



# MALAYSIAN RUBBER BOARD

## DIGEST

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## Natural Rubber Market Review

### July

In July 2014, the Kuala Lumpur rubber market saw a mixed trend on weak demand particularly from China, ample raw material supply from rubber growing areas in Thailand and Indonesia and a drop in crude oil prices. However, the market reacted positively on a report that China's economic growth picked up slightly in the second quarter, apart from a rise in the U.S. manufacturing output in the same quarter. Compared with levels on 30 June 2014, the price of SMR 20 was down by 25.00 sen/kg or 4.45% to close at 537.00 sen/kg while latex concentrate closed at 445.00 sen/kg, a decrease by 23.00 sen/kg or 4.91%. The price movements of selected grades of rubber in July is shown in Table 1.

During the first trading week, prices market saw a downtrend due to a strengthening of the ringgit and the weakness in crude oil prices. It was reported that the annual growth in China's industrial profits slowed to 8.9% in May 2014, the weakest pace this year, signalling challenges facing firms in the republic despite signs of

stabilization in the economy. Meanwhile, it was also reported that rubber stocks in China's bonded warehouses in Qingdao fell to a five-month low as tyre-makers chased cheaper local supplies at a time when arrivals of the commodity had dried up due to a probe into a suspected financing scam at the port.

The market witnessed a mixed trend during the second trading week with prices moving downwards during beginning of the week but then slightly rebound at the end of week. The downtrend was caused by the lower opening of Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) prices, on weak demand particularly from China, ample raw material supply from rubber growing areas in Thailand and Indonesia and a drop in crude oil prices.

On the third trading week, the market saw an uptrend in the prices following a weaker ringgit and higher oil prices, resulted after a Malaysian airliner was shot down over eastern Ukraine, dramatically escalating the crisis between Russia and the West. The market reacted positively on a report that China's economic growth picked up slightly in the second quarter, apart from a rise in the U.S. manufacturing output in the same

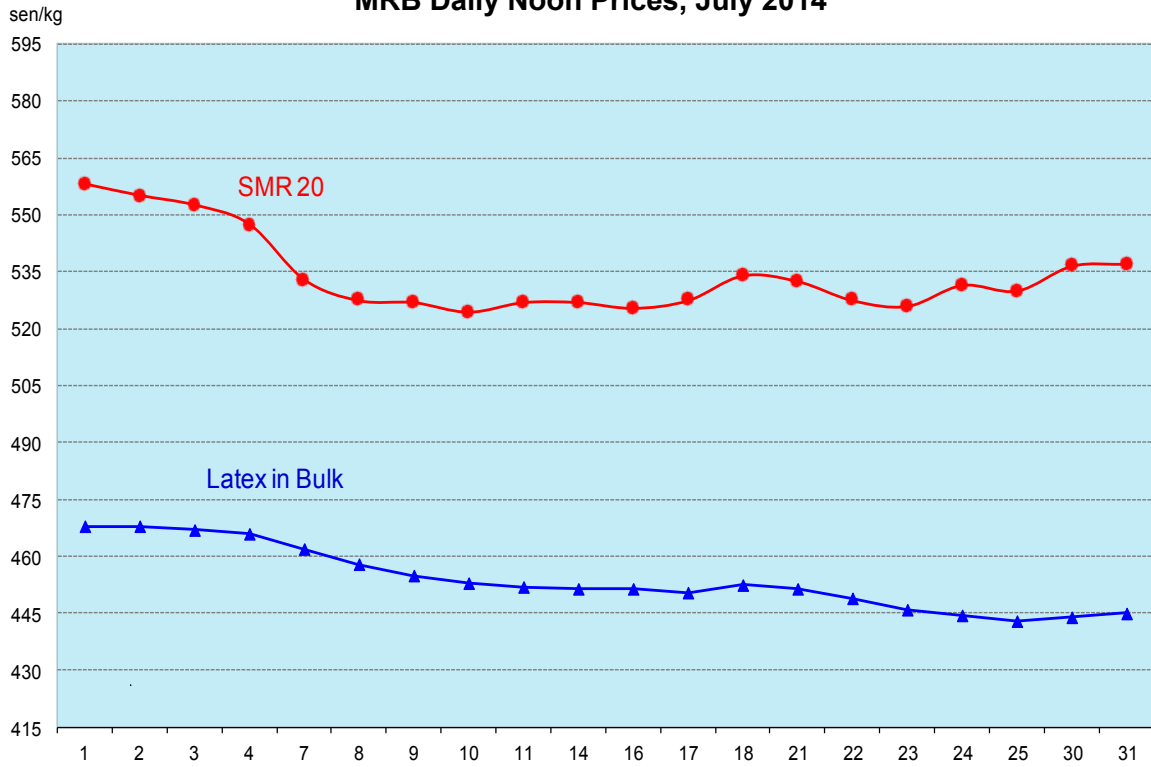
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, July 2014**

