



MALYSIAN RUBBER BOARD

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Natural Rubber Market Review

October

In October 2014, the Kuala Lumpur rubber market saw an uptrend following positive sentiment on a weaker ringgit and the rise in Tokyo Commodity Exchange (TOCOM) rubber futures, resulting from an increase in the prices of crude oil and base metals. Compared with those on 30 September 2014, the price of SMR 20 increased by 45 sen/kg or 9.5% to close at 519.00 sen/kg while latex concentrate closed at 399.00 sen/kg, an increase by 20.5 sen/kg or 5.42 per cent. The price movements of selected grades of rubber in October 2014 are shown in *Table 1*.

During the first trading week, prices slightly rebounded on a weaker ringgit and the rise in TOCOM rubber futures, following an increase in the prices of crude oil and base metals. There were short-covering activities seen and some fresh-buyings after Thailand and Malaysia agreed to the recommendation by the Rubber Association of Indonesia (GAPKINDO) that rubber should not be sold below US\$ 1.50/kg in the fourth quarter of 2014.

The market extended its gains during the second trading week as positive sentiment over the Malaysian Government's assistance to the rubber industry through the 2015 Budget still lingered. In addition, it was also positively influenced by the uptrend in the regional futures market. However, the gains were capped by the downtrend in regional futures markets on profit-taking activities as crude oil price slumped. Meanwhile, it was reported that gloomy economic data on the Euro Zone's biggest economy, Germany, spooked financial markets and added weight to calls for faster efforts to revive public investment at a meeting of European Union finance ministers. The Kuala Lumpur rubber market and other regional markets, both physical and futures, responded positively on the announcement of a series of measures by the Thai Government to help rubber farmers in the kingdom, among which include purchasing the commodity to build up stockpiles in a bid to bolster prices.

The third trading week saw an uptrend in the market as TOCOM prices moved up further on lower yen and the announcement by the Thai Government on a series of measures to help rubber farmers in the country. It was reported that trade was slow ahead as investors were digesting China's third-quarter gross domestic product

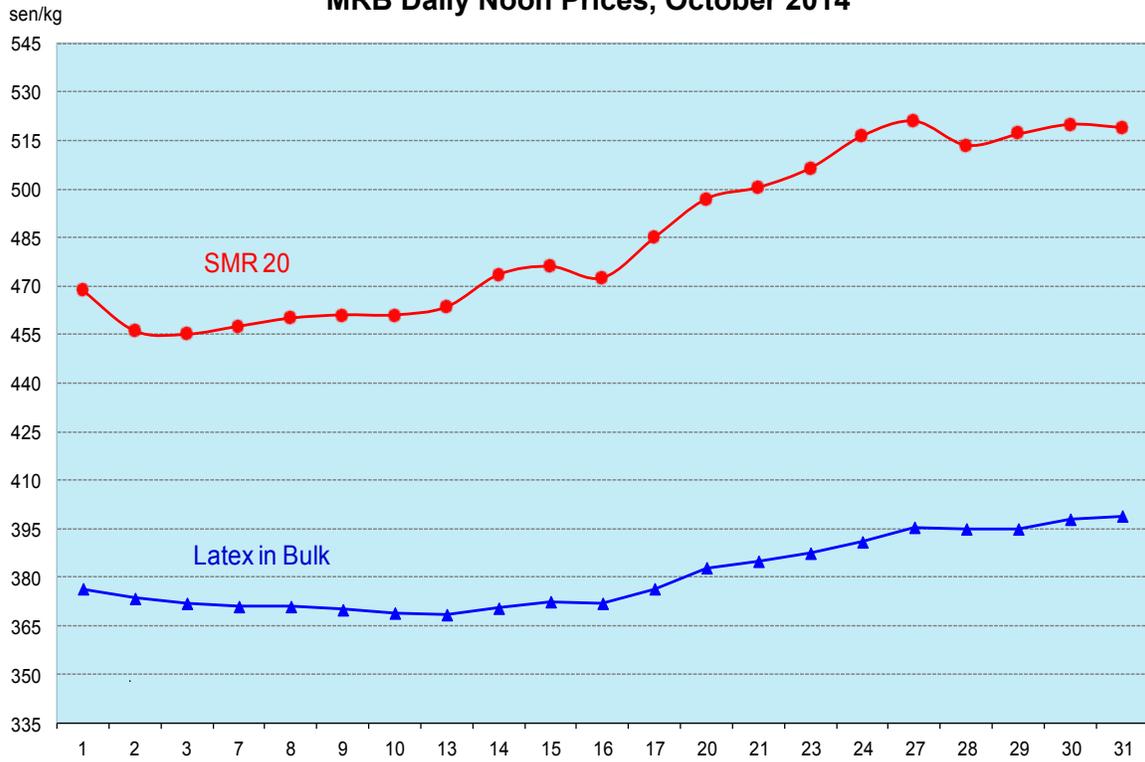
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, October 2014

