



Natural Rubber Market Review

January

In January 2015, the Kuala Lumpur rubber market saw a mixed trend following a further fall in crude oil prices and a weakening of the ringgit while concerns over tighter raw material supply also weighed. Compared with those on 31 December 2014, the price of SMR 20 decreased by 27.50 sen/kg or 5.25% to close at 496.50 sen/kg while latex concentrate closed at 361.50 sen/kg, a decrease by 16.00 sen/kg or 4.24%. The price movements of selected grades of rubber in January 2015 are shown in *Table 1*.

During the first trading week, prices slightly rebounded following on the uptrend in the regional futures markets. Apart from a weak ringgit and a rally in regional futures markets, the market witnessed an increase in both SMR 20 and bulk latex prices in response to a statement by International Rubber Consortium (IRCo) Chief Executive, Yium Tavarolit, that rubber production in Thailand and Malaysia will contract by at least 100,000 tonnes a month if the floods persisted. The rubber market remained in the upbeat over the positive sentiment brought by the disruption

of raw material supply owing to heavy rain and floods in both Peninsular Malaysia and Southern Thailand, the main rubber growing areas in the region. Prices continued to witness a further increase at the end of week. Besides the weakening of the ringgit, it was reported that the floods was expected to trim Malaysian rubber output by 30,000 tonnes, which will position Malaysia to produce 700,000 tonnes this year, from 800,000 tonnes in 2013.

The market continued its mixed trend during the second trading week. Besides a further weakening of the ringgit, it tracked the downtrend in regional futures markets following a further fall in crude oil prices on a weaker demand for the said commodity. The rubber prices market saw a sharp decline in the price of SMR 20. Apart from the appreciation of the ringgit and the decline in regional futures markets, the market also responded negatively to a report that the World Bank lowered its global growth forecast for 2015 and the next year due to disappointing economic prospects in the Eurozone, Japan and some major emerging economies.

During the third trading week, prices were mixed on a stronger ringgit and weaker oil prices. Although the ringgit continued to weaken, the

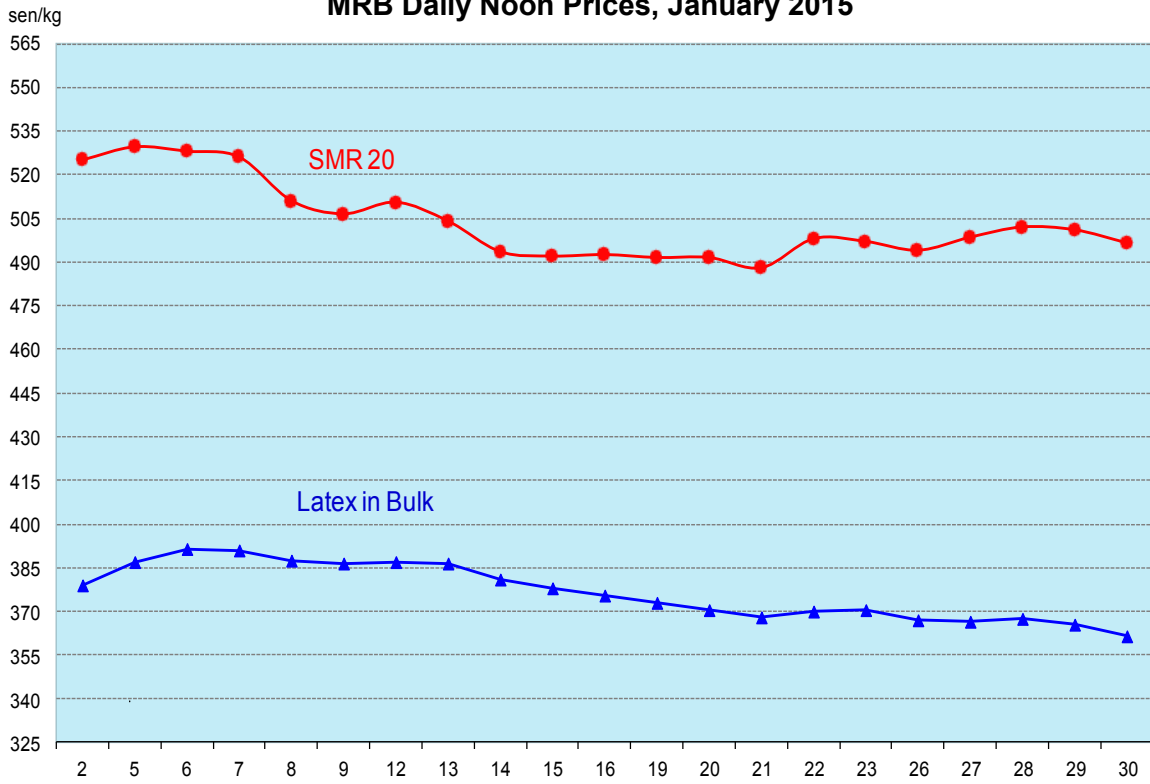
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, January 2015

