



# MALAYSIAN RUBBER

## D I G E S T

2006

NOVEMBER

A monthly publication of the Malaysian Rubber Board

### NR market review

#### November

Bearish sentiment prevailed in the Kuala Lumpur rubber market in November as prices plunged across the board on thin trade. The market continued to ease as overseas participation remain poor coupled with pressure from abundant supply and losses on the rubber futures. Compared with levels on 31 October, the price of SMR 20 declined sharply by 82.0 sen/kg or 13% to close at 556.00 sen/kg whilst latex concentrate lost 77.5 sen/kg or 18.0% to close at 362.00 sen/kg. The price movements of selected grades of rubber in November are shown in Table 1.

Throughout the month the market failed to record any favourable leads as prices succumbed to further falls. A number of factors brought prices plummeting downwards during November. Major tyre

manufacturers lay off purchases for the immediate term as they were reported well-stocked and China deferred substantial purchases preferring to remain on the sidelines till prices had settled at lower levels. Psychological factors such as the Goodyear strike, tyre manufacturers re-negotiating their contracts and earlier defaults by Chinese buyers weighed down heavily on prices. Compared with the peak on 4 July at 894.50 sen/kg, the price of SMR 20 on 30 November 2006 declined by 338.0 sen/kg or 38%.

Prices on the Tokyo rubber futures were bearish on profit taking and long liquidation by investors due to lack of fresh factors and slow demand from consumers who were well covered. Expectation of ample supplies in the rubber producing countries and persistent selling from individual investors continued to dampen market sentiment as the key contract tumbled to a one-year low of 185.5 yen on 24 November.

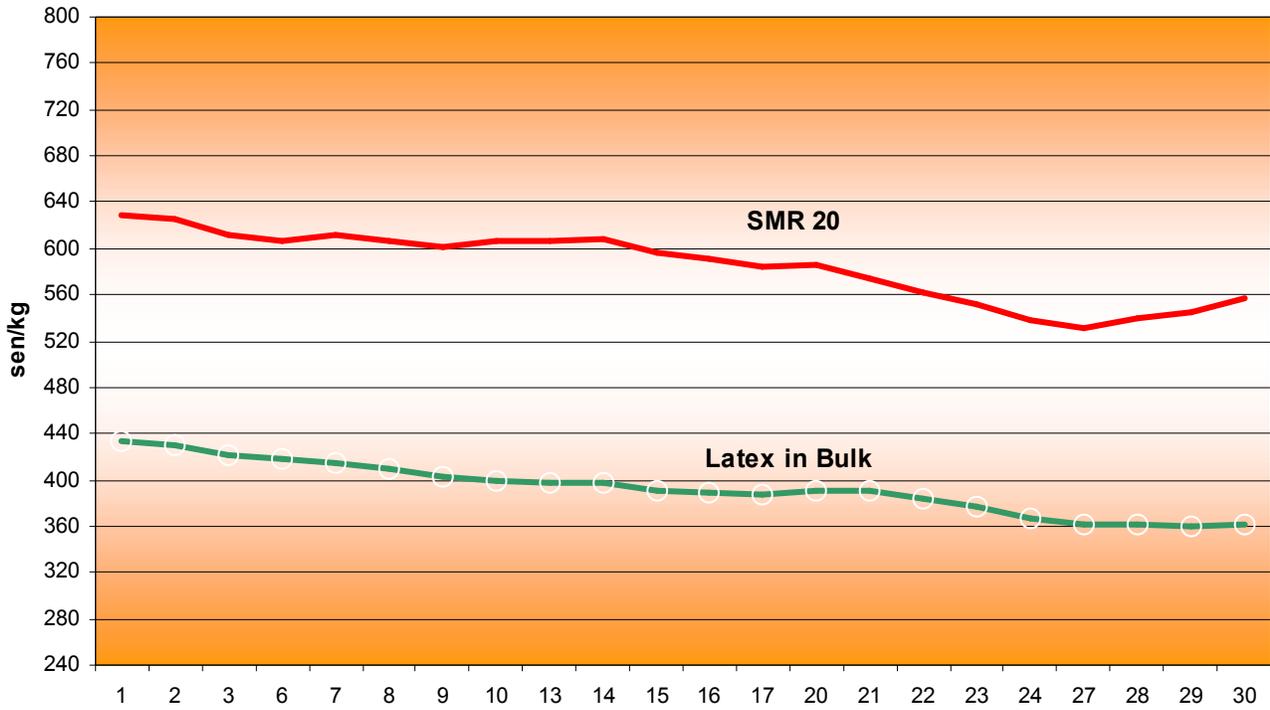
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, November 2006 (sen/kg)**