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	750.00	7,500.00	558.00	5,580.00	468.00	4,680.00
<b>Lowest</b>	721.50	7,215.00	524.50	5,245.00	443.00	4,430.00
<b>Average</b>	731.78	7,317.80	534.35	5,343.50	453.90	4,539.00
<b>Change from the last day of the previous month</b>	-26.50	-265.00	-25.00	-250.00	-23.00	-230.00

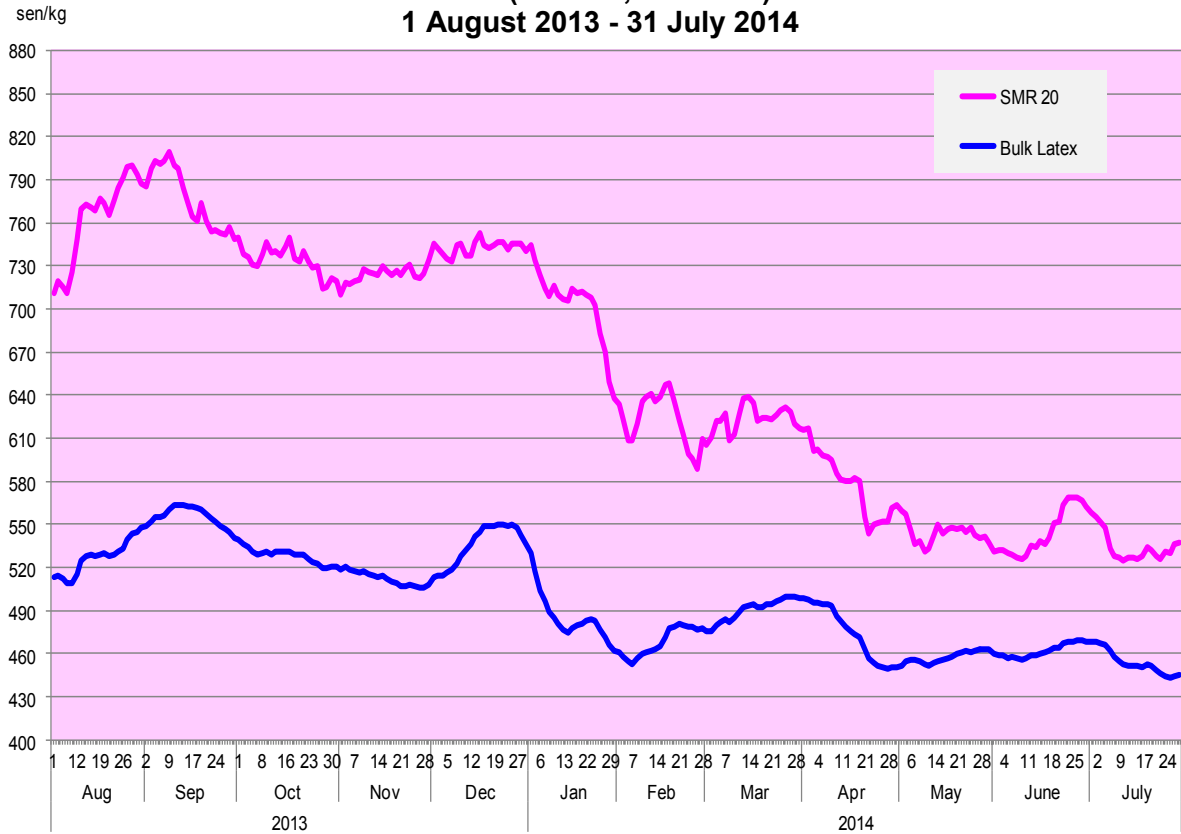
Note: \* Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

### MRB Daily Noon Prices, July 2014



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices 1 August 2013 - 31 July 2014



quarter.

