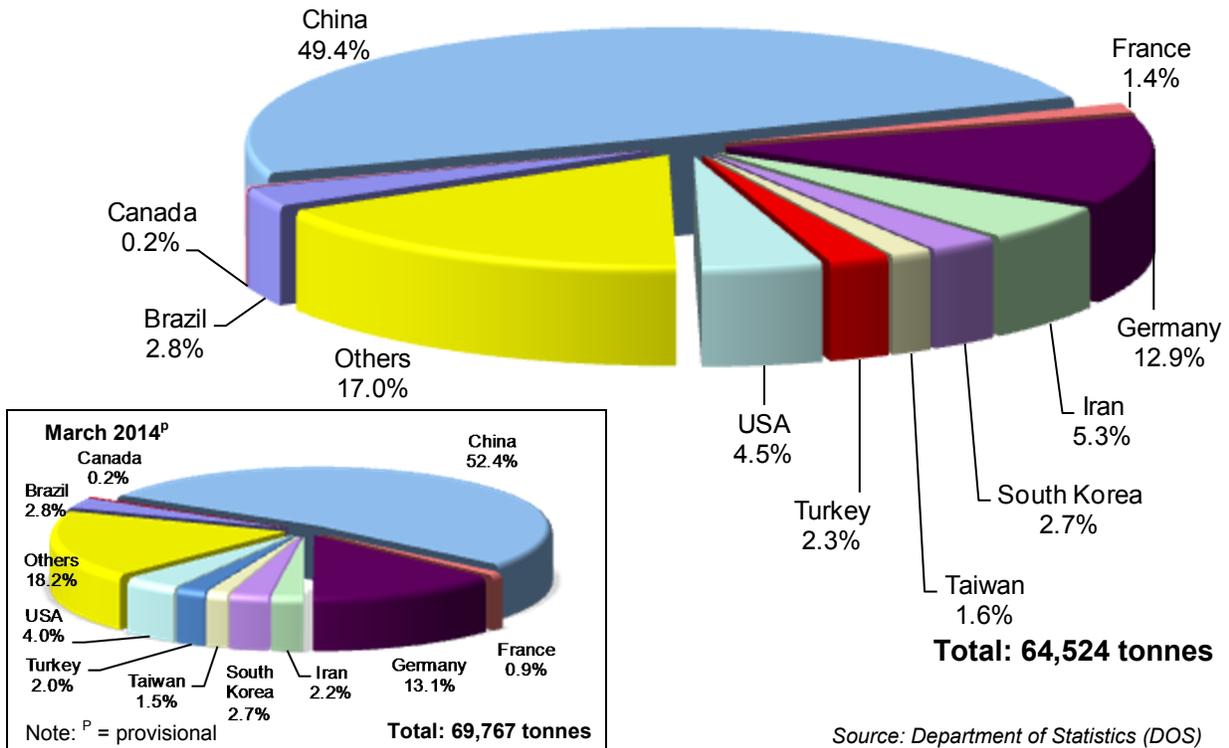
NPoR aims to build state-of-the-art production capacities to further develop the rubber and rubber product sectors in India and to increase per capita consumption of rubbers to match that of globally developed nations. Technological upgradation, enhancement of productivity, quality consciousness, strengthening of raw material availability, promotion of exports, skill development, strengthening research and development (R&D), etc. would be the thrust areas of NPoR.

