



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber market review

July

Prices on the Kuala Lumpur rubber market drifted in an uncertain direction within a narrow range for the major part of July amid thin trade and enquiries as well as concerns over China's economic slowdown and Eurozone debt crisis. Compared with levels on 29 June, the price of SMR 20 was up marginally by 0.50 sen/kg or 0.06% to close at 874.00 sen/kg whilst latex concentrate declined marginally by 16.0 sen/kg or 2.5% to close at 632.50 sen/kg. The price movements of selected grades of rubber in July are shown in **Table 1**.

At the first trading week, prices in the Kuala Lumpur market were slightly higher and moved in tandem with those in the regional rubber markets and Tokyo rubber futures, with the support from current supply shortage following wet weather in certain parts of major producing countries. Sentiment was also aided by news that China will likely launch a new round of stimulus measures after the cabinet's mid-year economic conference. Reports on weak U.S. employment

data and easing Chinese inflation were the major factors which weighed on rubber prices in second trading week. Many sellers were reported in the market but demand had slackened. Weaker demand was seen as the strong ringgit against US dollar discouraged buyers. In Indonesia, rubber exporters in North Sumatra, the country's largest rubber producing province, announced that they would cut exports if the price remained below US\$ 3 per kilogram. Meanwhile, Thai traders were focusing on further price intervention measures by the government as grower discontent about prices mounted.

A slight rebound was seen in the beginning of third trading week due to some technical adjustment. The market sentiment was supported by an affirmation by the Thai Government to support USS3 at above 100 baht/kg and expectations of further U.S. monetary stimulus in the near future. However, the uptrend could not be sustained as buyers turned cautious and stayed away from the market. Major buyers remained withdrawn while uncertainties in the Tokyo rubber futures market dampened trading activities. There were no signs of fresh consumer demand reported while sellers were reluctant to deal at lower prices.

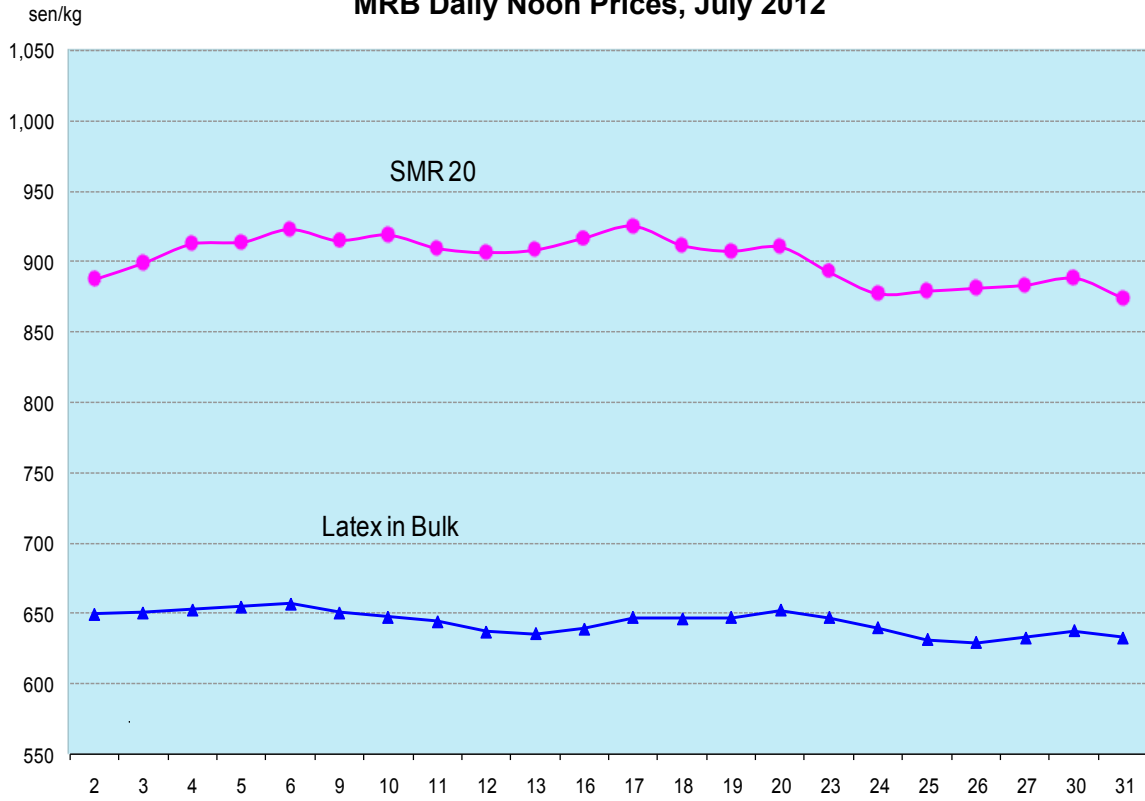
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, July 2012