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	654.00	6,540.00	521.00	5,210.00	399.00	3,990.00
Lowest	619.00	6,190.00	455.00	4,550.00	368.50	3,685.00
Average	634.60	6,346.00	485.74	4,857.40	380.57	3,805.70
Change from the last day of the previous month	13.00	130.00	45.00	450.00	20.50	205.00

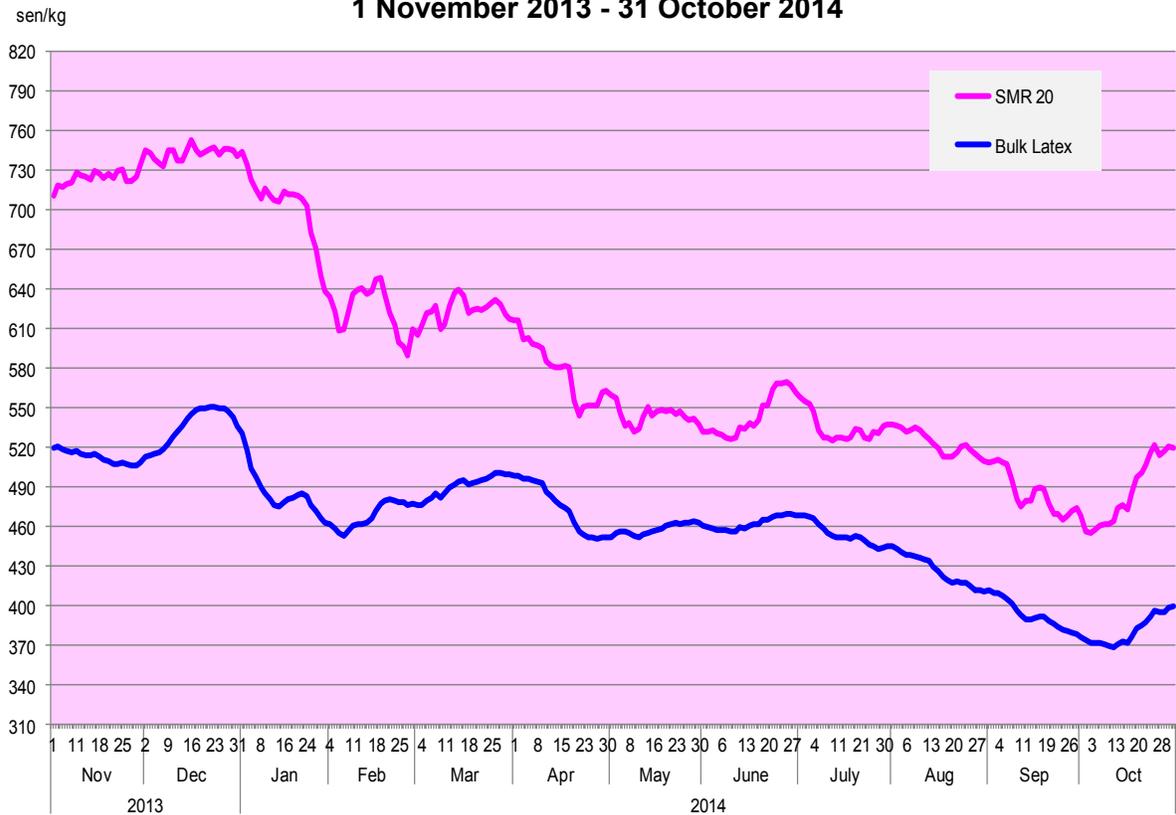
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, October 2014



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 1 November 2013 - 31 October 2014



(GDP) data. The market extended further gains on positive sentiment owing to the move by Indonesia, the second largest rubber producer, to request its rubber exporters to impose strict limits on sales until the second quarter of 2015. The uptrend was also caused by a weaker ringgit while similar trend was seen in regional futures markets on strong gains in crude oil prices.