	SMR CV	SMR 20	Latex Concentrate
Highest	830.50	628.50	434.00
Lowest	767.50	531.50	360.50
Average	796.18	584.84	393.05
Change from the last day of the previous month	-56.50	-82.00	-77.50

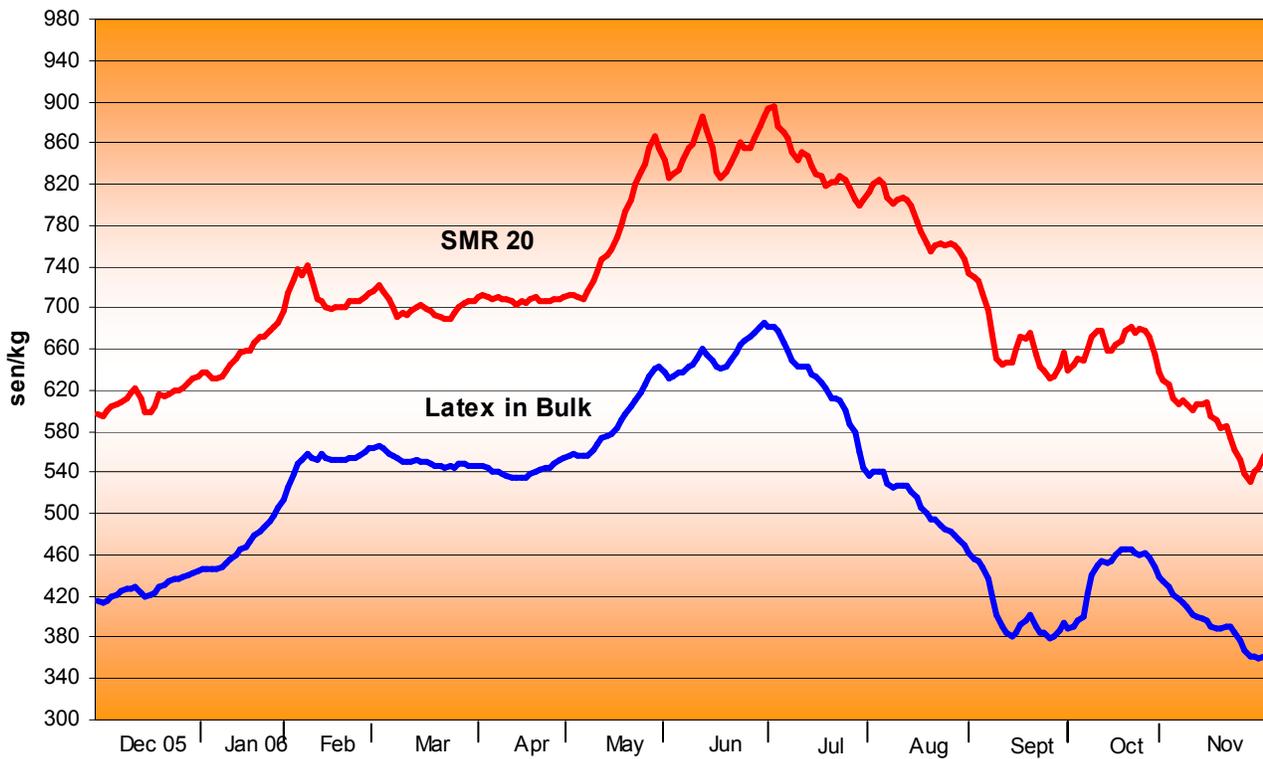
Note: \* Official price of latex concentrate in bulk, 60% DRC

Source: MRB

### MRB Daily Noon prices, November 2006



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices (1/12/2005-30/11/2006)



Towards the end of the month, the rubber futures settled higher after early gains in energy futures as crude oil prices touched above the US\$61 a barrel on expectations that colder weather for the US Northeast could boost demand. Prices in the local market took the cue from the futures and closed higher towards the end of the month.