| | SMR CV | | SMR 20 | | Latex Concentrate | |
|---|--------|----------|--------|----------|-------------------|----------|
| | sen/kg | RM/tonne | sen/kg | RM/tonne | sen/kg | RM/tonne |
| Highest | 662.50 | 6,625.00 | 529.50 | 5,295.00 | 391.50 | 3,915.00 |
| Lowest | 634.50 | 6,345.00 | 488.00 | 4,880.00 | 361.50 | 3,615.00 |
| Average | 645.71 | 6,457.10 | 503.64 | 5,036.40 | 376.69 | 3,766.90 |
| Change from the last day of the previous month | -22.00 | -220.00 | -27.50 | -275.00 | -16.00 | -160.00 |

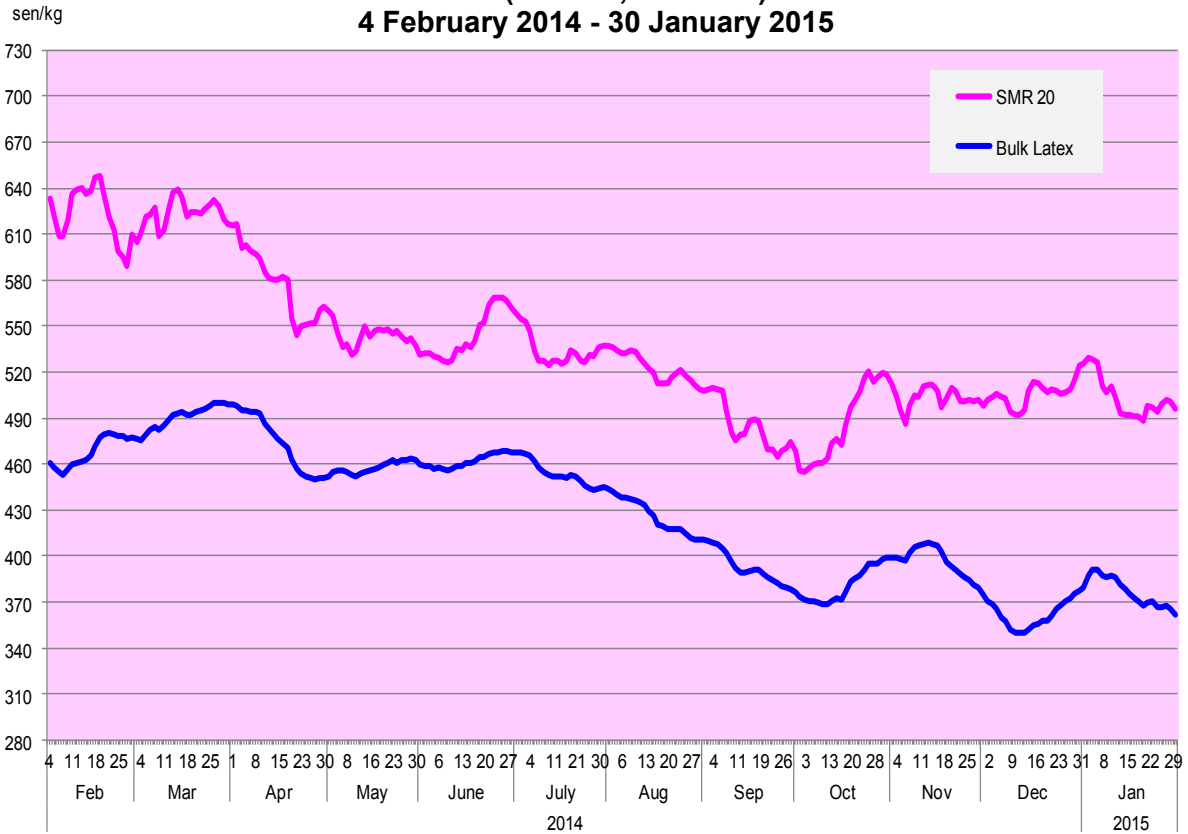
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, January 2015