The market turned mixed during fourth trading week with price being on uptrend during beginning but then declined at the middle of the week. The Kuala Lumpur rubber market extended its gain as positive sentiment over the move by Indonesia as mentioned above still lingered; nevertheless, the price increase was capped by a stronger ringgit. The market then saw a decline on a technical correction, besides negative reaction to a report on a slow US service sector activity reflected by data released. Meanwhile, market operators were reported waiting for the outcome of the US Federal Reserve policy meeting. At the end of week, the market saw a slight increase in prices, tracking the rise in crude oil prices and the uptrend in regional futures markets, in which trading was light as investors were waiting for the latest guidance from the U.S. Federal Reserve.

Outlook

The Kuala Lumpur rubber market is expected to continue with the uptrend following the improvement in regional futures markets that helped boost the local market. The uptrend will also be supported by the U.S. Federal Reserve's announcement to end its bond purchasing programme which flagged the country's economic recovery.

News Briefs

'Sell rubber above US\$1.50 per kg'

The Malaysian Rubber Board (MRB) has sought the cooperation of rubber exporters to not offer natural rubber (NR) for sale below US\$1.50 (RM4.90) per kg. In a statement, the MRB said the move was in accordance with the recommendation by The International Rubber Consortium Ltd. (IRCo) urging member countries not to offer NR below the stipulated price in order

to address the current low NR price. "We are confident the NR market fundamentals will remain intact and promising, as can be seen from the latest statistical bulletin released by the International Rubber Study Group," it said.

It was earlier reported that rubber groups in Malaysia and Thailand said they would support a plan by the Rubber Association of Indonesia (GAPKINDO) seeking to get producers and exporters to agree not to sell rubber below US\$1.50/kg. "We have already sent GAPKINDO's letter to our members to ask for their cooperation to not offer their rubber below US\$1.50/kg," said a Thai Rubber Association official.

-New Straits Times, 4 Oct

Thailand: Declining rubber prices get international assistance

The Thai Minister of Agriculture and Cooperatives and the Minister of Plantation Industries and Commodities of Malaysia have discussed ways to solve the declining prices of natural rubber. After meeting with YB Datuk Amar Douglas Uggah Embas, Malaysian Minister of Plantation Industries and Commodities, the Thai Agriculture and Cooperatives Minister, Pitipong Puengboon Na Ayudhaya said that there would be another meeting between representatives of major rubber producers from Thailand, Malaysia and Indonesia at the end of this month in Kuala Lumpur, Malaysia.

Other smaller producers from Laos, Vietnam and Cambodia will also be attending the meeting, which is said to be for high ranking officials to find both short- and long-term solutions. The Ministry of Agriculture and Cooperatives has instructed the Department of Agriculture and the International Rubber Conference Organisation to collect data related to the issue, including individual country's measures, and present them at the meeting.

-Thai News Service, 7 Oct

Natural rubber producers expected to map out strategy to revive prices

The Association of Natural Rubber Producing Countries (ANRPC) will meet on 13 October 2014 in Kuala Lumpur, and among the agenda will be the position of the natural rubber market in the world.

Meanwhile, Malaysia is also proposing to bring forward the International Tripartite Rubber Council (ITRC) meeting scheduled for 12 December 2014 to sometime in early November to resolve some of the outstanding issues on cooperation in the rubber industry. "We are all very concerned about the prevalent rubber prices because they have dropped to a very critical level," said Minister of Plantation Industries and Commodities, YB Datuk Amar Douglas Uggah Embas.

"There is a need for producing countries to put our heads together and collaborate to make sure that the price will not fall or become depressed," said Uggah, who headed a Malaysian delegation to Thailand from 5 to 7 October 2014 to discuss the issues on the rubber industry.

-Bernama Daily Malaysian News, 7 Oct

Rubberised roads in the offing if natural rubber price remains sluggish

If the price of rubber continues to remain sluggish, there is a possibility that the commodity could be used to make rubberised roads, besides its traditional use for tyre manufacture. "It is very interesting. Thailand have done some trials. In Malaysia, there is a lot of potential to use this," said Plantation Industries and Commodities Minister, YB Datuk Amar Douglas Uggah Embas.