During the fourth trading week, prices saw a downtrend following stronger ringgit, besides concerns over weak Chinese demand resulting from a 0.7 % increase in rubber inventories in SHFE-monitored warehouse from the previous week's level, and a larger-than-expected pullback in demand after the April 2014 sales-tax hike. Meanwhile, the International Rubber Consortium (IRCo) Chief Executive, Yium Tavarolit, said that he expects natural rubber prices to move in a narrow range as market fundamentals and sentiment remains unchanged. The market reacted negatively over the trimming of the US' economic growth to only 1.7% by the International Monetary Fund (IMF) as the effect of the economic slowdown at the previous quarter of this year could still be felt. Meanwhile, market participants in TOCOM stood on the sidelines ahead of the expiry of the front-month contract. At the end of month, the Kuala Lumpur rubber market closed slightly higher following a sharp fall in the rubber stocks in China's port of Qingdao.

## Outlook

The Kuala Lumpur rubber market is expected to be influenced by the supply and demand. Rubber prices are currently on a downtrend because of high supply compared to weak demand. Other factors such as the movement of the value of ringgit and the performance of the regional futures exchanges are also expected to shape the market trends.

## News Briefs

### ***U.S. jobs data seen reinforcing strong growth outlook***

U.S. employment growth is expected to have continued at a solid clip in June, which would further dispel fears about the economy's health and underscore its momentum heading into the second half of 2014. Non-farm payrolls probably increased by 212,000 jobs after rising by 217,000 in May, according to a Reuters poll of economists. It would be the first time since the technology boom in the late 1990s that employment had grown above a 200,000-job pace for five straight months.

The closely-watched employment report would add to robust automotive sales in June and data showing a steady manufacturing expansion in suggesting a plunge in economic output in the first quarter was a weather-driven anomaly. Gross domestic product contracted at a 2.9% annual rate in the January-March period, causing a sharp downgrading of growth estimates for this year. Growth in the second half of the year is forecast around a 3.5% pace.

*-Thomson Reuters Eikon, 03 July*

### ***Malaysia looks to tap Indian tyre makers***

The Malaysian Rubber Board (MRB) has started promoting chemically-induced natural rubber to Indian tyre manufacturers. According to sources, Apollo Tyres has already shown interest in this kind of rubber and the MRB has been approaching other rubber companies here. Chemically- modified natural rubber tyres cost more than natural rubber tyres, but the strength is better. Apollo Tyres imports 50% of its natural rubber requirements from western Asian countries.

The MRB is also looking at other Indian tyre companies to promote the chemically-modified rubber. When contacted, the Board said some Indian companies are testing the product.

*-Business Standard, 04 July*

### ***Mid and long-term measures will be introduced to help smallholders and rubber tappers: Najib***

Prime Minister Datuk Seri Najib Razak said various mid and long-term measures will be introduced to help the smallholders and rubber tappers who are affected by the drop in the commodity prices.

He said that the Rural and Regional Development Ministry and Plantation Industries and Commodities Ministry had been asked to come up with the solutions that could help cushion the impact from the decline in global rubber prices. A total of 16,080 smallholders were involved in the Clustered New Plantation Scheme (RTBB) while another 41,675 participated in the Commercial Replanting Scheme (TSK).

*-New Straits Times, 05 July*

**Vietnam: Finance ministry mulls rubber export tax break**

The Ministry of Finance is considering scrapping the rubber export tax, with an aim to remove difficulties for companies amid falling latex prices and declining exports. According to the Vietnam Rubber Association, the ministry issued a document to invite opinions about cutting the rubber export tax to zero from the current one percent (applied on products coded HS 4001, 4002 and 4005) in response to the association's petition.

According to the statistics of the Ministry of Agriculture and Rural Development, in the first six months of this year, about 337,000 tonnes of rubber were shipped abroad, worth US\$644 million, 12% lower year-on-year.

-Thai News Service, 07 July

**IRSG forecasts 4% growth in global rubber demand.**

Worldwide rubber demand is expected to increase by 4.1% and 4.4% in 2014 and 2015 respectively, reports International Rubber Study Group (IRSG). This exceeds the long-term growth rate of 3.7% under an IMF scenario to 28 million tonnes in 2014 and 29.2 million tonnes in 2015.