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
4 February 2014 - 30 January 2015**



gain in the market was capped by a report on the expectation that China's annual economic growth was likely to slow to 7.2 % in the fourth quarter of 2014, the slowest pace since the first quarter of 2009 and short of Beijing's target of 7.5 percent. It was reported that buying interest for rubber ticked up but many producers were reluctant to sell as they expected higher prices, while concerns over tighter raw material supply also weighed. Meanwhile, the positive sentiment over a report that Thailand's National Council for Peace and Order (NCPO) and the kingdom's government will instruct the Government Savings Bank and Krung Thai Bank to provide business operators with soft loans worth 25 billion *baht* to buy natural rubber from farmers had curbed further decline.

During the fourth trading week, the market continued its mixed trend. The rubber prices witnessed a further decline on a lack of buying interests and a further fall in crude oil prices. The market also responded negatively over Reuters' poll report that emerging Asian economies will grow at a lackluster pace this year and next, held back by a slowdown in China and weak global demand, while cooling inflation will probably throw open the door for monetary policy easing. Meanwhile, it was also reported that rubber inventories in warehouses monitored by the Shanghai Futures Exchange (SHFE) rose by 2.7% from the previous week, which also dampened the market sentiment.

Outlook

The Kuala Lumpur rubber market is expected to be influenced by the movement of the value of the ringgit and current trend in crude oil prices. In addition, the performance of regional futures markets is also expected to shape the market trend for the next month.

News Briefs

India appoints special panel to study rubber tyre industries

The Narendra Modi-led Indian Government has appointed a parliamentary standing committee to study about the rubber and tyre industries. The parliamentary standing committee on commerce will tour West Bengal Tripura and Kerala January-

February to analyse the situation of the rubber and tyre industry in the country, its head, Chandan Mitra said.

Last month, in a crucial meet with Kerala government, the top tyre companies had agreed to purchase rubber at a rate which is 25% higher than the daily prevailing price at the Bangkok rubber market. The new arrangement will continue till the end of this fiscal, which is likely to give some lifeline to the rubber plantation industry.

-Commodity Online, 2 Jan

Vietnam rubber looks for new sales channel in Japan

Vietnam is becoming a bigger force in the global market for natural rubber. Vo Sy Luc, Chairman of the country's biggest natural rubber producer, Vietnam Rubber Group, said that the state-run company wants to build stable long-term relations with Japanese buyers.

The company's annual output is roughly 300,000 tonnes. Most of that is used to make rubber bands and clothing, while relatively little goes for low-cost rubber for car tyres. Vietnam Rubber Group plans to increase rubber production for tyres, aiming to sell 15,000 tonnes of natural rubber to Japanese automotive makers in 2015 through the newly-established sales unit.

-Nikkei Report, 4 Jan

Thai Cabinet gives green light for merger of futures exchanges

The Thai Cabinet has given its approval in principle for the agricultural futures market to be merged with the futures market that relies on commodities and financial instruments in a bid to help accommodate investors, The Nation reported. The merger is part of a plan to boost the capital market by increasing its competitiveness and it could partly help to shore up rubber prices via the futures-market mechanism when the price tumbles.

The two futures markets are Thailand Futures Exchange (TFEX) and the Agricultural Futures Exchange of Thailand (AFET). TFEX is currently supervised by the Stock Exchange of Thailand, while AFET is managed by the Commerce

Ministry. After the merger is completed, the TFEX is likely to be supervised by the SET. Afterwards, regulations for the two futures markets will be amended to comply with the new merged entity, Deputy Government Spokesman, Sansern Kaewkamnerd said.

-Thai News Service, 6 Jan

7 ASEAN states banding together to shore up rubber prices

Sliding natural rubber prices have prompted an industry group backed by the governments of Thailand, Indonesia and Malaysia, to seek four other countries' cooperation in managing the region's supply. The International Tripartite Rubber Council will invite senior government officials from Cambodia, Laos, Myanmar and Vietnam to its next meeting, to be held in Indonesia in February.