He said that the Malaysian Rubber Board would be directed to work together with the Thai Ministry of Agriculture and Cooperative on how this potential could be explored further. Uggah, who was briefed about the potential at the Thai Rubber Research Institute during his three-day visit to Bangkok which ended on 7 October 2014, said that Malaysia could build rubberised roads in the country next year.

-Bernama Daily Malaysian News, 7 Oct

Rubberised roads to bring boon to rubber growers

The decision to allow rubber-based bitumen for laying new roads and repairing the existing roads will trigger a massive jump in rubber consumption, while bringing in significant cost savings to the government, said industry officials. "If the Public Works Department (PWD) decides

to use rubberised bitumen for even 10% of its roads every year, it would create demand for 60 lakh kg of rubber per year," said C. R. Muralidharan, President of the Bharatiya Rubber Karshaka Morcha.

On the one hand, this will help more than one million rubber farmers in the state while on the other hand, the use of rubberised bitumen will facilitate the construction of long-lasting roads.

-New Indian Express, 8 Oct

Malaysia plans rubber roads as producers struggle to lift prices

The Malaysian Government is looking to increase domestic consumption of rubber by constructing rubberised roads from June 2015, officials said, in the less developed areas of Sabah and Sarawak in East Malaysia. Meanwhile, top producer Thailand, which announced similar plans earlier this year to use rubber for roads, pavements and reservoirs, uses 3.3 tonnes of natural rubber for every 1 kilometer of road.

Both Thai and Malaysian rubber producers earlier this month backed the floor-price plan by the Rubber Association of Indonesia (GAPKINDO), that have barely lifted prices as sellers kept unloading cargoes below that level. "We are requesting the processors not to sell below \$1.50/kg. But this is something we cannot force," said YBhg. Datuk Dr. Salmiah Ahmad, Director-General of the Malaysian Rubber Board.

As a group, the ANRPC is looking at elevating the representation in the association to the ministerial level, hoping that will ensure stronger implementation of measures. "The question in all our minds is whether the current low prices for natural rubber is over," said YB Datuk Amar Douglas Uggah Embas, Malaysian Minister of Plantation Industries and Commodities. "The current scenario is contributed by among others, the lack of a mechanism at the multilateral level to regulate the supply side of natural rubber."

- Reuters News, 13 Oct

India's natural rubber import to hit \$1 billion mark this year

India's import of natural rubber is likely to rise by a steep 21% to surpass the US\$1 billion mark for the first time during the current financial year on widening production and consumption deficit. Data compiled by the industry body, The Associated Chambers of Commerce and Industry of India (Assocham) indicate India's natural rubber import to hit US\$1107 million during the current financial year from US\$906.4 million in the previous year.

Rising import of natural rubber, a key raw material for tyre manufacturing, poses a big threat for the Indian rubber user industry as the move would create more uncertainty in terms of prices and therefore, affect long-term business planning. Also, India's dependence on import would proportionally increase.

- *Business Standard*, 13 Oct

Iran is willing to boost rubber import from Vietnam

Iran has suggested that Vietnam increases its natural rubber export to the country, and send a delegation of rubber growing specialists there, state media reported. Iranian senior officials made this proposal at meetings with Deputy Prime Minister Nguyen Xuan Phuc, who visited Iran on 13 to 15 October 2014.

Both sides agreed to enhance visit exchange and maintain regular contacts between state agencies to facilitate bilateral cooperation in trade, investment, science and technology, agriculture, energy and tourism as well as closely coordinate in international organisations.

- *Vietnam News Brief Service*, 16 Oct

Tyre industry officials emphasize need for recycling technology

Many companies are working toward putting together sustainable programmes to create more opportunity for tyres to be reused instead of dumping them into landfills. The International Tyre Exhibition & Conference (ITEC) held a recycling workshop in which industry experts discussed such programmes. Lehigh

Technologies Inc.'s Tom Rosenmayer, Vice President (Technology), examined how the industry is changing its perception of recycling and putting more emphasis on the sustainability aspects of the industry during his presentation, "The Greenest Tyre," given at the recycling workshop.

