



# MALAYSIAN RUBBER BOARD

## D I G E S T

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## Natural Rubber Market Review

### September

In September 2014, the Kuala Lumpur rubber market witnessed a downtrend following uncertainties in futures markets, besides further decline in crude oil prices. It was reported that despite active short-covering by Chinese buyers, the volume traded on spot markets was low, indicating sluggish uptake. In addition, the strengthening of the ringgit also added up to the decline. Compared with levels on 29 August 2014, the price of SMR 20 was down by 35.00 sen/kg or 6.9% to close at 474.00 sen/kg while latex concentrate closed at 378.50 sen/kg, a decrease by 32.00 sen/kg or 7.8%. The price movements of selected grades of rubber in September 2014 is shown in *Table 1*.

The market saw a mixed trend for the first trading week with prices being on the uptrend during the beginning but then fell at the end following the negative sentiment over a report that growth in China's vast factory sector slackened in August 2014 as both foreign and domestic demand slowed. Besides low crude oil prices, the market also responded negatively over a statement by

Thailand's rubber estate organisation that the kingdom's military government had sold half of 200,000 tonnes of rubber stockpile to a leading exporter in the kingdom and aimed to sell the rest by end-September 2014. The SMR 20 price continued to decline as the news, which raised fears of surplus supplies in an already well-stocked market, continued to affect the market sentiment negatively. In addition, the strengthening of the ringgit also led to the decline.

The market extended further loss during second trading week, tracking low performance in Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE), besides further decline in crude oil prices. It was reported that despite active short-covering by Chinese buyers, the volume traded on spot markets was low, indicating sluggish uptake. Prices continued to decline in line with those at the futures markets, which have plunged by more than 30% so far this year, hurt by worries about China's economy and Thailand's decision to sell the kingdom's stockpile. More than 10,000 rubber farmers in Thailand, based mostly in the south, were preparing to launch protests against the kingdom's junta government and demand it to announce measures to help them counter a

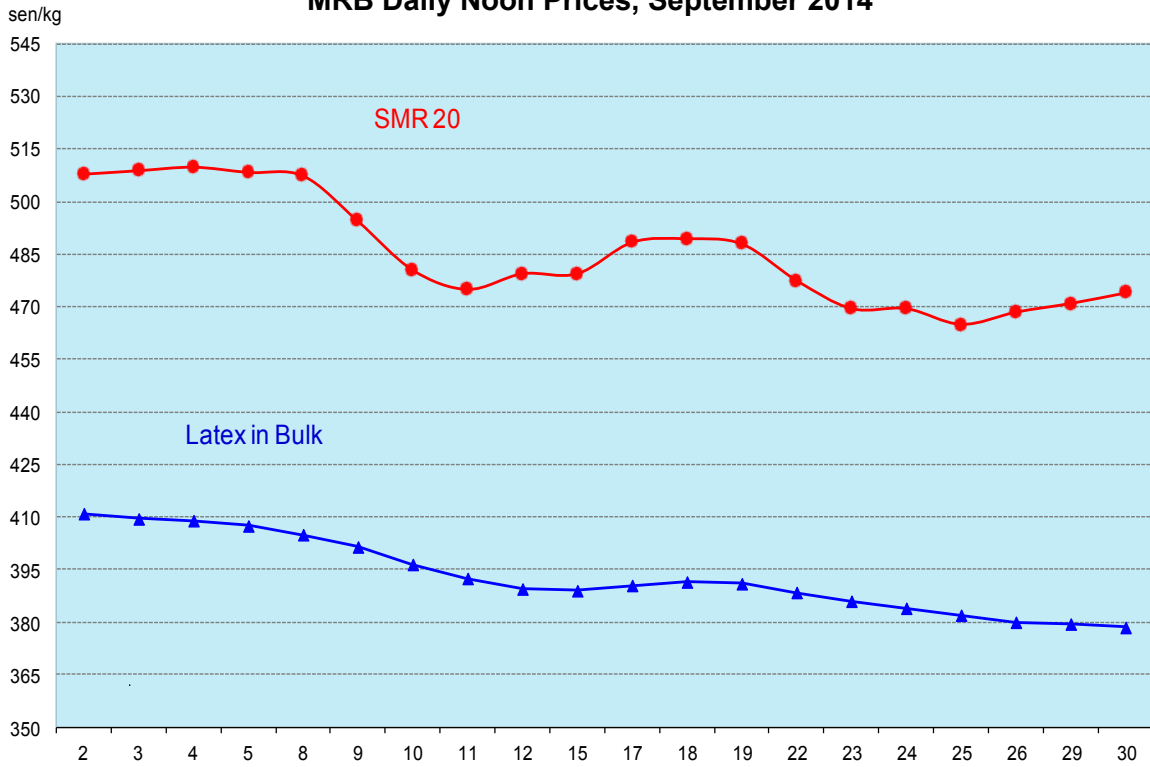
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, September 2014**