Worldwide demand for natural rubber is set to grow 4.5% in 2014 and 4.4% in 2015. Consumption is set at 11.9 million tonnes in 2014, 12.4 million tonnes in 2015 and 17 million tonnes in 2023. Synthetic rubber global demand will reach 16.1 million tonnes and 16.8 million tonnes in 2014 and 2015 respectively.

- European Rubber Journal, 08 July

**Vietnam Group targets to replant 40,000ha of rubber this year**

The state-owned Vietnam Rubber Group (VRG) targets to replant and grow 40,000 hectares of rubber this year, the *Nong Nghiep Vietnam* newspaper reported. In the first half of this year, VRG planted 21,000 hectares and replanted 15,000 hectares of rubber, meeting 90% of its full-year plan, Deputy Director-General, Le Xuan Hoe was quoted as saying by the newspaper.

Currently, VRG has over 400,000 hectares of rubber plantation, including 75,000 hectares in Cambodia and 27,000 hectares in Laos, he noted. During January-June, VRG exported 43,000 tonnes of rubber latex and sold 39,767 tonnes in the domestic market, Mr. Hoe said, adding that the average price is 45.5 million *dong* (US\$2,136) a tonne, down by 24.5% on year.

- Vietnam News Brief Service, 09 July

**Malaysian Government expects 0.3% GDP growth after GST**

The government expects growth of 0.3% in the country's gross domestic product (GDP) and 0.5% in exports with the implementation of the Goods and Services Tax (GST) next year. "Right now, our exports are more expensive by an average of 10% because of the existing sales and services tax," said Deputy Finance Minister, Datuk Ahmad Maslan at a GST dialogue in Kuala Lumpur.

"However once the GST comes into play, prices on our export products will be reduced, thus becoming more competitive. We therefore, foresee exports growing by 0.5% within the first year of GST implementation," he said. Ahmad said the growth figure will most likely be reflected in the second quarter of 2015, and will definitely grow higher going forward.

-Business Times, 10 July

**Halcyon Agri buys 9 factories from Lee Rubber**

Natural rubber producer Halcyon Agri Corporation has sealed a deal with Lee Rubber Group to acquire a Singapore-based company that owns and operates nine crumb rubber factories for \$450 million. The factories are in South Sumatra, North Sumatra, Jambi and West Kalimantan. They produce Standard Indonesian Rubber for leading global tyre producers.

Anson Company (Private) Limited - the entity being transacted - produced and sold 303,472 tonnes of natural rubber with revenues of \$963.2 million in 2013. Earnings before interest, tax, depreciation and amortisation was \$41.7 million, and net income was \$29.1 million. Robert Meyer,

Halcyon's Executive Chairman and CEO, said: "With this acquisition, we have transformed Halcyon Agri to be among the top five rubber producers worldwide, achieving one of the key goals we set for the development of our business."

*-Business Times Singapore, 14 July*

### **IRSG launches Sustainable Natural Rubber Initiative**

The International Rubber Study Group (IRSG) launched its Sustainable Natural Rubber Initiative (SNR-i) at its recent World Rubber Summit 2014 in Singapore. SNR-i is designed as a contribution to the sustainability and transparency of the rubber field, the IRSG said in a news release. It is an initiative of the IRSG's Industry Advisory Panel and is being developed as "a voluntary and collaborative rubber industry value chain activity," the group said.

The initiative is a working group comprised of representatives from both the producers' and manufacturers' sectors, with the IRSG Secretariat acting as facilitator, the group said. The SNR-i Working Group will meet at least once a year to review the Sustainable Natural Rubber criteria and indicators, the IRSG said.

*-Rubber & Plastics News V.43 No.25, 14 July*

### **Vietnam: Spain to invest in rubber latex factories in Binh Phuoc**

Several Spanish investors have pledged to invest in rubber latex processing factories in southern Binh Phuoc province, Minister of Planning and Investment Bui Quang Vinh said during a meeting with provincial officials on 14 July 2014. The minister said that the Spanish partners want to produce rubber products meeting the European Union market's quality standards at these factories, which will consume about 150,000 tonnes of rubber latex each year.

*-Thai News Service, 16 July*

### **MARGMA sees RM15bil rubber products exports this year**

The Malaysian Rubber Glove Manufacturers Association (MARGMA) expects export of rubber

products to reach RM15 billion this year, exceeding 2013's figure of RM14.6 billion. Its president Lim Kwee Shyan, said that in the first quarter of 2014, sales amounted to RM4 billion. Of this, 75% was derived from rubber gloves.