### Outlook

The market is expected to hover at current levels on seasonal factors for the rest of the year. With the onset of the monsoon rain, supplies are expected to fall although demand may remain quiet owing the year end holidays.

### Trade Enquiries

### News Brief

#### ***Ivory Coast aims to quadruple rubber output by 2015***

Ivory Coast aims to quadruple its natural rubber production to 600,000 tonnes by 2015 to claw back ground against leading Asian exporters, the head of the Apromac producers association said recently. Africa's leading grower of natural rubber, Ivory Coast's output reached 163,000 tonnes last year, ranking seventh in the world. Ivory Coast aimed to put 300,000 new hectares into production.

Acreage under production has risen from 60,000 hectares in 1990 to 110,000 hectares last year. Production has more than doubled during the same period from 69,000 tonnes.

Enquirer	Product	Type of enquiry	Contact
TOYOTA TSUSHO (Malaysia)Sdn Bhd. Room 1404, 14th Floor, Wisma Lim Foo Yong, 86,Jln Raja Chulan, 50200 Kuala Lumpur.	SMR 10 & SMR 20	Seeking suppliers	Mr Andrew Lim Tel: 03-2142 3366 Fax: 03-2142 5809 Email: ttmsb@maxis.net.my
Mert Karaman Foreign Business Cordinator MATRADE CO Istanbul, Turkey.	Reclaimed Rubber	Seeking suppliers of Reclaimed Rubber	Mert Karaman Pbx: +90212 6617369 Mobile: +905324737070 +90532 6178543 Email: karaman.mert@gmail.com
Dmitry S.Podolyak Manager of Raw Materials Service, Supply Department, Minsk Freeway, 21382 Bobruisk, Republic of Belarus.	SMR 10	Seeking SMR 10 suppliers	Dmitry S.Podolyak Tel: +375/225/442 852 +375/225/511 529 Mobile: +375/29/616 37 35 Fax: +375/225/438 261 Email: rubberumts@belshina.biz
Harum Delima Co- Founder&Director Asiatica Intergroup (M) Sdn Bhd No.27-2B, 1st floor, Jln PJU 1/3C, Sunwaymas Commercial Centre, 47301 Petaling Jaya, Selangor.	Natural Rubber	Looking for NR suppliers	Harum Delima Tel: +971 4 208 8311 Fax: +971 4 227 4689 Mobile: +6 012 601 7002

Ivory Coast's rubber sector is divided among eight large companies which own 45,000 hectares of plantations, two research institutes with 2,300 hectares in total and around 18,000 village planters with some 62,700 hectares.

Rubber was Ivory Coast's fourth largest export in 2005, with 106 billion CFA francs in sales. About 99 percent of production is exported, mainly toward Europe and North America, after first being processed into rubber balls.

- *factiva.com*, 30 Nov

### **German Conti to expand in low-cost countries**

German tyre and car parts maker Continental AG (Conti) plans to strengthen its positions in low-cost countries and currently studies the possibility of an expansion in India.

Conti has been striving to increase the percentage of production in low-cost countries for a few years now. The focus falls on Southeastern Europe and Asia. The group plans to build a tyre production site in China and is in talks with two cities as possible locations.

Conti has to cut between 3.0% and 5.0% its costs due to the rising pressure from carmakers. Growing prices of raw materials such as crude oil and natural rubber had almost a 300 million euro (\$394.6 million) negative effect in 2006.