Previously, the technology focus has been on the tread of a tyre, he said; however it could be beneficial to investigate more components of the tyre. "For us, our mission is to grow that significantly, to double or triple that," Rosenmayer said. "And also to see those materials being used in more than just the tread."

- *Rubber & Plastics News Vol. 44; No. 6, 20 Oct*

Thailand: Local industries agree to buy more rubber to shore up price

Thailand's local industries have agreed to buy more rubber to shore up the price of the local commodity, while asking the government to rev up talks with China to help delay its new regime on imported compound rubber which will be effective early next year, the Bangkok Post reported.

The positive effect of the purchase by the private sector is expected to become clearly visible early next year, according to Dr. Luckchai Kittipol, Honorary President of the Thai Rubber Association, after the meeting with Commerce Minister, Gen. Chatchai Sarikulya. The private sector also agreed to boost shipments of rubber and rubber products.

- *Thai News Service*, 21 Oct

Thailand offers aid to rubber growers

Thailand's military-appointed government approved measures to help rubber farmers who have been hit hard by declines in export prices. The decision enables the National Rubber Policy Committee to dispense a one-time cash handout worth no more than 15,000 baht (US\$465) to each of some 850,000 rubber farmers across the country. The total is estimated at nearly 8.5 billion baht, according to Maj. Gen. Sunsern Kaewkumnerd, a government spokesman.

- *The Wall Street Journal Asia*, 21 Oct

Corporate: Low rubber prices spur government intervention

The rapid decline in natural rubber prices has compelled the Malaysian Government to intervene in the market to protect the country's rubber smallholders. The Malaysian Rubber Board (MRB) will, for the first time, set farm-gate prices for rubber smallholders starting November 2014 while a rubber productivity incentive will take effect in January 2015 should the FOB price of SMR 20 — the benchmark for Malaysia's natural rubber prices — fall below RM4.60 per kilogramme.

Under the rubber productivity incentive scheme, farmers will receive compensation of 30 sen/kg for cuplumps and a maximum of 90 sen/kg for latex if the FOB price of SMR 20 falls below the threshold of RM4.60/kg. The government has allocated RM100 million for the programme. MRB's Director-General, Datuk Dr. Salmiah Ahmad told The Edge that the MRB's intervention in rubber prices is done to ensure that rubber smallholders receive a fair price for rubber sold, while reducing inefficiencies in the supply chain.

To drive the MRB's price mechanism for smallholders, it will be enlisting the help of cooperatives, which will pay the minimum of MRB's farm-gate price or higher to rubber farmers. The cooperatives will then sell the cuplumps directly to processors. Meanwhile, MRB will be collecting funds from the processors when the FOB price of SMR 20 hits RM8.25/kg and beyond. Salmiah said that this mechanism will ensure that the incentive plan will be sustainable in the long-run and will be used to help the smallholders when prices are low.

-The Edge Malaysia (Weekly), 27 Oct

RRII devises new rubber clones for Northeastern to curb price fall

With the steady decline of raw latex price in International market, Rubber Research Institute of India (RRII) has devised fresh initiative to increase per hectare productivity of rubber in northeastern plants to compensate impending loss. Chairman of the Rubber Board of India (RBI) A. Jayathilak said that they have targeted to increase the productivity in Tripura and other northeastern states in time-bound manner to

sustain supply of well-acclaimed natural rubber in the international market.

He however, pointed out that RBI has decided to expand cultivation of rubber in non-traditional areas of northeastern region to meet the increasing demand of Indian rubber at international market. The cultivation of rubber in Kerala is about to saturate and to meet the rising demand of rubber and overcome shortage, it is important to increase its cultivation in non-traditional areas of the prospective states of the country besides, northeast,' he stated.