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	1,161.50	11,165.00	925.00	9,250.00	656.50	6,565.00
Lowest	1,069.00	10,690.00	874.00	8,740.00	629.00	6,290.00
Average	1,092.86	10,928.60	901.93	9,019.30	643.52	6,435.20
Change from the last day of the previous month	-33.50	-335.00	0.50	5.00	-16.00	-160.00

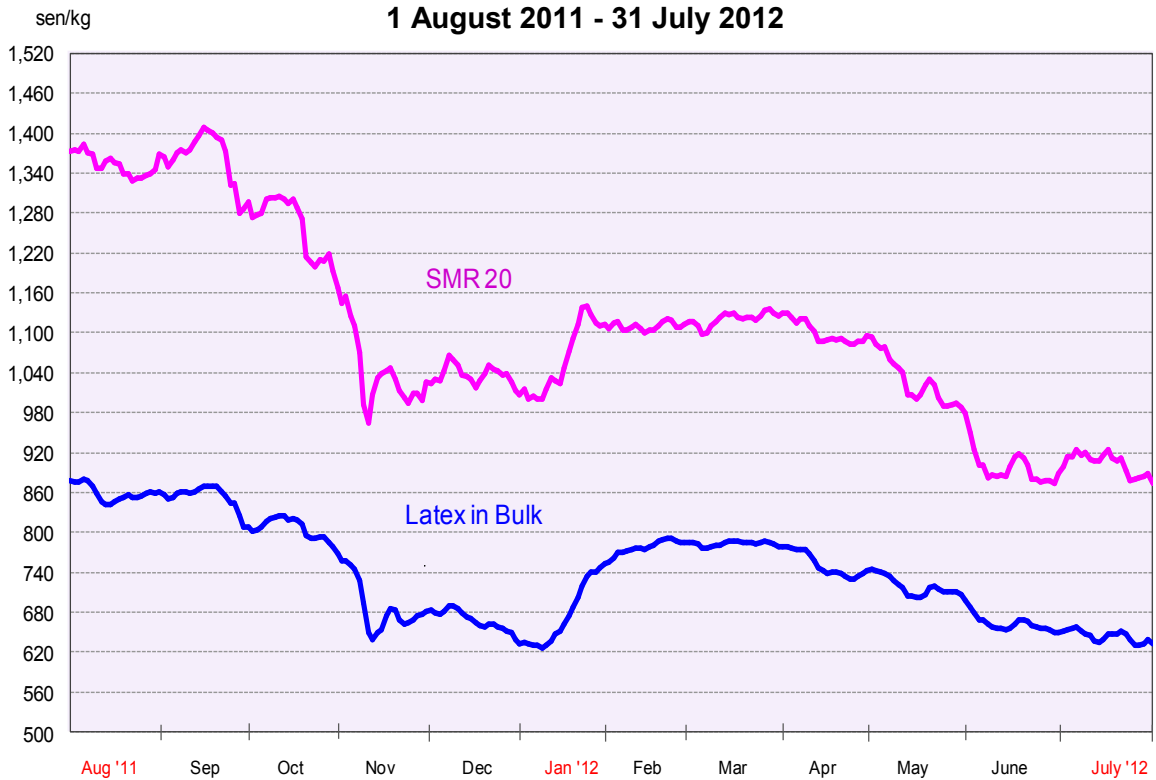
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, July 2012



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
1 August 2011 - 31 July 2012**



Prices continued to fall during the beginning of fourth trading week as there was still lack of interest from consumers. In the absence of demand, the local market drifted along with the bearish trend in the Tokyo rubber futures market. Towards the end of fourth trading week, prices recovered slightly in line with a technical rebound in the said market but demand from consumers remained weak due to economic conditions sentiment in the United States and the Eurozone.

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 global economic condition and Eurozone debt crisis as well as the direction of both physical and futures markets in the region in the near-term.