The governments will discuss monitoring and managing rubber plantations in each country to ensure that production does not exceed global demand, Yium Tavarolit, CEO of the International Rubber Consortium, the organisation in charge of carrying out measures on behalf of the council, the Nikkei Asian Review reported.

-Nikkei Asian Review, 8 Jan

Rubber planters welcome govt move to reduce export window to 6 months

The move by Commerce Ministry of India to reduce the time window of exports to six months, in the case of the Rubber Advance License Import Scheme, will go a long way in stabilising sagging domestic rubber prices. Union Commerce Minister, Nirmala Sitharaman, earlier announced the move of reducing the export window from the current 18 months to six months in the interest of the domestic rubber growers.

Various grower federations and United Planters' Association of Southern India (UPASI) had been requesting for a long time the need for structural changes in the import policy and have appreciated the Commerce Ministry's latest decision.

-Business Standard, 9 Jan

Rubber demand to grow 1.8 per cent in 2015

The Secretariat of the International Rubber Study Group (IRSG) has published its annual report, which suggests that the total world rubber demand will increase at 1.8% and 4.1% in 2015 and 2016 respectively. This is below the long-term growth rate of 3.7% under the IMF Scenario (the report refers to three scenarios - IMF, downside and oil price) to 29.1 million tonnes in 2015 and to 30.3 million tonnes in 2016. World natural rubber (NR) demand is forecast to increase by 3.1% in 2015 under the IMF Scenario and by 4.4% in 2016.

The world total NR consumption is expected to be 12.3 million tonnes in 2015, 12.9 million tonnes in 2016 and increasing to 16.5 million tonnes in 2023. World SR demand is expected to increase to 16.8 million tonnes in 2015 and rise to 17.5 million tonnes in 2016 under the IMF Scenario. In 2023, the demand for SR will increase by 21.5 million tonnes. According to the IRSG, the outlook for NR supply is positive and sufficient to meet the demand of the industry for all forecast years under all three scenarios.

- Emerging Markets Business Information News, 9 Jan

Rubber production target set at 3.2 million tonnes

The Rubber Association of Indonesia (GAPKINDO) said that this year's natural rubber production is targeted to reach 3.2 million tonnes. "That's up by 1.5% from 3.15 million tonnes in 2014," said Rusdan Dalimunthe, the association's Executive Director. Rusdan said that the target is in line with the agreement of three largest rubber producing countries in the world, Indonesia, Malaysia, and Thailand, signed in the International Tripartite Rubber Council (ITRC). "It was agreed upon that Indonesia's rubber production in 2019 would be 3.44 million tonnes," he said.

This year, according to Rusdan, both the industry and the government will try to increase domestic absorption. To create an additional market for rubber in the country, Trade Minister, Rachmat Gobel said, his ministry will coordinate with the Minister of Public Works and Public Housing. "Local rubber should be used in infrastructure projects," he said.

- Tempo, 12 Jan

Thailand: Rubber growers flock to Buriram market for buffer fund sales

A large number of rubber growers have flocked to Buriram's central rubber market to sell their product under the provisions of the government's rubber buffer fund which gives them a higher price. The Thai Government recently announced the programme to help shore up the price of natural rubber by buying rubber in the market, utilizing a 6 billion *baht* buffer fund that was assigned to the Rubber Estate Organisation.

The central market offers prices that are 5 - 6 *baht* per kilogramme higher than on the regular market. Smoked raw rubber sheet was bought at 61.70 *baht* a kilogram, while good quality rubber sheet was priced at 57.50 *baht* in the Buriram central market. The Director, Ronnachai Dowduang, said that after the launch of the buffer fund programme in October last year, farmers had sold 2,500 tonnes of rubber to the market, valued at 140 million *baht*.

- Thai News Service, 14 Jan

Michelin executive to keynote World Rubber Summit

Luc Minguet, Michelin's Chief Procurement Officer, will be a keynote speaker at the World Rubber Summit 2015, scheduled for March 24-25 at Singapore's EXPO Exhibition and Convention Centre. The World Rubber Summit is being organized by the International Rubber Study Group (IRSG) and SingEx Exhibitions. Minguet, who is also a senior vice president at Michelin, will provide key insights on how Michelin is putting its beliefs in "sustainable mobility" into action, the IRSG said, including outlining examples of programmes and initiatives that Michelin is developing in its procurement chain to make travel more accessible and affordable.