-United News of India, 31 Oct

Sri Lanka: MOU with China to boost rubber industry

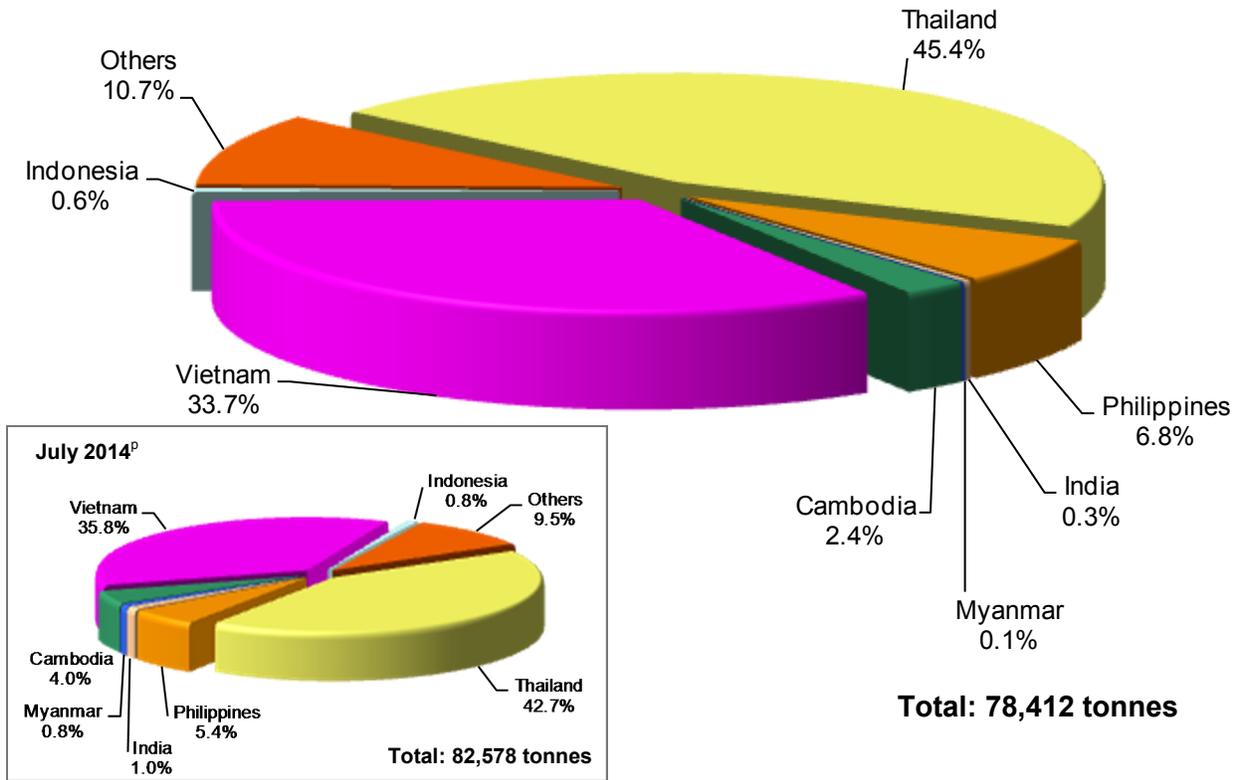
The Sri Lanka Rubber Research Institute (RRI) signed a Memorandum of Understanding (MOU) with China's state-owned CETC International for the development of the RRI. The collaboration with CETC will include infrastructure development, upgrading of essential equipment and technical assistance.

The proposed laboratory complex is expected to provide facilities to all stakeholders in the rubber sector including the SME sector, rubber product manufacturers including large-scale manufacturers, rubber-based trading companies, rubber importers, research and development personnel, university students and academia.