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	708.50	7,085.00	510.00	5,100.00	411.00	4,110.00
<b>Lowest</b>	641.00	6,410.00	465.00	4,650.00	378.50	3,785.00
<b>Average</b>	676.63	6,766.30	485.65	4,856.50	393.13	3,931.30
<b>Change from the last day of the previous month</b>	-65.00	-650.00	-35.00	-350.00	-32.00	-320.00

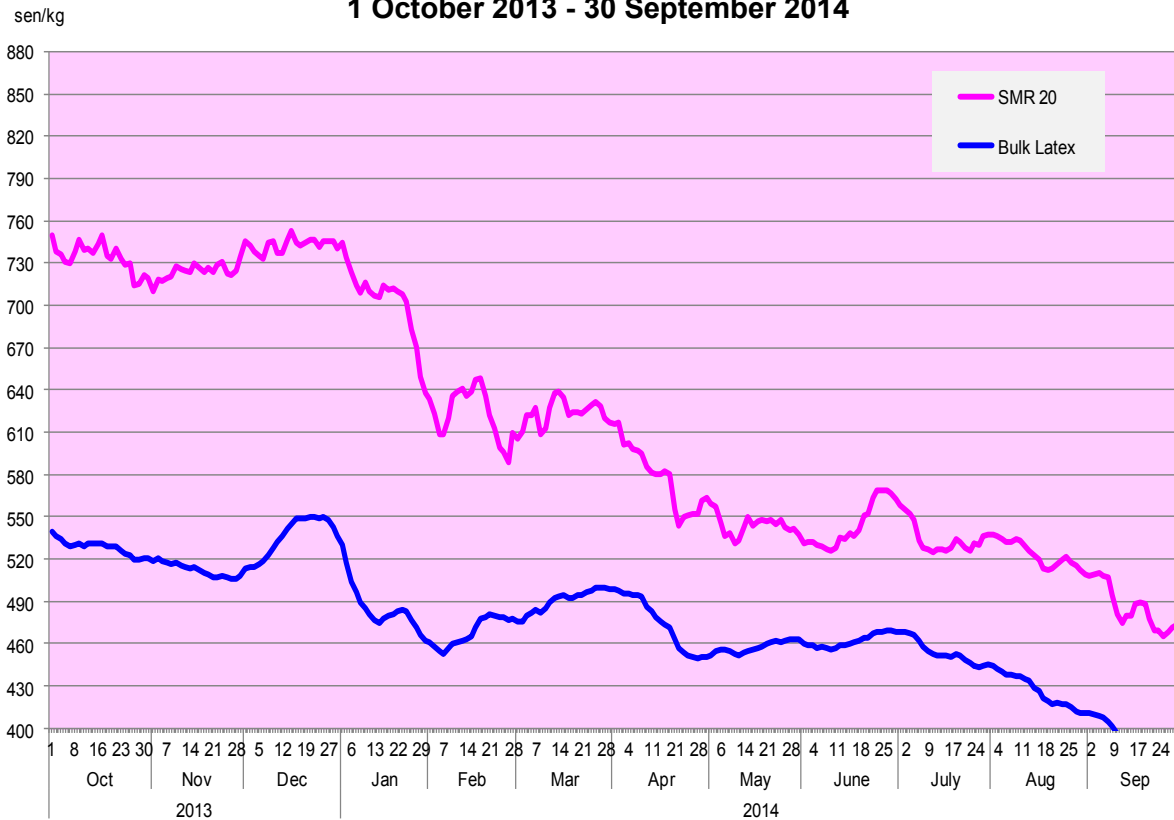
Note: \* Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

### MRB Daily Noon Prices, September 2014



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices 1 October 2013 - 30 September 2014



slump in prices to five-year lows.