The Summit's overall theme is: "*Productivity & Sustainability for Tomorrow's Market-What Drives It?*" Held under the umbrella of World Rubber Week, the World Rubber Summit 2015 will take place alongside Tyrexpo Asia, the Rubber Exchange Forum and other related industry seminars and networking receptions, the IRSG said.

- Emerging Markets Business Information News, 14 Jan

India's Apollo Tyres sets market share target

Apollo Tyres, the first Indian tyre brand to make inroads in Thailand, said that it aims to capture five per cent of this market within two or three years, The Nation reported. The India-Thailand Free Trade Agreement has brought import duties down to six per cent for tyre imports from India for trucks, buses and passenger vehicles, and three per cent for farm tyres. That has helped the company make its tyres affordable here, said Apollo Tyres' president for Asia-Pacific, Middle East and Africa, Satish Sharma.

- Thai News Service, 15 Jan

Thailand: Government aims to see 65 baht per kilogramme rubber price within two months

The Thai Government aims to push the price of rubber to 65 *baht* per kilogramme within two months by means of setting up central markets for rubber trade in various rubber growing provinces, said Deputy Minister of Agriculture and Cooperatives, Amnuy Patisae.

According to Amnuy, the Ministry of Agriculture and Cooperatives has already set up 10 central markets for rubber trade and another 108 smaller trading stations, to allow rubber tree growers easy access to buyers. The rubber trading centres make up a part of the government's efforts to solve the problem of low rubber prices, explained the Deputy Agriculture Minister, who also said that his ministry was aiming to achieve a rubber price of 65 *baht* per kilogramme, up from the current price of 62 *baht* per kilogramme.

- Thai News Service, 15 Jan

Thailand: First 8 tonnes of rubber to be exported to Russia

Russia will import the first lot of eight tonnes of rubber from Thailand as an initial step towards closer trade ties between the two countries. The purchase deal was made during the visit on 9 January 2015 to Thailand by Minister of Industry and Trade of the Russian Federation H.E., Mr. Denis V. Manturov.

According to Commerce Minister, Chatchai Sareekalaya, Russia will buy another 200,000 tonnes of rubber from Thailand to support her

growing vehicle industry, which is expected to churn out three million units next year.

- *Thai News Service, 15 Jan*

Najib: Economic still strong

Malaysia's economy remains strong despite a global slowdown and the drop in crude oil prices, said Prime Minister, Datuk Seri Najib Tun Razak. He said that Malaysia's economic fundamentals were strong and could withstand challenges caused by the unexpected drastic drop in crude oil prices.

Najib said that this was the reason why he announced the revision of the Budget. However, he underscored the fact that nearly RM48.5 billion allocated for development was maintained. He said that inflation is expected to be between 2.5% and 3.5% even when the Goods and Services Tax (GST) is implemented. Najib said that among the reasons for this was that the drop of pump prices for RON97, RON95 and diesel would leave consumers with more disposable income.

-*The Star, 22 Jan*

NCPO orders banks to give soft loans to rubber buyers

The National Council for Peace and Order (NCPO) and the Thai Government will instruct the Government Savings Bank and Krung Thai Bank to provide business operators with soft loans worth 25 billion *baht* to buy natural rubber from farmers. The resolution came after a meeting between the NCPO's strategic committee chaired by Deputy Prime Minister and Defence Minister, Prawit Wongsuwon and five major rubber processing operators to find ways to boost rubber prices.

The current rubber sheet price now ranges from 58-62 *baht* per kilogramme depending on the quality. Gen. Prawit, who is also NCPO Deputy Chief, said that the business operators have agreed to buy natural rubber from farmers at 80 *baht*/kg as requested by the farmers under the loan support scheme offered by the two state-run banks.

-*Bangkok Post, 22 Jan*

MRB projects rubber growth

The Malaysian Rubber Board (MRB) has forecast a less gloomy 2015 for rubber, saying that it is "expected to recover" from the declines and doldrums of last year. In its December review, the board said that "the natural rubber industry is expected to recover in 2015, supported by increased demand from consuming countries amid low supply."

The brighter prospects, said the board, would be supported by China's mounting demand for the commodity, which has been on the increase. The review also predicted that "demand is expected to exceed the world's supply of natural rubber" helped in part by measures being taken by the International Tripartite Rubber Council—consisting of Malaysia, Thailand and Indonesia—to curb the fall in natural rubber prices.