-Rubber Asia, May-June 2014

Malaysia's NR imports by countries April 2014^P

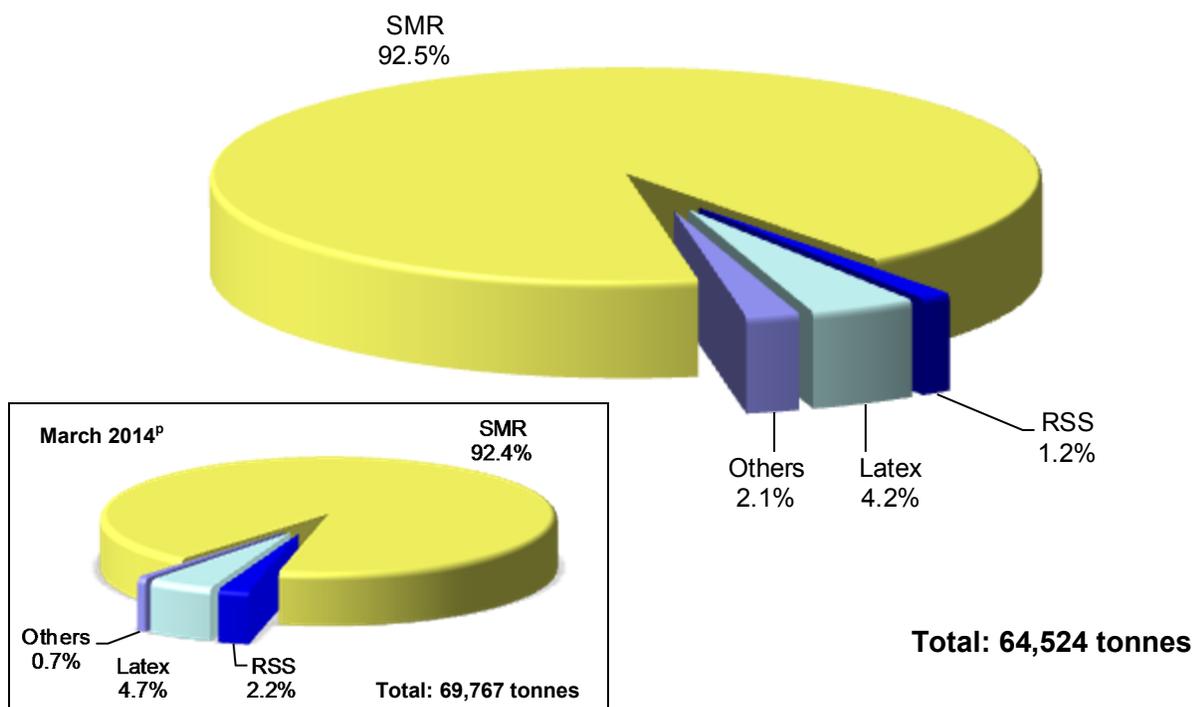


Malaysia's NR exports by countries April 2014^P

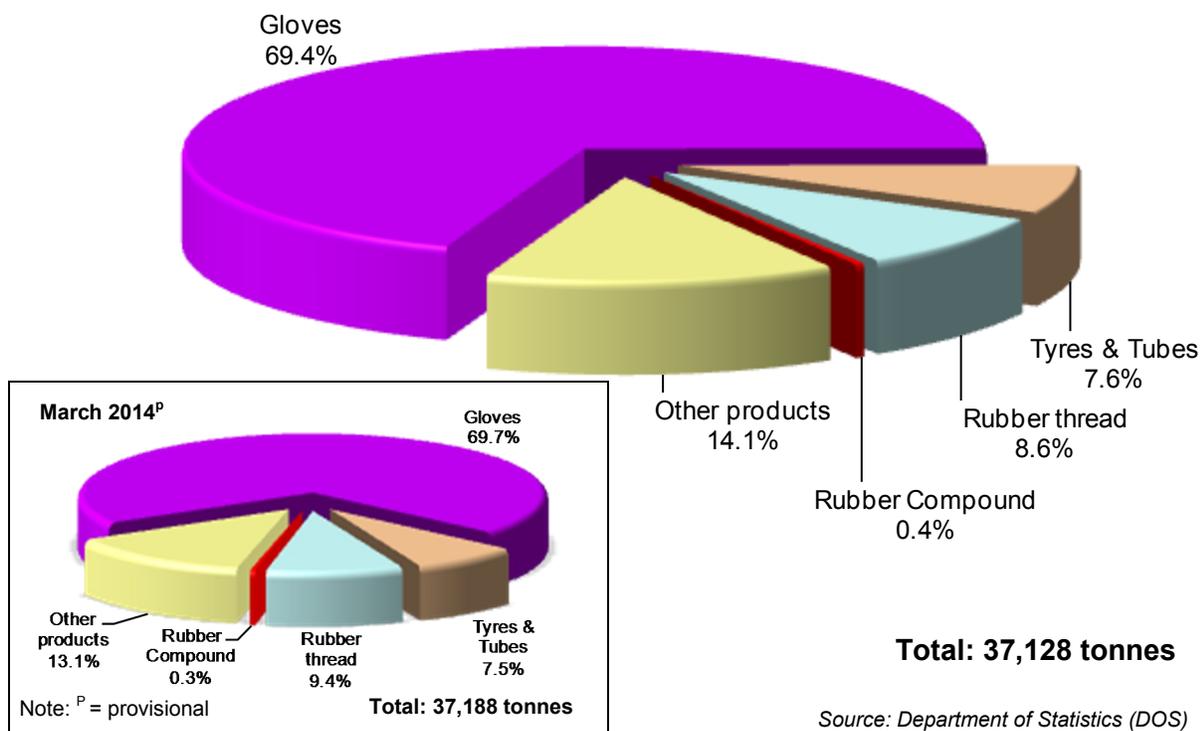


Source: Department of Statistics (DOS)

Malaysia's NR exports by types April 2014^P



Malaysia's NR consumption by sectors April 2014^P



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