- *factiva.com*, 30 Nov

### **China 2006 rubber output seen at 550,000 tonnes**

China's natural rubber output this year has already surpassed last year's level, although lingering damage from a 2005 typhoon is still depressing output.

An analyst said that this year probably see about 550,000 tonnes of output.

Imports were up 18.4% in the first ten months of this year, at 1.3 million tonnes, as China's booming economy raises demand for natural rubber products like truck and heavy equipment tyres. Synthetic rubber imports were up 23% at 1.1 million tonnes.

- *factiva.com*, 30 Nov

### **Chinese economic growth may slow down in 2007**

The chief economist of the HSBC Asian Regionsaid that 2007 will be an uncertain year and may be a turning point for economic growth.

The biggest challenge China's macro economy may face in 2007 is that the world's economy downswing cycle may coincide with China's economic slippage cycle.

If the economic growth of the United States slipped from 3.5% this year to 2% in 2007, China's export growth would drop from 30% this year to 15% in 2007, thus pulling down China's GDP growth by three percentage points.

BOC International Limited Chief Economist predicts that China's trade surplus in 2007 may decrease due to three factors: Energy prices and strict environmental protection measures may boost the production cost of export products; some policies, such as the unification of taxes and an adjustment of export rebates may change; economic growth in major economies in the world is slowing down.

- *factiva.com*, 27 Nov

### **IMF sees no wider slowdown in US economy yet**

The U.S. economy is not yet facing a generalized economic slowdown, despite cooling in the housing and automobile sectors, the International Monetary Fund's chief economist said. The IMF cited the cooling housing market when it lowered its 2007 U.S. growth estimate to about 2.5% from a September estimate of 2.9%.

A sharp slowdown in the housing market stunted U.S. economic growth in the first half of the year and weak automobile output contributing to the slowdown in the fourth quarter.

*-factiva.com, 29 Nov*

### **Tougher tyre inspection**

In recent years cheap tyres have sold well in Korea. Industry sources estimate that about 50,000 tyres are imported from China and Southeast Asia annually. The problem lies in the fact that their safety is not guaranteed.

Tyre producers want the government to do preliminary inspection, especially on cheaper tyres made overseas.

However, a researcher at the Ministry of Industry, Commerce and Energy, said the so-called 'inferior tyres' account for only one percent of all tyre imports into Korea.

*-factiva.com, 21 Nov*

### **OPEC sees growth in oil demand**

The chief analyst of the Organization of Petroleum Exporting Countries says the group estimates global oil demand to increase to 105-120 million barrels per day by 2020, up from the current average of 84.3 million, and that OPEC could require up to \$470 billion in new oil-development

investment.

It currently costs about \$10 billion to increase oil production by 1 million barrels a day factoring in increased costs and conditions.

Much of future global increase in demand is expected to be met by increased production by OPEC members, which currently account for about 80% of global oil reserves.

But non-OPEC oil output -- under different scenarios is likely to plateau between 2012-2015.

Looking forward in the near term, the outlook for global oil demand in 2007 is about 90% from China, India and the Middle East.

However, the Chinese market is very unpredictable, demand in the world's most vibrant economy in 2004 increased by 16%, but in 2005 there was no increase.

*-factiva.com, 21 Nov*

### **China's economy seen growing 9.5% in 2007**

The State Information Centre said that China's economic growth is set to slow to 9.5% next year.

The China's GDP has grown 10% or more every year since 2003, after rising 9.1% in 2002.

In 2007, growth in fixed asset investment will drop 6.5 percentage points to 20%, while the consumer price index (CPI) is set to rise about 2%.

Growth in exports will slow by nearly 10 percentage points to 15% while import growth will fall by 7.5 percentage points to 14%.

*-factiva.com, 13 Nov*

**China expected to produce over 7 million autos this year**

Both China's production and sales of automobiles are expected to surpass 7 million this year.

The association of Automobile Manufacturers made the prediction based on the country's automobile production and sales situation in the first 10 months of this year, which hit 5.89 million and 5.77 million autos, up 27.56% and 25.69% respectively from January-October of 2005.