- *Rubber & Plastics News, 26 Jan*

Scientists' natural rubber discovery stems from lettuce

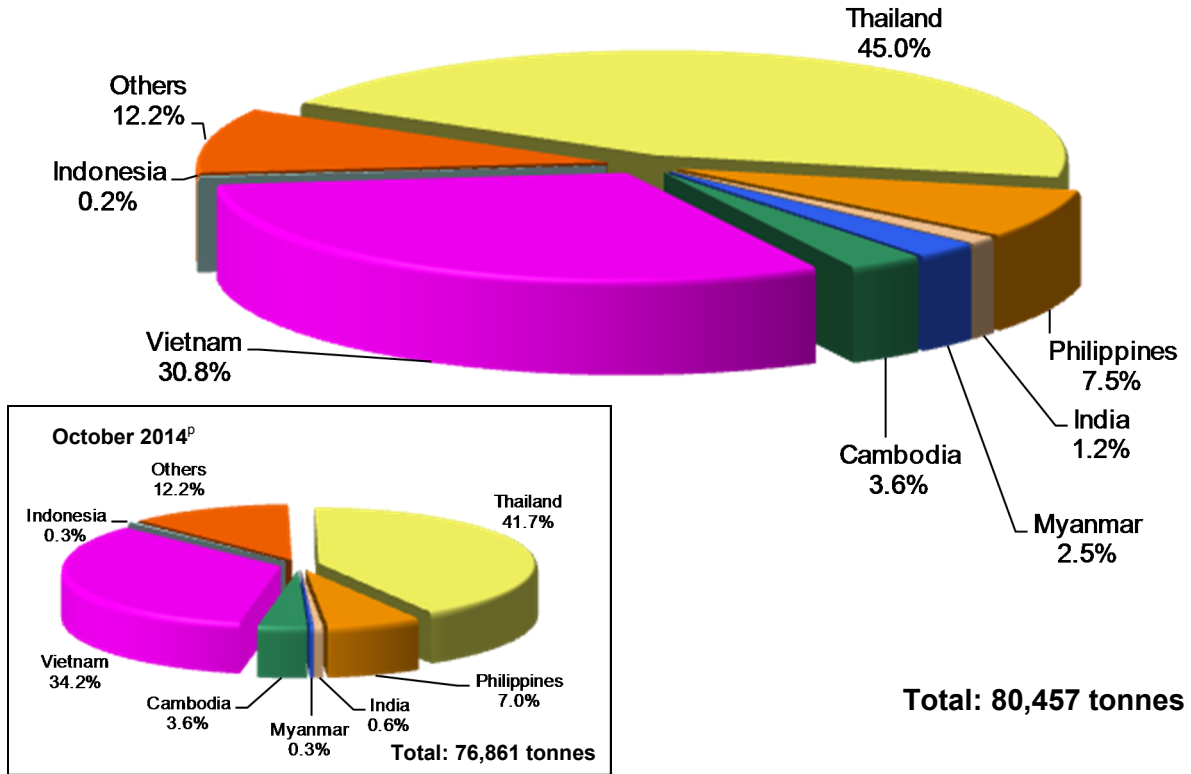
Humble lettuce has been shown to hold the key to producing a new form of natural rubber thanks to seven years of painstaking research by scientists at the University of Calgary. Associate professor Dae-Kyun Ro and PhD student, Yang Qu, both from the university's department of biological science, made the breakthrough that they believe will eventually lessen the world's need for petrochemicals in the large-scale production of products such as tyres.

The researchers discovered that once a lettuce plant bolts, the elongated stem produces milky latex containing a biopolymer from which they identified a key enzyme that can synthesize natural rubber. Those accepted findings, which were published in the prestigious *Journal of Biological Chemistry*, represent the first natural biosynthetic model for rubber production in more than half a century.