During the third week, the market was mixed as the ringgit continued to weaken, in addition to the positive sentiment brought by a report that major buyers from China and India were on bargain-hunting, taking the advantage of the currently low price level. The same factor had also influenced the trend in both TOCOM and SHFE, apart from thin trade and a report that the rubber production in Vietnam and Cambodia is picking up in contrast to that of Thailand, Indonesia and Malaysia. However, the weakening of the ringgit had at least curbed the price from declining. Meanwhile, it was reported that although Chinese buyers made some purchases following shrinking stockpile in Qingdao port, many rubber exporters were reluctant to sell at the currently low price.

The market continued its decline during the fourth week following a stronger ringgit as well as the negative sentiment brought by a report over the fall in Japanese equity market and continuous fear over the strength of China's economy. The Chinese Finance Minister, Lou Jiawei, said in a statement that the country will not dramatically alter its economic policy because of any one economic indicator, in remarks that came days after many economists lowered growth forecasts having seen the latest set of weak data. The SMR 20 price rebounded slightly during middle of the week following the news that the Thai Government had postponed the sale of its remaining 100,000 tonnes of rubber stocks to avoid further depressing prices. Another positive factor was a report that China's manufacturing sector unexpectedly picked up some momentum in September 2014 even as factory employment slumped to a 5-1/2 year low. Meanwhile, the IRCo's Chief Executive, Yium Tavarolit, commented that the fall in stockpile in Qingdao could either mean that China's demand is steady, or that China's rubber trade participants have not been able to obtain credit for their imports. The market eventually saw an increase in SMR 20 price following a technical correction, apart from a weaker ringgit.

## Outlook

The Kuala Lumpur rubber market is expected remain in a downward trend for the coming month following the negative sentiment brought by continuous worry of a slowing Chinese economy.

Any rebound will be met by producers' selling while the sentiment remains fragile and weak.

## News Briefs

### ***Asian rubber: thriving against rubber volatility***

According to the International Rubber Consortium (IRCo), low inventories have been produced for sale in early 2014, especially in Asian rubber producing countries, due to the expected dramatic decline in rubber prices. About a third of global output comes from Thailand, Malaysia and Indonesia. IRCo had implemented a strategy which had caused a decrease of 300,000 tonnes in exports.

Affected Asian countries have sought ways to improve prices. In Thailand, where prices have dropped to 50 baht/kg from 100 baht/kg in 2012, a budget of 5.9 billion baht has been allocated by the National Council for Peace and Order (NCPO) to implement measures to help the industry to recover. In Indonesia, state bank PT Bank Mandiri increased the credit limit for the rubber plantation and processing industry from 6.9 trillion rupiah in the first half of 2013 to Rupiah 7.3 trillion rupiah in the first half of 2014. The country is predicted to contribute 3.205 million tonnes of rubber in 2014. In Malaysia, rubber prices will be regulated at the plantation level through a RM 6.4 million-funded scheme to be implemented by the Malaysian Rubber Board (MRB).

*-Plastics & Rubber Asia, 1 Sep*

### ***Thai government sells half of 200,000 tonnes rubber stockpile, aims to sell rest by Sept***

The Thai military government has sold half of the country's 200,000 tonnes of rubber stockpile to a leading Thai rubber exporter and aims to sell the rest by the end-September, a senior government official said.

"We have signed a contract with the exporter and the rubber should be cleared up from the state warehouses within three months from now," the Head of the Rubber Estate Organisation, Chanachai Plengsiriwat told Reuters, declining to reveal the name of the exporting firm. He said the government was also in talks with three major rubber exporting firms to sell the remaining

100,000 tonnes of rubber stock and is expected to seal the deal by end-September.

*-Reuters News, 3 Sep*

### ***Tyre industry: review of regional trade agreement needed***

The Indian tyre industry wants the government to revisit the regional trade agreements (RTAs) that are allowing huge volumes of tyre imports while restricting the entry of raw materials. The inverted duty structure is a concern for the tyre sector.