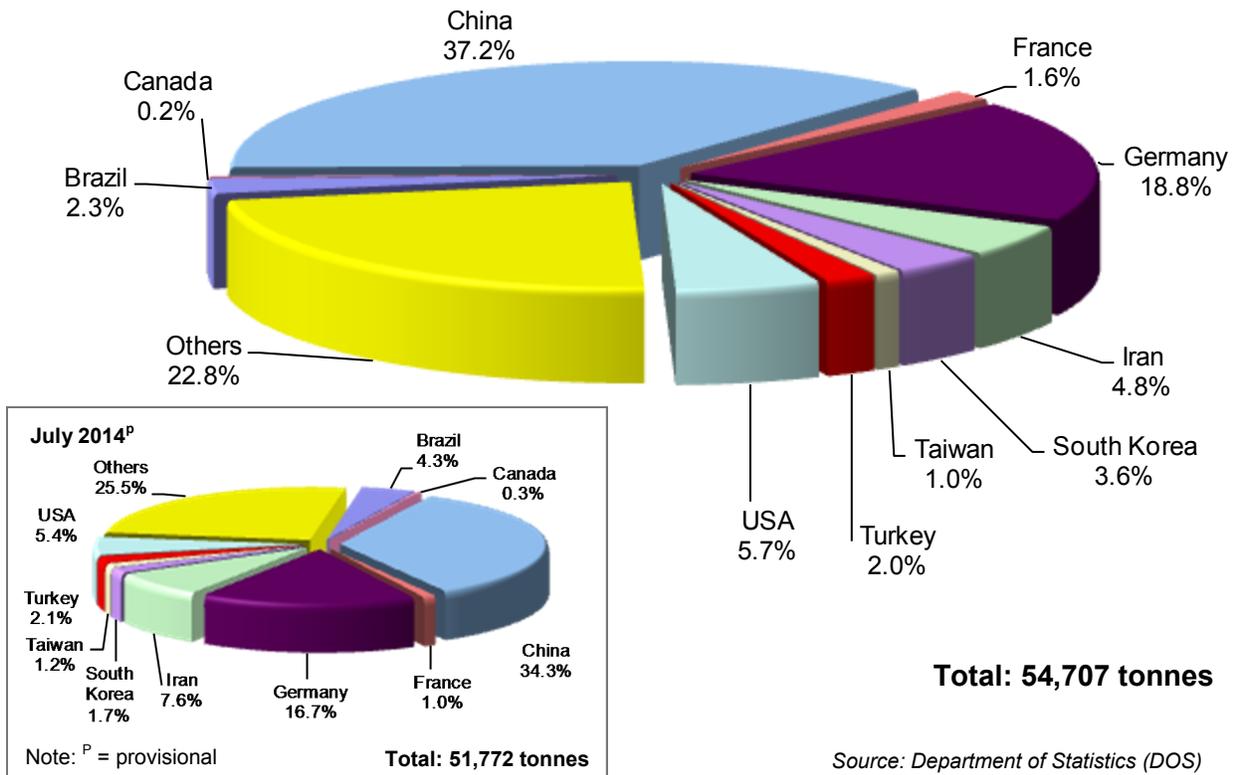
The MOU was signed in recognition of Sri Lanka's position as one of the world's largest natural rubber exporters. The RRI was set up in 1909 to cater to the research and development aspects of the rubber industry. It was the world's first ever rubber research institute which made a major contribution to the advancement of global rubber industry.