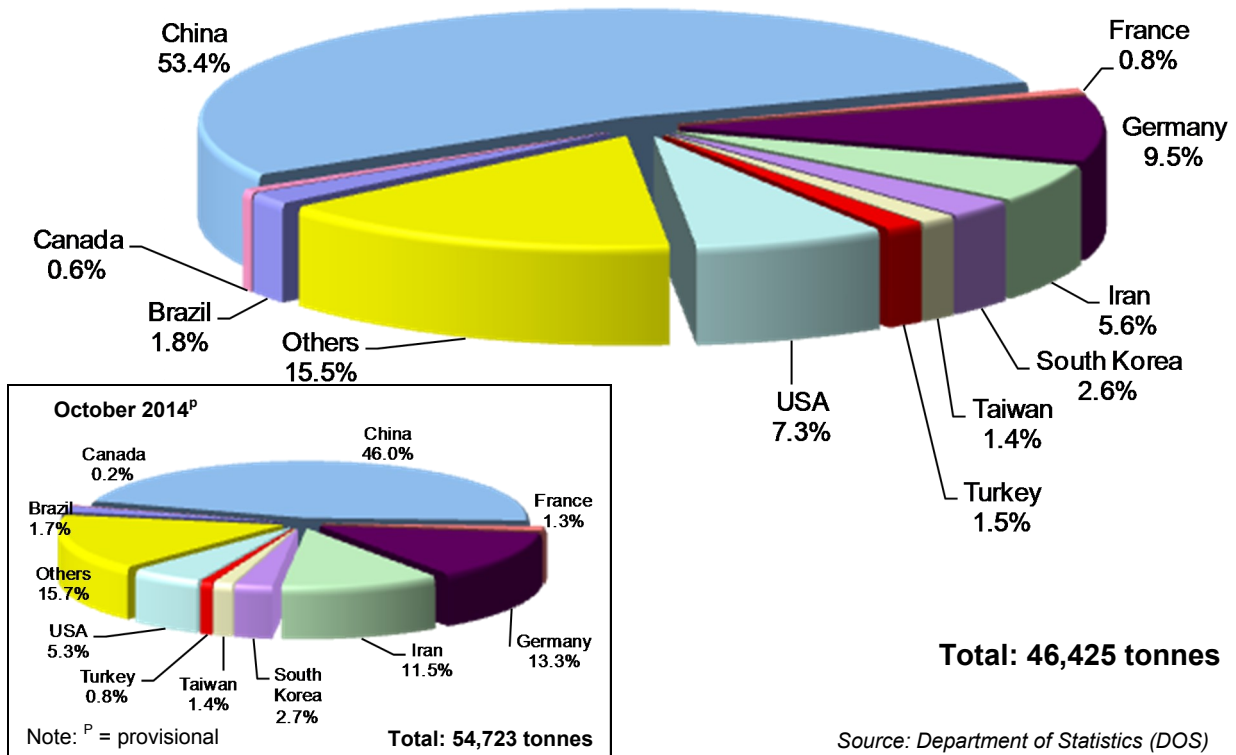
- *Calgary Herald, 30 Jan*

News Sources: www.factiva.com; New Straits Times, The Star

Malaysia's NR imports by countries November 2014^P

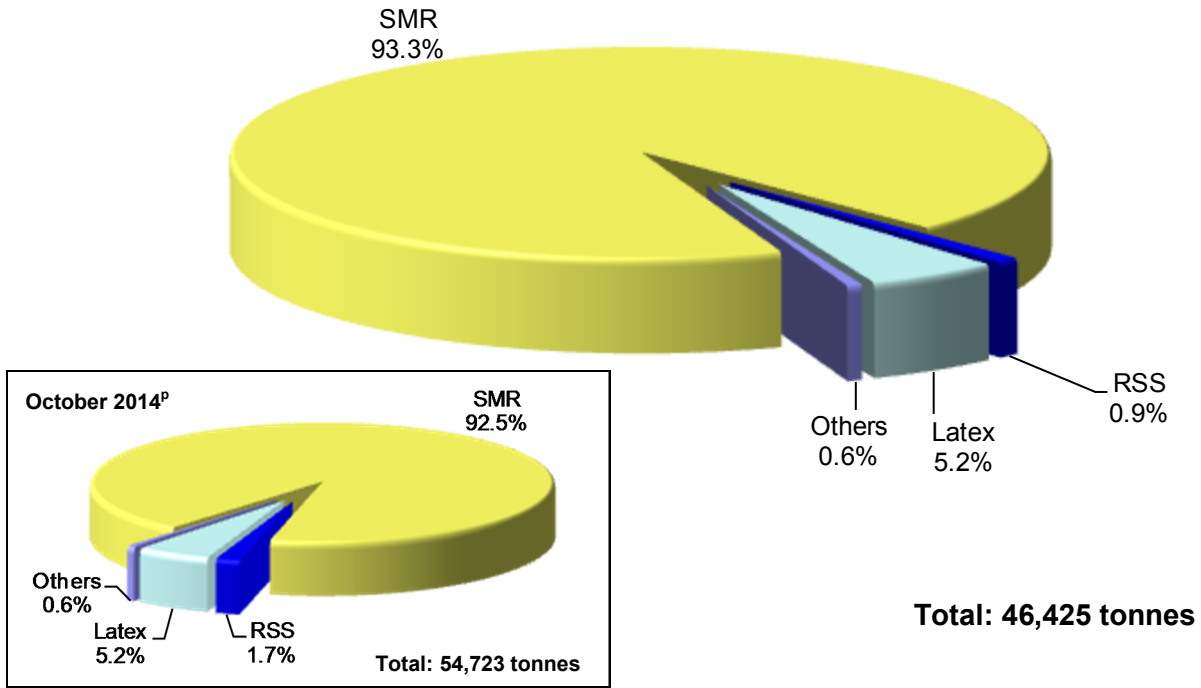


Malaysia's NR exports by countries November 2014^P