The country's tyre industry is in talks with the Finance Ministry to tweak the RTAs. The Vice-Chairman of the Automotive Tyre Manufacturers Association (ATMA), Dr. Raghupati Singhania said, "Low import tariffs in India have encouraged a large and growing volume of tyre imports, despite more than adequate domestic manufacturing capacity and substantial investments.

*- India Transport Portal, 4 Sep*

### ***Rubber industry in need of boost amid price drops***

The Indonesian rubber industry is in dire need of a boost, as investment in and exports of the commodity struggle to improve amid declining rubber prices. Exports of rubber products rose by just 4.9% to US \$629 million last year from 2009, lower than the 6.7% growth in shipment of unprocessed rubber to \$2.7 billion in the same period, statistics from the Trade Ministry showed.

The Industry Ministry's Director General for Agriculture and Chemical Industries, Panggah Susanto, said that the priority for now would be given to the development of the latex industry as the market was prospective, while the technology applied in production was quite simple. This would mean that the downstream sector would be unlikely to pick up in the near future.

*-The Jakarta Post, 8 Sep*

### ***Rubber industry to contribute RM52.9 bln to GNI by 2020***

The Malaysian rubber-based industry is expected to contribute RM52.9 billion to the country's gross national income by 2020 through targets set under the National Key Economic Area, said Deputy Minister of Plantation Industries and Commodities, Datuk Noriah Kasnon.

She said that the development of income projection since 10 decades ago has shown that the rubber industry's contribution would continue to be important and relevant for the long-term, and become among the key income sources for Malaysians, particularly the rural folks.

Norah said that in ensuring the rubber industry continued to be relevant as an important source to the economy and provided income to the smallholders, the MRB would continue to increase its research and development (R&D) activities towards diversifying further the use of rubber including producing advanced and environmentally friendly rubber products such as Ekoprena and Pureprena.

*-Bernama Daily Malaysian News, 11 Sep*

### ***Thailand: New 10-year Rubber Development Plan aims to reduce natural rubber output by 100,000 tonnes a year***

Under the plan, Thailand's rubber output will be reduced by about 100,000 tonnes by the end of the first-year implementation, or 700,000 tonnes after seven years. Towards that goal, the ministry will put down 400,000 rai of unproductive rubber trees annually and encourage growers to grow alternative plants that give higher economic returns, on an estimated area of 100,000 rai in seven years.

Besides, the Ministry of Agriculture and Cooperatives will promote technology transfers to enable rubber growers to reduce production cost and adopt efficient technologies to raise their annual output. The Bank of Agriculture and Agricultural Cooperatives will provide five billion baht in loan to rubber growers to support their bids to raise the production capacity and develop processing techniques.

*- Thai News Service, 12 Sep*

### **Malaysia and China to increase collaborative efforts in rubber research**

Malaysia will increase its collaborative efforts with China in rubber research and technology as part of the overall strategy to market more rubber products, said Minister of Plantation Industries and Commodities, Datuk Amar Douglas Uggah Embas.

Speaking at a seminar on engineered rubber products at Tongji University, he that said China has seen rapid infrastructural development such as in bridge, highway, rail and port construction where rubber parts such as rubber bearings are important. "Malaysian rubber bearings are made of high quality natural rubber designed to dampen vibration and have excellent resistance to fatigue. Malaysia successfully supplied the floating slab track rubber bearings in 1977 for the Hong Kong MRT Tsuen Wan Extension Line," he said.

*-Bernama Daily Malaysian News, 17 Sep*

### **China automotive rubber hose market worth 7 billion Renminbi by 2017**

Thanks to its huge automobile market base, China's demand for automotive rubber hose is enormous, totaling 460 million metres and equaling 17.4 billion renminbi in market scale in 2013. As automobile industry develops further, the demand for automotive rubber hose will maintain a steady growth trend, with demand expected to reach 640 million metres and market size at 24.1 billion renminbi. From the perspective of market value, fuel hose is the largest segment as concerns scale, topping 5 billion renminbi in 2013, more than 29% of total market value of automotive rubber hose and expected to hit 7 billion renminbi by 2017, higher than that of other types of hoses.

*- PR Newswire (U.S.) 18 Sep*

### **Thailand: Prayuth prepared to include rubber pricing as national agenda**

The Thai Government is set to include measures to boost rubber prices as its national agenda in a bid to help shoulder the burden of low-income rubber growers. Prime Minister, General Prayuth Chan-ocha said after a meeting with the National

Rubber Policy Committee that Thailand's rubber pricing structure and other related issues will undergo reforms.