"We anticipate turnover of rubber gloves to reach RM12 billion in 2014, surpassing last year's figure of RM10.5 billion and 2012's figure of RM8 billion," he told a press conference in Kuala Lumpur. Earlier, MARGMA signed a memorandum of understanding with the Malaysian Rubber Export Promotion Council (MREPC) and nine key sponsors for the 7th International Rubber Glove Conference and Exhibition. The sponsors are Excelkos, Hartalega, Kossan, Latexx Partners, Smart Glove, Supermax, Top Glove, WRP and YTY.

*-The Star, 17 July*

### **'Suspend the Import of Natural Rubber'**

The Indian Rubber Growers Association has urged the Central Government to temporarily suspend the import of natural rubber under the advance license scheme in view of the steep fall in prices. In a representation e-mailed to Nirmala Sitharaman, Minister of State for Ministry of Commerce and Industry, it pointed out the various measures to be adopted urgently to rescue the ailing rubber sector in the country.

Their other demands include, increase the import duty on all goods manufactured out of natural rubber, including tyres to eight per cent, re-visit the norms for duty-free import of natural rubber, import should be restricted to end-users only, increase the import duty of natural rubber to 40% beyond the domestic requirement and to facilitate mandatory usage of rubberised bitumen in the country.

*-New Indian Express, 21 July*

### **Global elastomers**

An International Rubber Study Group (IRSG) survey reveals that the combined global production of natural and synthetic rubber grew by 3.1% to more than 27.5 million tonnes in 2013. Specifically, natural rubber increased by 3.8% to just over 12 million tonnes. Thailand and Indonesia are the primary supplier countries, with

more than 4.1 million tonnes (+9.6%) and just under 3.1 million tonnes (+2.2%), respectively.

China and the US are the world's leading synthetic rubber producer, with more than 4 million tonnes (up from just under 3.8 million tonnes in 2012) and 2.2 million tonnes (-3.4%), respectively. Out of around 27 million tonnes of consumed rubber, 11.4 million tonnes were natural rubber and 15.5 million tonnes were synthetic rubber.

*-Company Reports, 23 July*

### **World rubber consumption increases 4.3% in 1Q**

According to the International Rubber Study Group (IRSG), total world rubber consumption has risen by 4.3% in the first quarter of 2014 due to sustained world economic expansion, especially in the advanced economies. However, growth rates in the last three quarters of 2013 are relatively higher. On the average, the total world rubber consumption increased by 4.4% in the four quarters to the first quarter of 2014 as compared to 0.1% in the previous quarters.

China and the Asia-Pacific region (excluding China) accounted for much of the growth in the total rubber consumption. Growth in the two regions is driven by the sustained recovery in local demand and the increasing external demand for finished rubber products. In the first quarter of 2014, the exports of total automobile tyres rose by 13.2% and nine percent in China and the Asia-Pacific region, respectively. Total domestic sales of automobiles in Asia also increased by 7.9%. Worldwide demand for natural rubber and synthetic rubber rose by 4.1% and 4.6%, respectively.

*-Company Reports, 23 July*

### **Demand for rubber in China to grow at 6.5%/y**

Natural rubber consumption will reach 3.51 million tonnes at end 2014 and 4.52 million tonnes by 2018. In 2013, output of the material was 850,000 tonnes in China with consumption reaching around 3.314 million tonnes, showing 12% growth from 2012.

The automobile tyre industry's consumption accounts for 70% of the total. Demand is expected to steadily increase due to developments in the automobile tyre industry and the downstream synthetic rubber market.

*-European Rubber Journal, 23 July*

### **Commercial vehicle sales set to improve**

Sales of commercial vehicles are expected to improve in the second half of 2014 despite a minor slowdown in the first six months of the year. Industry observers believed that sales would be sustained by steady construction jobs for the rest of 2014.

"We do expect sales of commercial vehicles to be better in the second half of the year. However, full-year sales may be the same as the number of units sold in 2013," said Malaysian Automotive Association (MAA) President, Datuk Aishah Ahmad. Sales of commercial vehicles slipped by 3% to 36,363 units in the first half of 2014 from 37,497 units in the previous corresponding period. A total of 79,136 commercial vehicles were sold in 2013. Analysts are optimistic that steady construction jobs will spur commercial vehicles for the rest of the year.