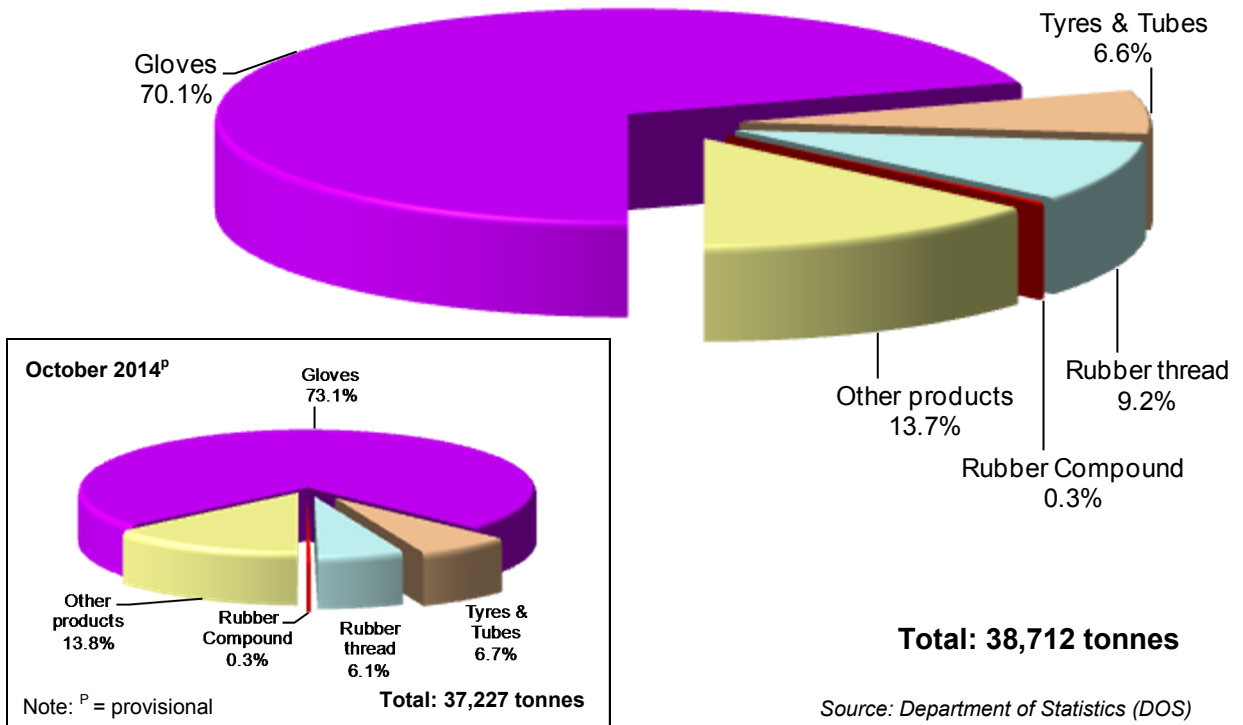


Source: Department of Statistics (DOS)

Malaysia's NR exports by types November 2014^P



Malaysia's NR consumption by sectors November 2014^P



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