-Bakhtar News Agency, 31 Oct

Malaysia's NR imports by countries August 2014^P

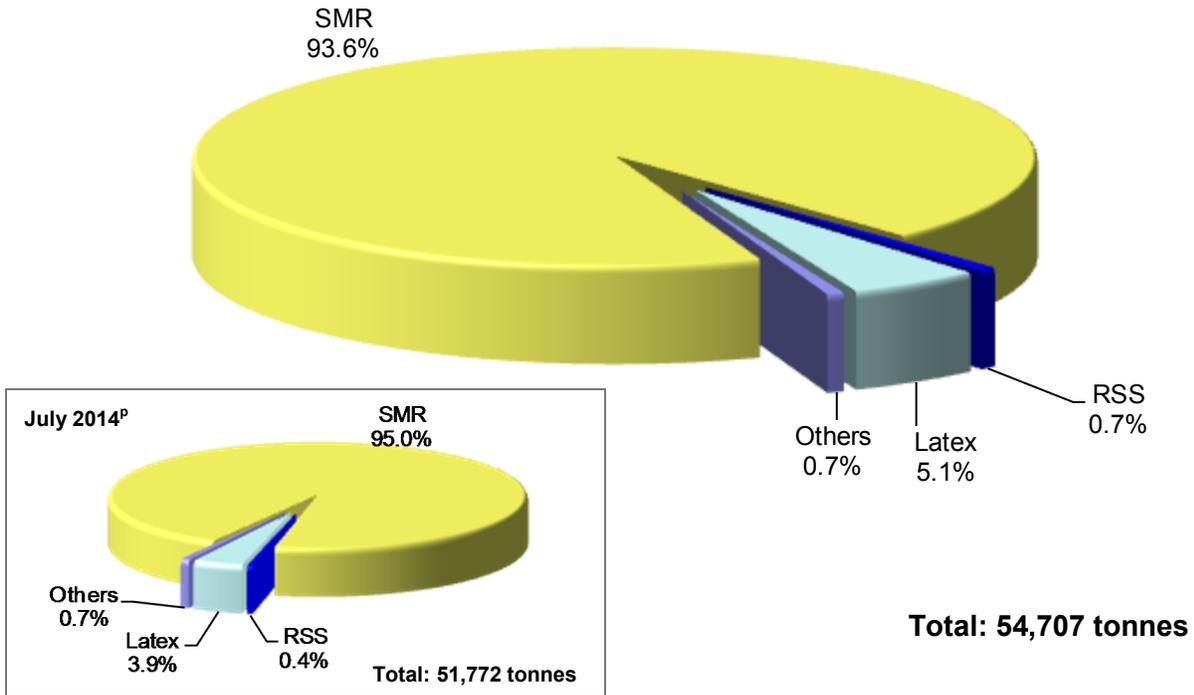


Malaysia's NR exports by countries August 2014^P

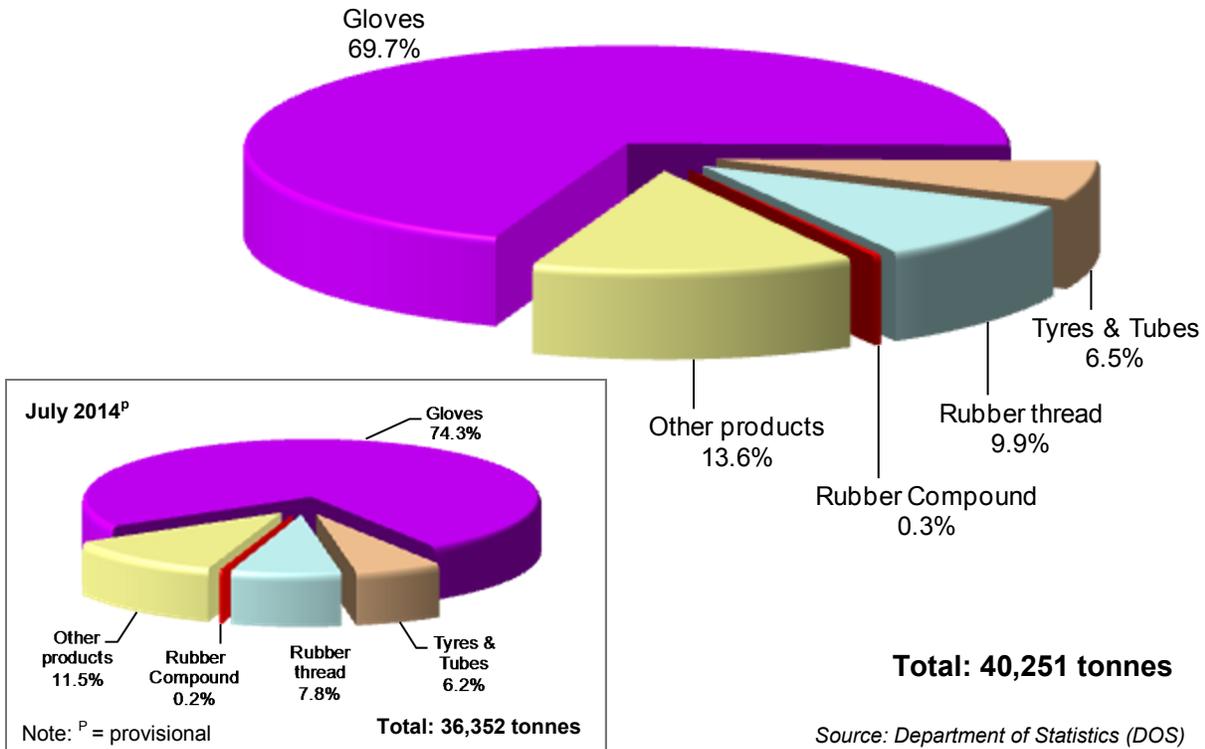


Source: Department of Statistics (DOS)

Malaysia's NR exports by types August 2014^P



Malaysia's NR consumption by sectors August 2014^P



Published by the Malaysian Rubber Board, 148 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel: 603-9206 2000 Fax: 603-2161 6586