In October alone, China produced 588,800 automobiles, up 41.43% from October last year, while the sales totaled 576,300 autos, an increase of 27.55%.

The output and sales of commercial vehicles stood at 166,600 and 166,300 in October, a year on year increase of 42% and 26% respectively.

The association's latest data showed that the country's own brand sedans enjoyed robust sales in January-October this year, with the sales totaling 3.04 million autos, up 39.96% from the same period of last year.

- *factiva.com*, 10 Nov

**Malaysia's rubber industry able to supply latex to downstream industries**

The Government is confident the country's rubber industry can bear the responsibility as the main supplier of latex to meet the demand of the domestic rubber downstream industries without having to import from abroad.

Plantation Industries and Commodities Ministry Parliamentary Secretary said the confidence was based on the rubber replanting programme using the cloning technique of high-yield rubber clones.

The rubber replanting programme involving 20,000 hectares a year had received encouraging response from plantation owners.

The Malaysian Rubber Board had introduced the latest rubber tapping technology called the "Low Intensity Tapping System (LITS)" in rubber estates to boost productivity and rubber tappers' income.

The system was introduced to reduce manpower to help smallholders, many of whom have aged, and were unable to tap rubber frequently.

-*factiva.com*, 28 Nov

**Rubber group plans \$135 million on expansion**

Vietnam Rubber Group (VRG), the successor of the Vietnam General Rubber Corporation (Geruco), has decided to invest VND2,450 billion (\$153 million) in six new projects in different spheres between now and 2010.

VRG passed the plan and decided to establish six joint-stock companies to carry out these projects. The increased investments are made possible due to the high profitability of the group in the past years.

The Vietnam's biggest rubber processing and planting group expects to export about 320,000 tons of latex this year worth VND10,000 billion, and should earn a pre-tax profit of VND4,000 billion.

The company is carrying out planting of more 70,000ha of rubber in the period of 2006-10, helping to raise its domestic rubber area to 320,000 ha in 2013, excluding 100,000ha being grown in Cambodia and Laos.

-*factiva.com*, 16 Nov

### ***Indonesia expects lower rubber output***

Indonesia's rubber output may end the year 50,000 tonnes lower than the previously targeted 2.2 million tonnes due to the heavy rain forecast for the coming months.

The Indonesian Association (Gapkindo) Vice Chairman said this year's lower-than-expected production would mainly be the result of a forecast El Nino, a climatic phenomenon in the Pacific that leads to severe storms, downpours and droughts, and whose effects have begun to be felt in Indonesia.

The unfavourable weather condition, which may continue until February, coupled with possible disruption in the production cycle due to the felling of rubber trees for timber, could further reduce output to 2.1 million tonnes next year.

*-factiva.com, 14 Nov*

### ***Control measures to tackle declining rubber price***

Asia's three major rubber exporting countries may use export control measures to cope with the declining rubber price.

The issue was discussed at a recent meeting of representatives from Thailand, Indonesia, and Malaysia which have formed a joint rubber trading venture to strengthen the rubber industry in the region.

The venture is not going to use any measure to intervene the market until the price has reached the lowest point set by the rubber-joint venture. One of the measures calls for a reduction in export volume by each member country by 5% - 10%.

If the rubber price is so low that even the export control measures cannot stimulate it, the venture will intervene in the buying price.

*-factiva.com, 14 Nov*

### ***Indian tyre makers to import more as global prices decline***

The tyre industry is poised to step up its import of natural rubber to take advantage of the lower international price. According to Automotive Tyre Manufacturers Association (ATMA), the tyre industry will go for an import of 20,000 tonnes in over a month period starting from November.

With the international rubber prices ruling Rs 10 to 12 per kg lower than the Indian prices, the tyre industry has decided to raise the import to replenish its depleting stock of raw material.

As against the norm of two months stock, the companies have less than one month stock now. The surge in the domestic and international rubber prices in the last few months had led the tyre companies to keep lower stock.