News Brief

Global demand for industrial rubber products to be worth \$140 billion by 2016.

The global market for industrial rubber products will increase by 5.8% a year to be worth \$140 billion by 2016, according to the latest report from Freedonia Inc.

Freedonia says that China will remain the largest national market for industrial rubber products, accounting for 27% of total global demand by 2016. However, the company expects India to register the fastest growth of any country worldwide, outpacing even China.

Several lower-volume markets, such as Indonesia and Malaysia, are also forecast to register healthy gains in demand for industrial rubber as a result of increased manufacturing activity.

-High Performance Plastics, 1 July

Yokohama factory expansion expected to boost rubber sector

The ongoing \$640-million expansion of the local arm of Japanese manufacturer Yokohama Tire Corp. will likely spur growth in the Philippine rubber industry, a trade official said.

Aside from its Philippine plant, the company is also hiking production in Japan, China, and in the United States. With the opening of its factory in Russia last May, Yokohama's global production capacity now stands at 60 million tyres a year.

-Business World, 2 July

Top Glove expending RM400 million on cultivating rubber

Top Glove Corp. Bhd. has budgeted some RM400 million for capital expenditure for 13 years to establish and develop its greenfield rubber plantations in Indonesia. This will spearhead the group's glove manufacturing venture in the neighbouring country in the future, says the company.

Managing director K. M. Lee tells The Edge that the RM400 million includes RM22 million earmarked for the acquisition of its Indonesian operating vehicle PT Agro Pratama Sejahtera, which owns 30,773 hectares in the province of Kepulauan Bangka Belitung near the southern enclave of Sumatera.

-The Edge Malaysia, 2 July

ANRPC raises forecasts for 2012 natural rubber output, exports

The Association of Natural Rubber Producing Countries (ANRPC) has raised its forecasts for 2012 global production and exports after the world's major producers raised their individual production forecasts.

Global natural rubber output is expected to total 10.8 million metric tonnes in 2012, an increase of 4.9%, the ANRPC said in a report.

Last month, the ANRPC projected annual production growth this year of 1.5% but Indonesia, Malaysia and Vietnam have since all raised their production forecasts, it said.

-Dow Jones Commodities Service, 2 July

China's economy to gain momentum in 2nd half

China's economy will grow at a faster pace in the latter half this year on recovering export, rising investment and expanding housing market, a report released by a Beijing-based research centre said.

"We are confident that China will see a U-shaped economic recovery in 2012," the Centre for China in the World Economy (CCWE) under the Tsinghua University said in the report on the country's economic situation.

The CCWE sees the country's gross domestic product (GDP) to grow by eight percent in the first half and by 8.4 percent for the whole year.

-Xinhua's China Economic Information Service, 2 July

Philippines Government to develop rubber industry

The Philippines Government is looking to develop the country's rubber industry to take advantage of an expected increase in the production of tyres of its major market, the Trade Secretary for Regional Operations and Development Group, Merly Cruz said.

"(The) Philippines has 136,000 hectares planted to rubber but supplying only six percent of Yokohama Tire Philippines' current requirements," she said in a text message.

-The Philippine Star, 2 July

Indonesia rules out price floor for rubber

Indonesia, will not independently introduce mechanisms to provide a floor for global prices, a trade ministry official said, preferring instead to discuss policies with other top producers.

"The Indonesian Government will not determine a floor price mechanism unilaterally," Deddy Saleh, Director-General of Foreign Trade at the Trade Ministry, said. "We have a forum of co-operation in a tripartite organization with Malaysia and Thailand.

"The government will only determine the policy via tripartite forum, but will not intervene in the market," he added. "It is the rubber business people who will take action in the market."

-Reuters News, 3 July

Bridgestone starts building \$575 million tyre plant in Vietnam

Japan's Bridgestone Corp. has started building a \$575 million tyre plant in Haiphong City in northern Vietnam, the city's People's Committee said.

The plant, scheduled to start production in early 2014, will produce radial tyres for passenger cars, the committee said in a statement.

It said that the plant's capacity will reach 24,700 tyres per day by 2016. The plant will serve as an export base for replacement tyres sold in Europe, North America and Japan, the company said in a statement on its website.

-Dow Jones International News, 3 July

Frost & Sullivan maintains Malaysia's total vehicle sales forecast of 612,000 units this year

Frost and Sullivan is maintaining Malaysia's total vehicle sales forecast of 612,000 units this year despite the stricter Bank Negara Malaysia lending guidelines.