At the meeting, it was agreed that measures proposed by the Ministry of Agriculture and Cooperatives such as setting up low-interest loans for farmers and creating markets for natural rubber will be implemented to solve the long-standing problem of low rubber prices. The government also plans to restore subsidy payments to farmers at the rate of 2,520 baht per rai. The Bank of Agriculture and Agricultural Cooperatives (BAAC) will also set aside 5 billion baht for refinancing loans to farmers.

*-Thai News Service, 22 Sep*

### **Tyre, rubber sector pitch for national policy**

The tyre and other sectors of the Indian rubber industry have written to additional secretary plantations in Ministry of Commerce, who is also the chairman of the expert committee to draft national rubber policy, that the natural rubber stock figures at the end of August 2014 as released by the Rubber Board shows a discrepancy of approximately 1 lakh tonne.

Coming in the wake of second meeting of the expert committee to formulate national policy at Kochi, the assertion by the industry assumes significance.

*-The Economic Times (Bangalore Edition), 23 Sep*

### **Philippines: Creation of rubber industry board pushed**

A Filipino lawmaker is pushing for the creation of a national rubber industry development board to provide a strong foundation for the development and stability of the rubber industry in the Philippines. The Board's major task is to promote the development and growth of the rubber industry by improving productivity, quality, and expanding manufacturing and export of rubber and rubber products.

Among the specific responsibilities of the Board are to act as the top advisory body in all initiatives and concerns relevant to the rubber industry, promote investment in public and private lands,

joint ventures in rubber planting, processing and rubber product manufacturing as well as advocate for supportive policies including the provision of rubber industry development funds, long-term finance, private equity, and investment incentives.

*-Thai News Service, 23 Sep*

### ***Sustainable tyre material***

The Tun Abdul Razak Research Centre offers the epoxidized natural rubber Ekoprena, a sustainable raw material for tyres. Ekoprena has a negative carbon footprint and is available in two grades, Ekoprena 50 and Ekoprena 25.

*-Company Reports, 23 Sep*

### ***US: Bridgestone opens Biorubber Process Research Centre in Mesa, Arizona***

Bridgestone Americas (BSA) has announced the grand opening of its Biorubber Process Research Centre in Mesa, Arizona. The 10-acre research and innovation campus is the centre of Bridgestone's efforts to extract natural rubber from guayule, a shrub native to the southwestern US.

Bridgestone will supply the Biorubber Process Research Centre with biomass for rubber production from guayule grown on its 281-acre Agro Operations Research Farm in nearby Eloy, Arizona. Bridgestone employs a team of scientists at the farm who research the genetic improvement of guayule, optimising agronomic practices for growing the crop and supplying biomass for the Biorubber Process Research Centre. Guayule rubber produced at the Biorubber Process Research Centre will be sent to Bridgestone's technical centres in both Akron, Ohio and Tokyo, Japan.

*-Just-Auto, 24 Sep*

### ***Continental presents first test tyres made***

### ***from dandelion rubber Taraxagum***

The international tyre manufacturer and automotive supplier, Continental, has reached an important milestone in its research project for the industrialization of dandelion rubber in tyre production.

During the International Motor Show (IAA) Commercial Vehicles in Hanover, Continental presented the first test tyres made from the innovative material that the company is calling Taraxagum, derived from the botanical name for dandelion (taraxacum). The natural rubber in the treads of the test tyres was completely replaced with Taraxagum. This important step takes Continental even closer to reaching its goal of making tyre production more sustainable and less dependent from traditional raw materials.