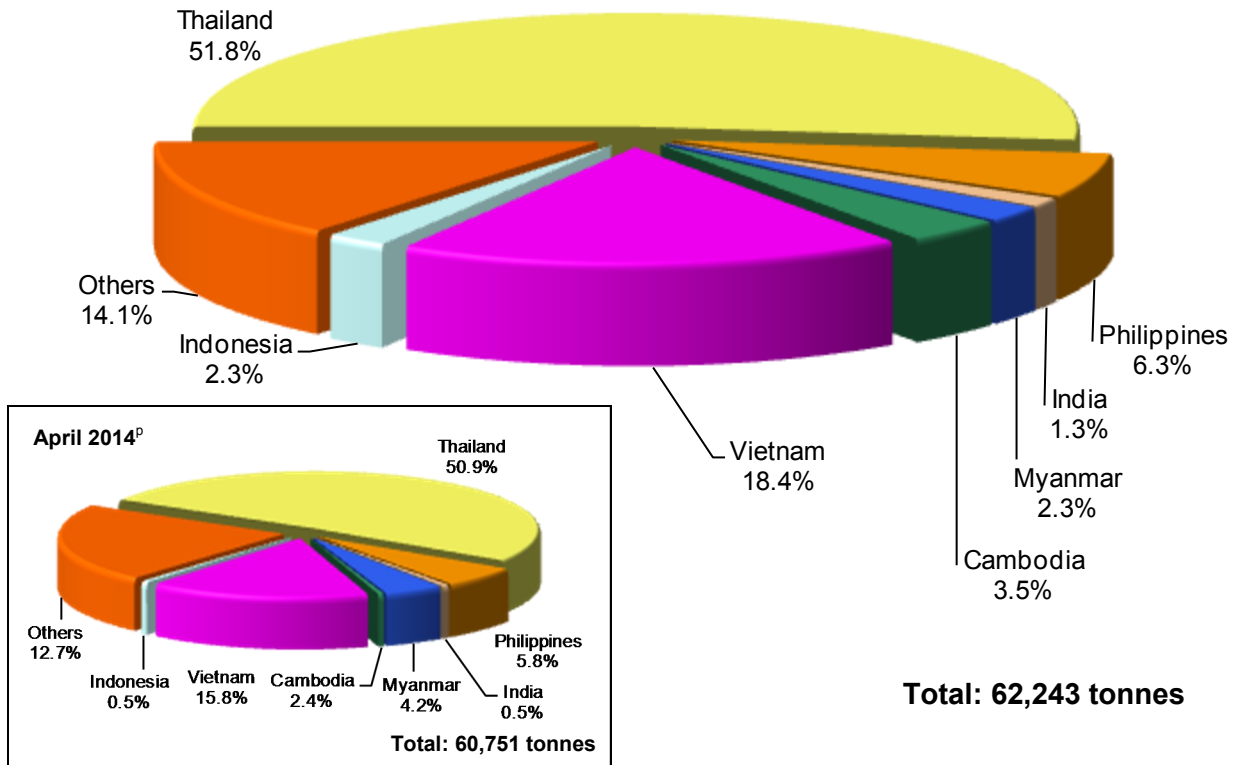
*-The Star, 30 July*

### **China's economy to grow 7.5 percent in 2014**

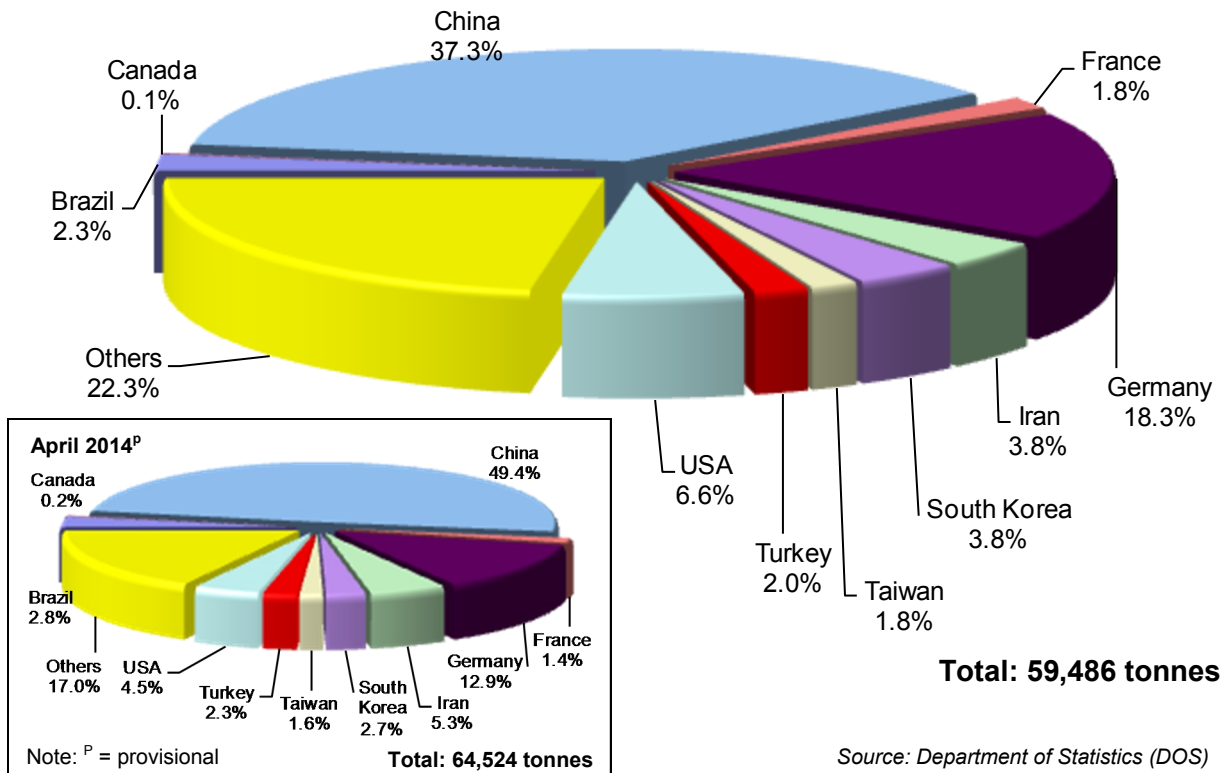
The International Monetary Fund (IMF) said that China's economy is projected to grow by 7.5% this year with inflation below three percent, Xinhua reported. "Consumption and the labor market are holding up well, and the global recovery is expected to support activity going forward. Inflation is forecast to remain below three percent," the report added.