Its partner and head of the automotive and transportation practice, Asia-Pacific, Kavan Mukhtyar, said the stricter lending rules mostly impacted entry-level vehicles such as Perodua Viva and Proton Saga.

"However, the impact is expected to be reduced as carmakers step up marketing and sales campaigns such as giving higher discounts and implementing pre-screening approval process for hire-purchase loans to entice consumers," he said in a statement.

-Bernama Daily Malaysian News, 5 July

Automotive sales hitting top gear after sluggish start

Total industry volume for January-May reaches 244,620 units, making up 40% of Malaysian Automotive Association's forecast for 2012.

Malaysia's automotive market has rebounded and it took the fifth month of the year to rev up an otherwise bearish sales into a bristling one.

With June expected to be another bountiful month for new vehicle sales, the market can expect to close the first half on a high gear.

Going a bit further, there should be a big push by many car companies from this month onwards as a prelude to the festive season starting with Hari Raya Aidilfitri in mid-August.

-New Straits Times, 11 July

Breakthrough in rubber tree research

Bridgestone Corporation announced it had successfully decoded the main genome sequence for *hevea brasiliensis* (rubber tree), which produces latex.

In a statement, the company said that the research breakthrough was accomplished in conjunction with Genome Informatics Laboratory in the National Institute of Genetics (Mishima City, Shizuoka Prefecture, Japan).

-New Straits Times, 11 July

Exports of rubber products seen growing 10% this year

The export of rubber products is expected to grow 10% again this year after taking into account all the economic crises that are currently taking place, said Malaysian Rubber Export Promotion Council (MREPC) Chief Executive Officer Datuk Teo Suat Cheng.

Last year, the country's exports of rubber products increased to record RM14.2 billion, up by 10.3% from 2010.

"Specifically, the export of rubber gloves products that has been proven to be a recession-proof

items, may fare better to grow at 10.6% this year.

- The Star, 13 July

Thai Government ready to boost budget for natural rubber purchases -Minister

The Thai Government is ready to raise its budget for intervening in the natural rubber market if necessary, Deputy Agriculture Minister Natthawut Saikua said, without specifying an amount.

In January, the Thai Government approved a 15 billion *baht* (\$475 million) plan to raise prices for natural rubber, but prices have continued to decline in recent months due to the global economic slowdown. The extended price decline has triggered sporadic protests by growers in Thailand.

The government also plans to raise its purchase price for natural rubber bought as part of the price intervention plan, Mr. Natthawut told reporters, after a Cabinet meeting in Bangkok.

- Dow Jones Commodities Service, 17 July

FELDA, RISDA ink rubber replanting deal

The Federal Land Development Authority (FELDA) signed an agreement with the Rubber Industry Smallholders Development Authority (RISDA) to replant rubber crops on land under its management.

"The project will be carried out in a few states in the peninsula, Sabah and Sarawak. We will carry it out to take care of the wellbeing of smallholders, especially those in rural areas," he said after witnessing the signing of the memorandum of understanding between the two parties.

Under the two-year agreement, more than 10,300 hectares will be developed through the rubber replanting programme, with the help of RM155.7 million from the government.

-New Straits Times, 18 July

First tyres using natural rubber produced in Europe

The first tyre prototypes obtained from natural latex from Guayule and Russian Dandelion plants have been presented. The production of the first prototypes is a clear indication of the technical performance and economic potential of the rubber extracted.

Following the cultivation of Guayule and Dandelion plants and the extraction of latex from them, the Dutch tyre company Apollo Vredestein, a partner in the EU-PEARLS European project, has produced the first prototypes of tyres manufactured using natural rubber produced in Europe.

The prototypes will undergo exhaustive tests over the coming months before steps are taken towards the production phase. This success is opening up new market expectations that in a not-too-distant future will be able to break the Asian rubber monopoly.

-www.alphagalileo.com, 18 July

Indonesia eyes investment plan for rubber industry

Indonesia, is considering investing \$526 million over three years to boost and improve output in its rubber trees.

Starting in 2013, if approved the money will be used to re-plant or revitalise about 350,000 hectares of old and unhealthy rubber plantation in Southeast Asia's largest economy, Rismansyah Danasaputra, Director of Perennial Crops at the Agriculture Ministry said.