*-ENP Newswire, 24 Sep*

### ***Bank Negara expects GDP to exceed 5%-5.5% forecast this year***

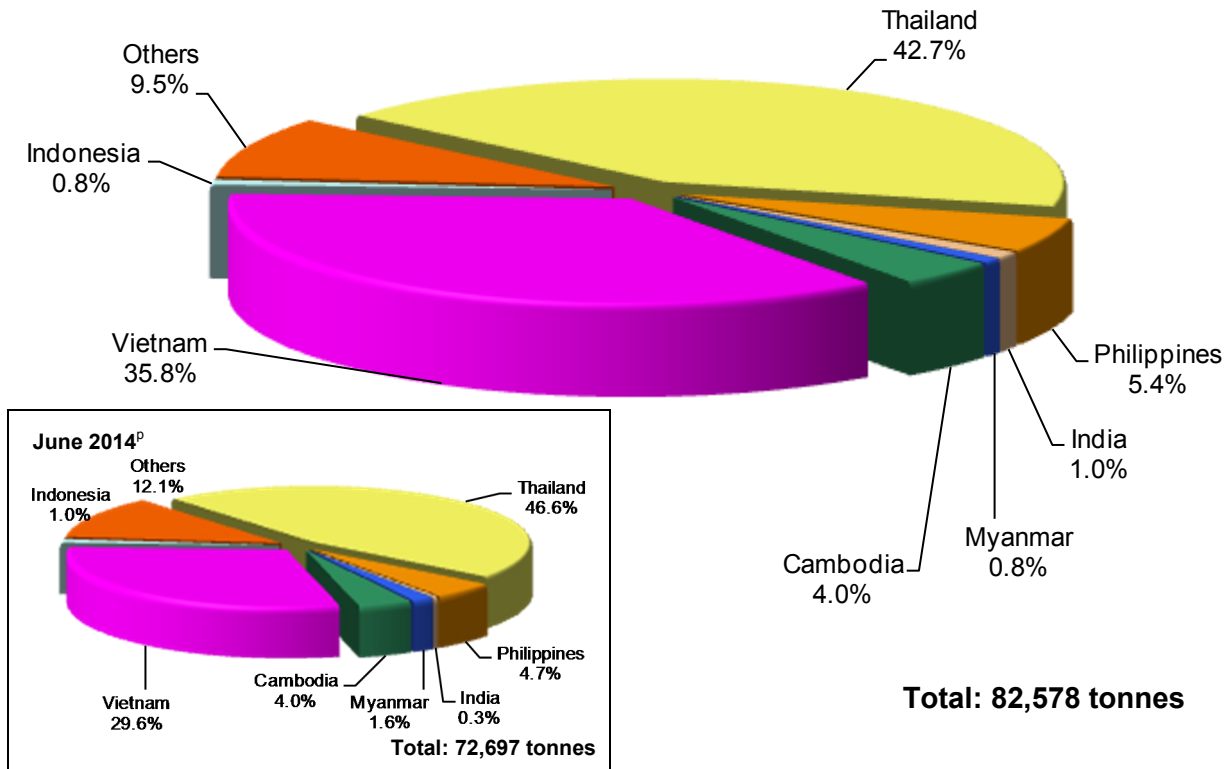
Bank Negara will look at the country's economic growth rate and inflation for any revision of the overnight policy rate (OPR) and expects the country's gross domestic product (GDP) to exceed the 5%-5.5% forecast. "It is not just as straightforward as that, because we will look at the source of the growth and inflation adjustments.

"If they are viewed to be of a permanent nature or whether it's transitory and temporary, this would have implications on our decision (on OPR)," governor Tan Sri Dr. Zeti Akhtar Aziz said after launching the Financial Services Professional Board (FSPB). She said that the central bank would also look at the risk of any destabilising financial imbalances and these factors would also be taken into consideration.