The rubber stock level for the six months had dropped to 52,000 tonnes as compared to 68,100 tonnes in the previous year. But the scene is set to change with tyre companies armed with advance licence going for increased imports.

*-factiva.com, 3 Nov*

### ***SBR, BR rates reduced due to soft demand***

South Korea's LG Chem expected to maintain reduced operating rates at its synthetic rubber plants in Korea due to weak demand and poor production economics.

The company has a 125,000 mt/year SBR plant and a 75,000 mt/year butadiene rubber plant in Daesan. Operating rates at those plants were around 70% and 50% respectively, with both plants running at those rates since the start of November.

Soft demand for synthetic rubber products

have pulled SBR and BR prices sharply downwards over the last few weeks, giving producers very little incentive to purchase relatively expensive butadiene feedstock on a spot basis.

BR prices were pegged at \$1,780/mt CFR China, while SBR prices were heard at \$1,720/mt CFR China. With butadiene prices at around \$1,450/mt CFR Taiwan/China and given conversion costs of nearly \$400/mt, BR producers would lose around \$70 for each metric tonne produced.

Moreover, the falling natural rubber prices also exerted a downwards competitive cost pressure on the synthetic rubber market.

*-factiva.com, 17 Nov*

### ***Michelin eyes plantation investment in Cambodia, Indonesia***

France's Michelin, the world's largest tiremaker, is considering purchasing one or several rubber plantations in Cambodia, which is privatizing all seven of its state-owned rubber plantations, industry sources say.

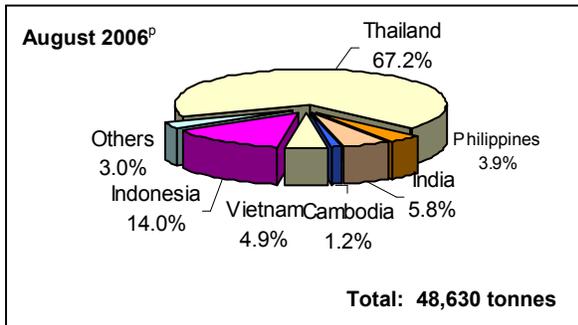
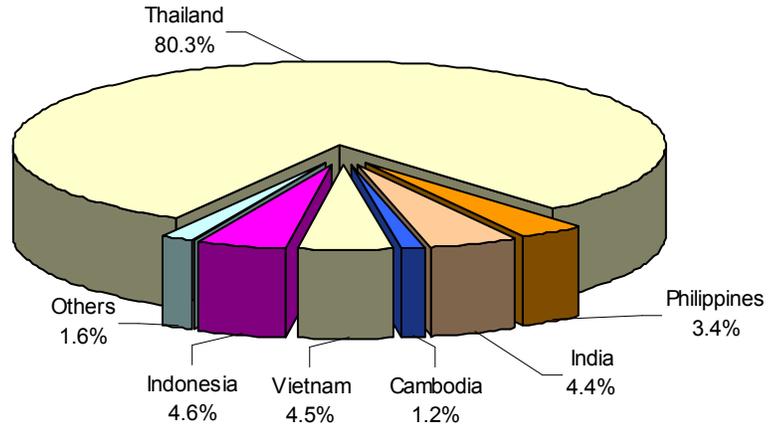
The purchase, if completed, would be Michelin's only rubber plantation estates in Asia and the first in the region since the company lost ownership of its rubber plantations in Vietnam following the U.S. military's withdrawal from the country in 1975.

The company is also considering an investment in Indonesia's plantation sector as another option.

Michelin owns about 10,000 hectares of rubber plantations in Brazil and in August bought a 20% stake in a West African rubber producer, Societe International de Plantations d'Heveas, which has a total of 50,000 hectares.