"Around 300,000 hectares of plantations will be re-planted and the rest will be intensified to increase its productivity," he added. "The government will give aid packages to farmers in the form of free fertiliser, seedlings, and pesticides."

-Reuters News, 19 July

Malaysia rubber glove exports to reach RM11.5 billion in 2012

Malaysia's 2012 rubber glove exports are likely to jump to RM11.5 billion in value, a 17% increase from the previous year, driven by firmer demand as buyers replenish low stocks, the president of the Malaysian Rubber Glove Manufacturers Association said.

"Buyers who previously refrained from securing cargoes are now resuming purchases due to the recent sharp fall in prices of natural rubber," Lim Kwee Shyan said.

Malaysia rubber gloves exports totalled RM9.8 billion in 2011.

- Dow Jones Commodities Service, 26 July

China's automotive sales expected to hit 20 million in 2012

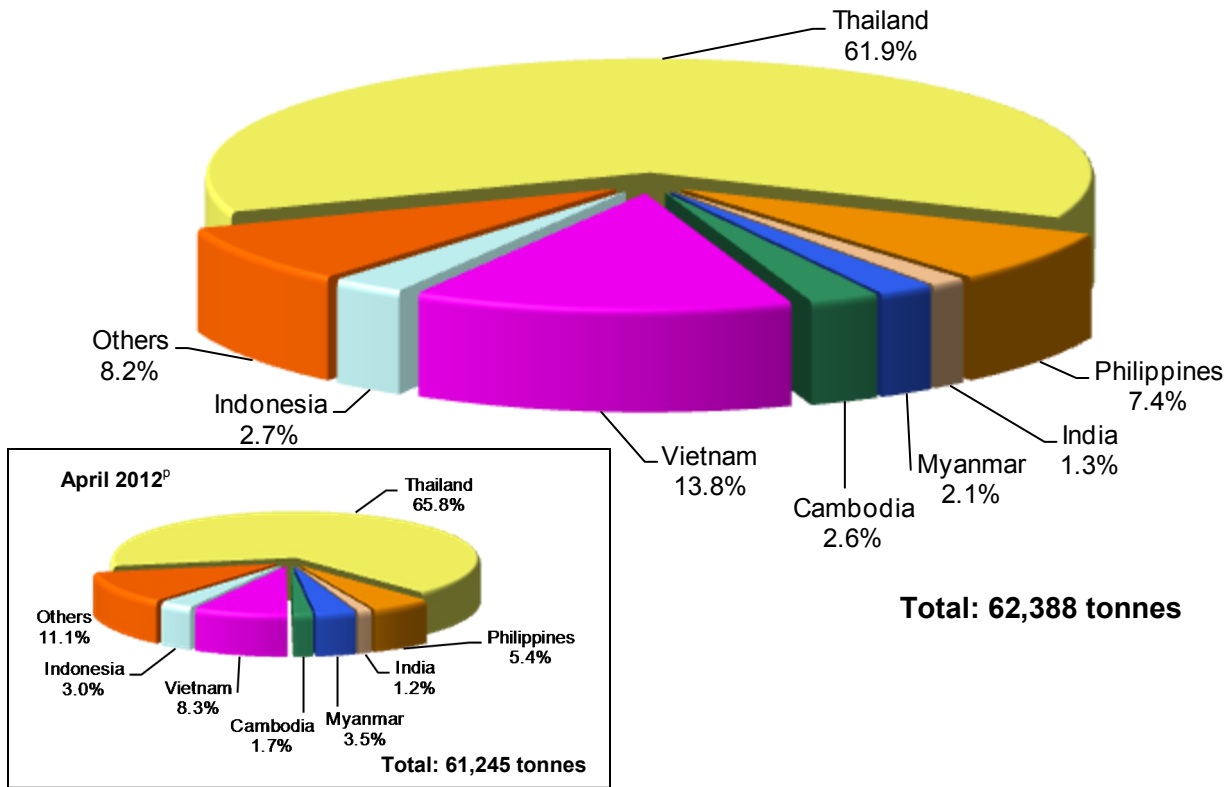
The China Association of Automobile Manufacturers (CAAM) said that the country's automotive sales are likely to hit 20 million units in 2012 if the economy picks up momentum in the second half.

Total vehicle sales in China will expand by around eight percent from a year earlier, the CAAM said in a report.