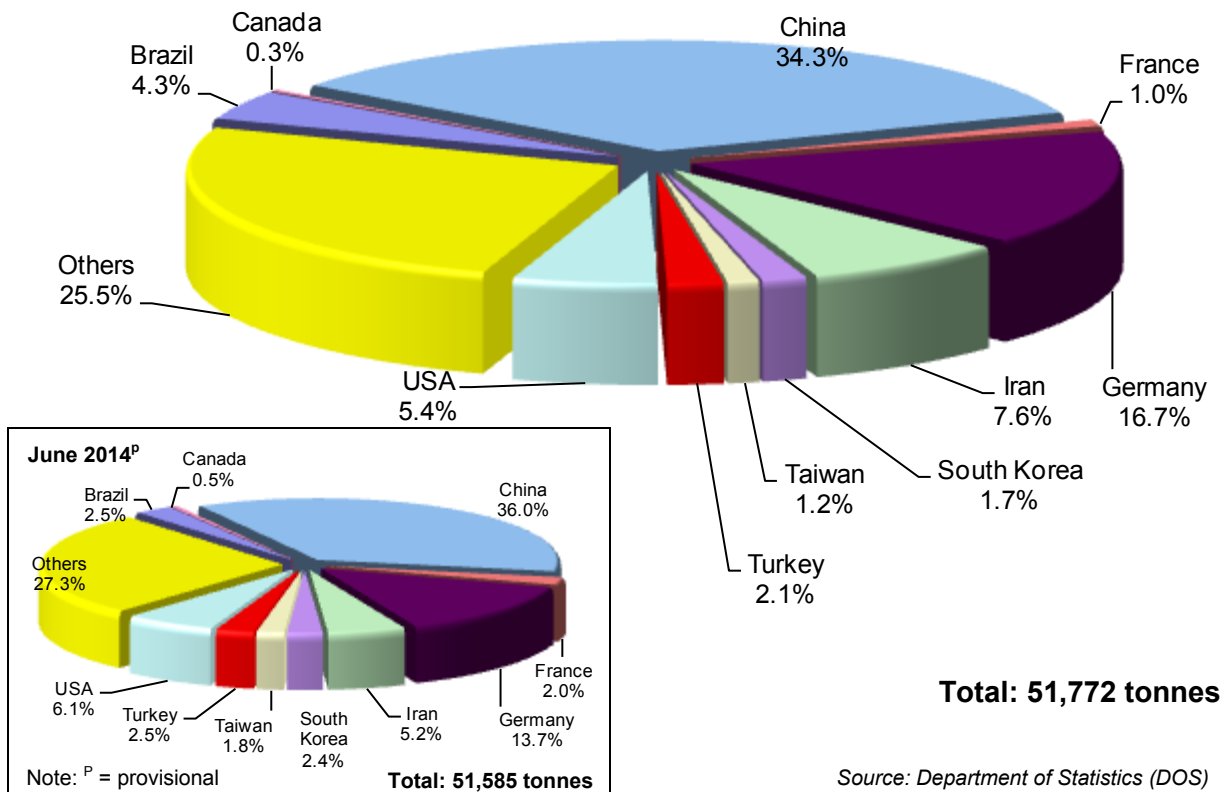
The central bank had earlier raised OPR to 3.25% from three percent. At the Monetary Policy Committee meeting, Bank Negara decided to maintain the OPR at 3.25%. When asked, Zeti said the country's GDP growth this year could surpass the 5%- 5.5% forecast in view of the first half-year performance.