*- Middle East North Africa  
Financial Network, 31 July*

### Malaysia's NR imports by countries May 2014<sup>P</sup>

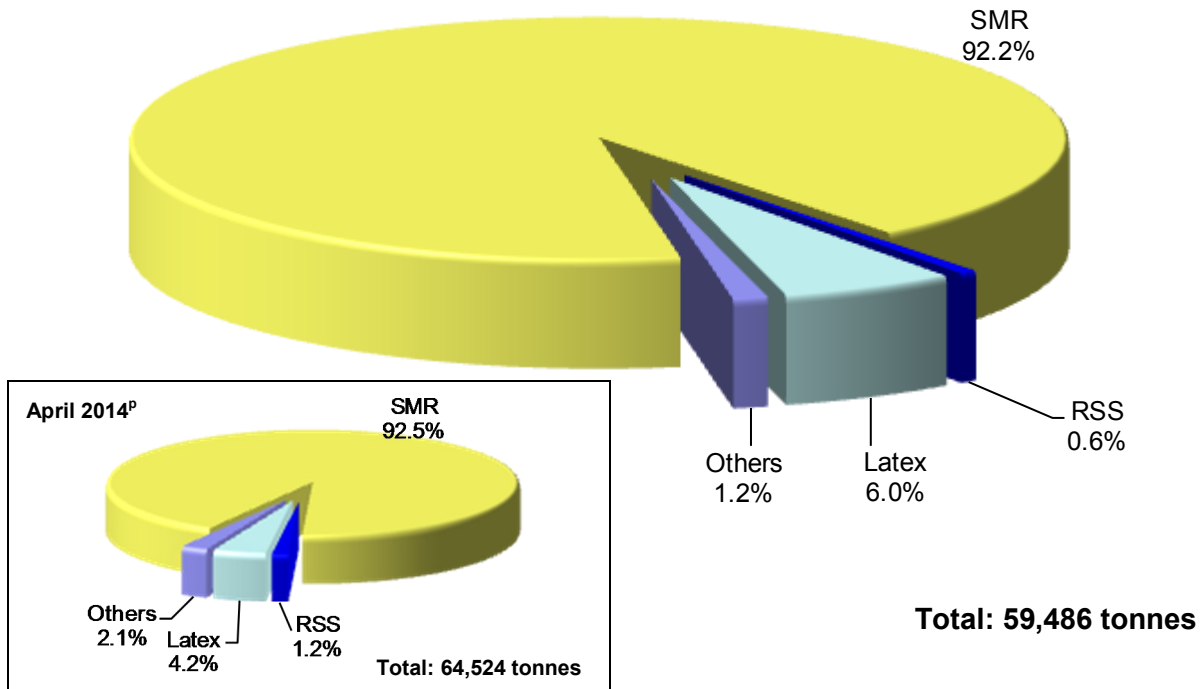


### Malaysia's NR exports by countries May 2014<sup>P</sup>

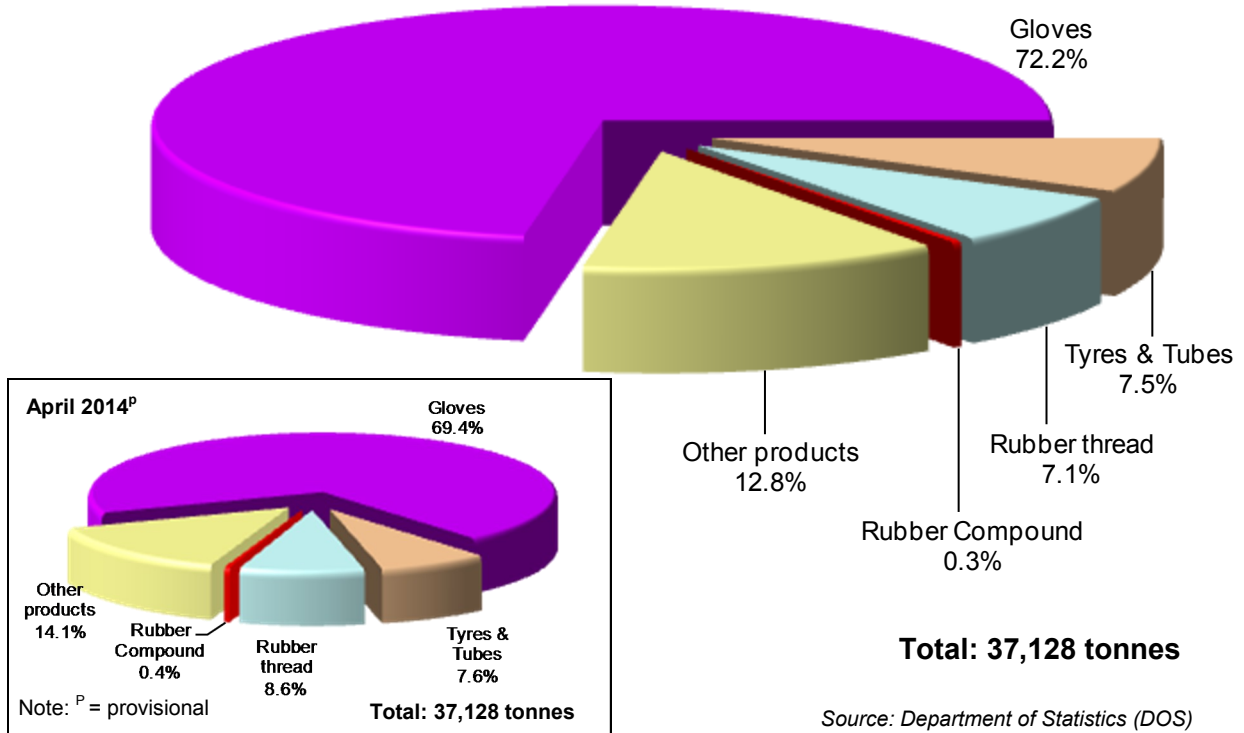


Source: Department of Statistics (DOS)

**Malaysia's NR exports by types May 2014<sup>P</sup>**



**Malaysia's NR consumption by sectors May 2014<sup>P</sup>**



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