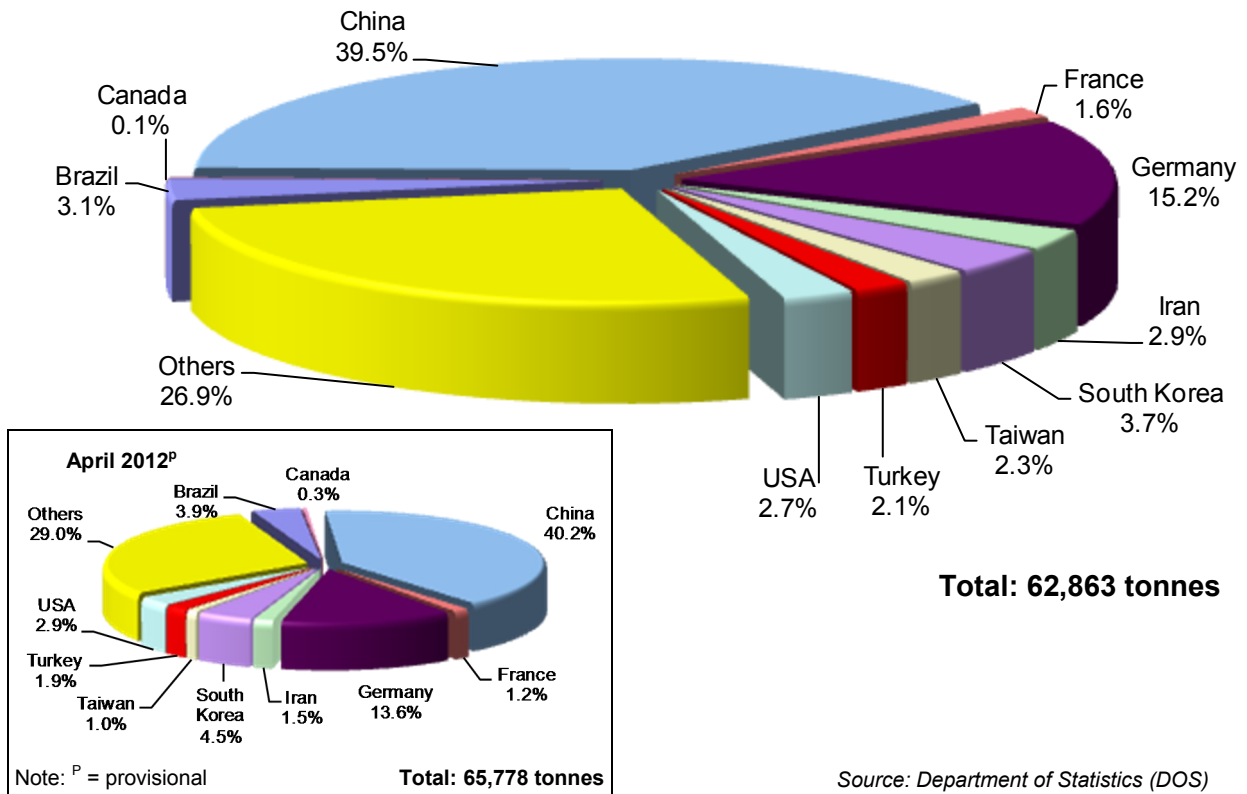
For the entire year, sales of passenger cars will rise 11% to 16 million vehicles, while commercial vehicle sales will drop three percent to 3.9 million units.