*-The Star, 25 Sep*

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

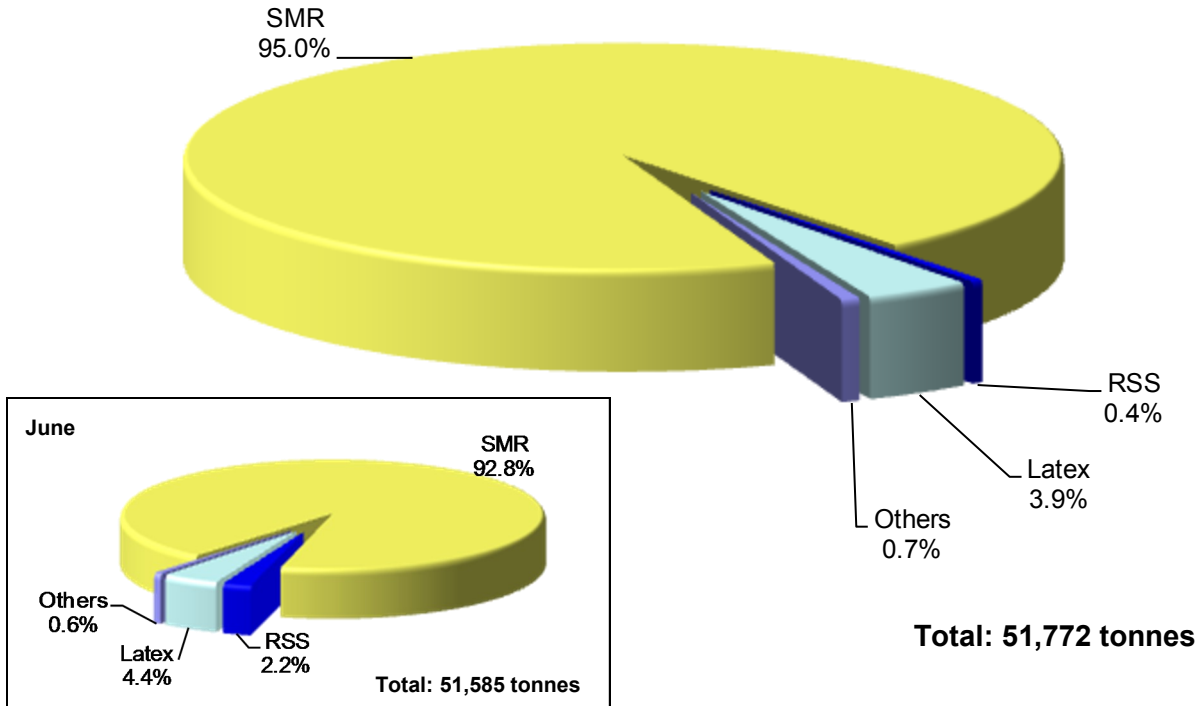


### Malaysia's NR exports by countries July 2014<sup>P</sup>

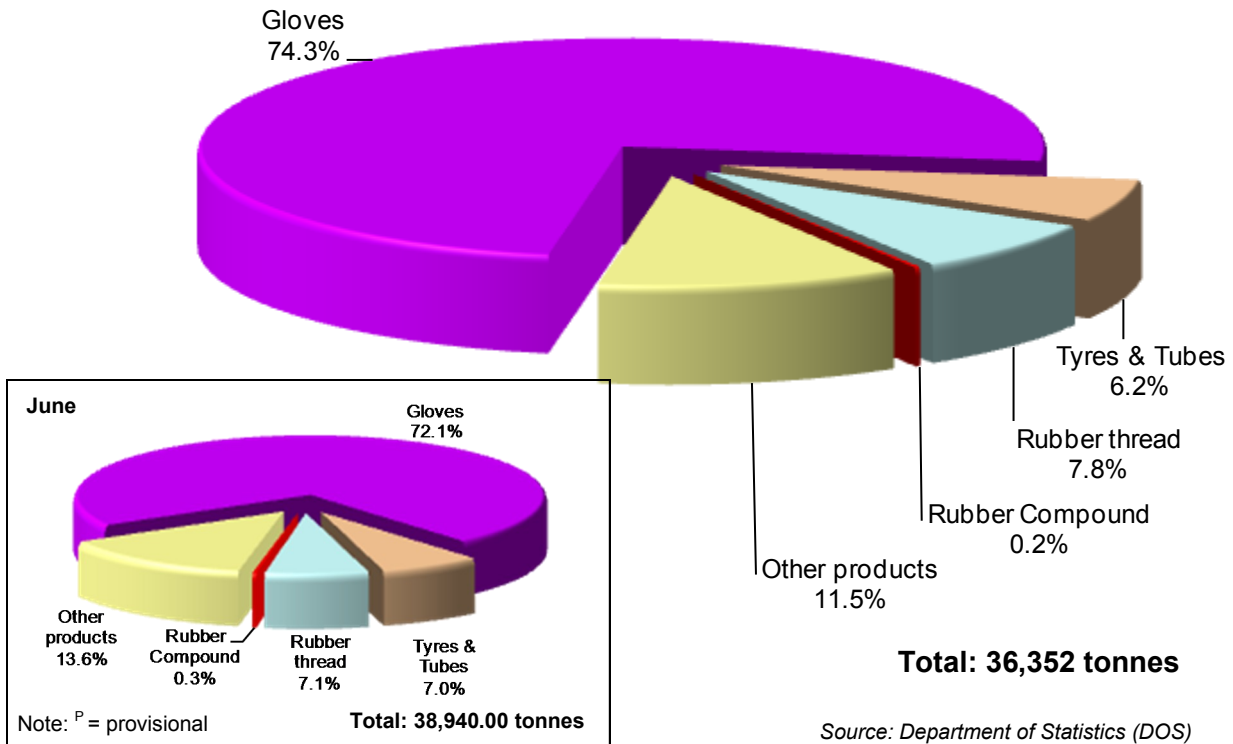


Source: Department of Statistics (DOS)

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



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



Source: Department of Statistics (DOS)