-Xinhua's China Economic Information Service, 27 July

Malaysia's NR imports by countries May 2012^P

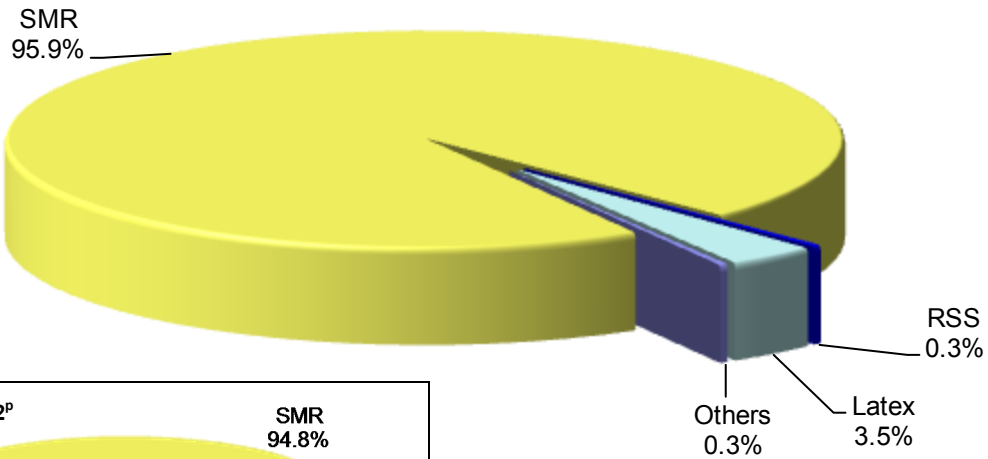


Malaysia's NR exports by countries May 2012^P

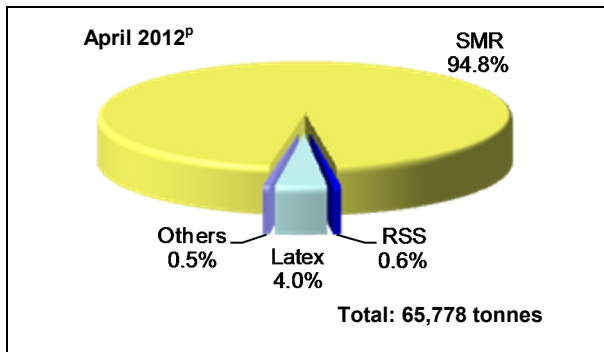


Source: Department of Statistics (DOS)

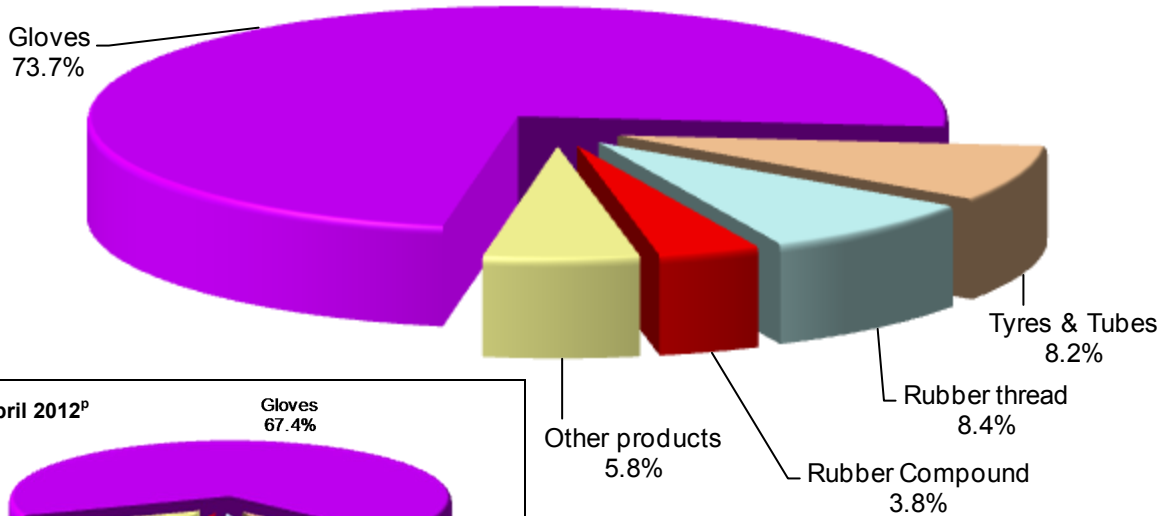
Malaysia's NR exports by types May 2012^P



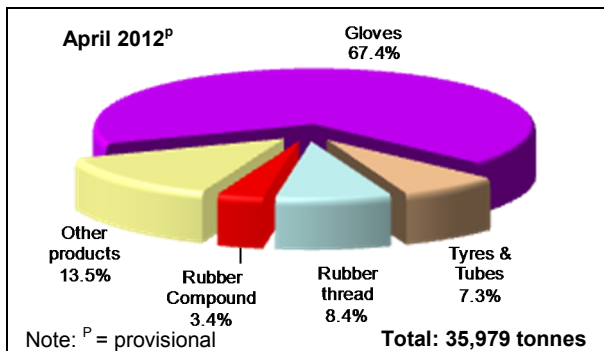
Total: 62,863 tonnes



Malaysia's NR consumption by sectors May 2012^P



Total: 33,508 tonnes



Source: Department of Statistics (DOS)