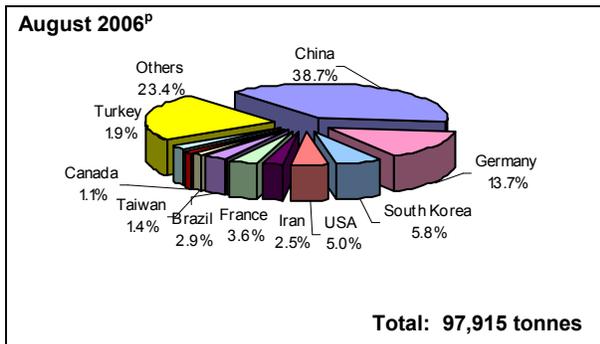
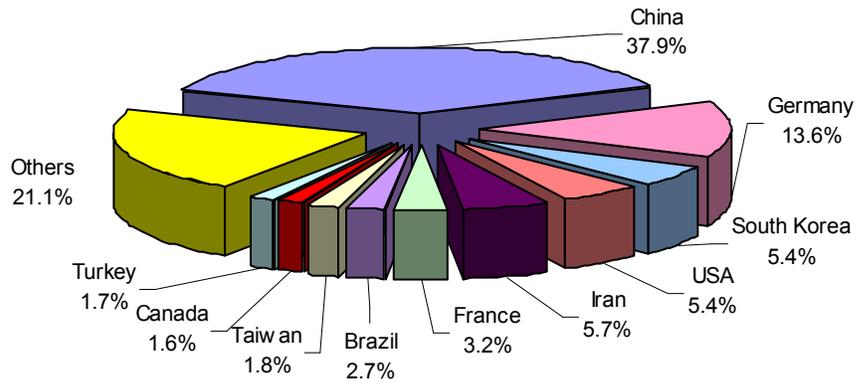
*-factiva.com, 30 Nov*

### Malaysia's NR imports by countries September 2006<sup>P</sup>



**Total: 39,724 tonnes**

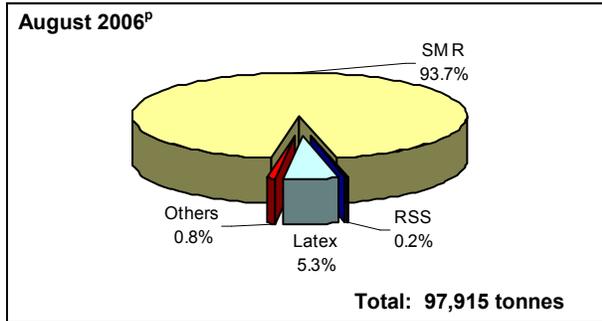
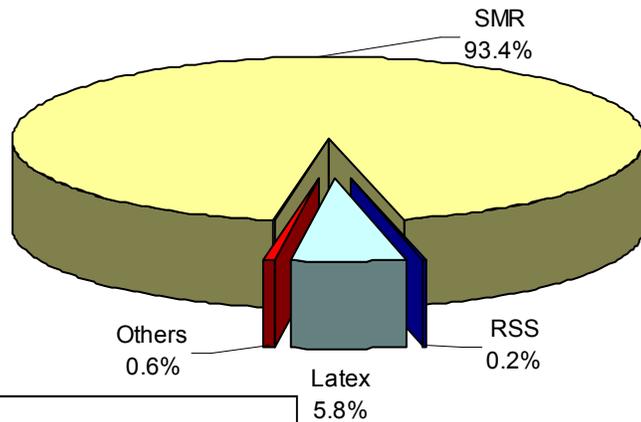
### Malaysia's NR exports by countries September 2006<sup>P</sup>



**Total: 98,125 tonnes**

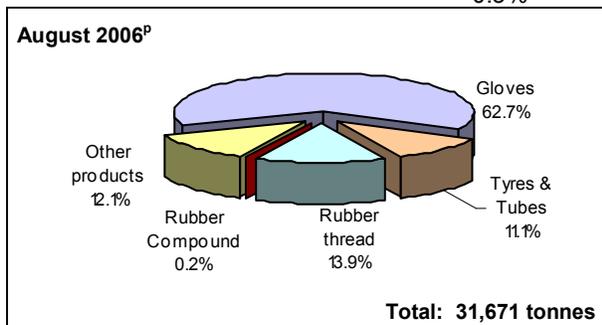
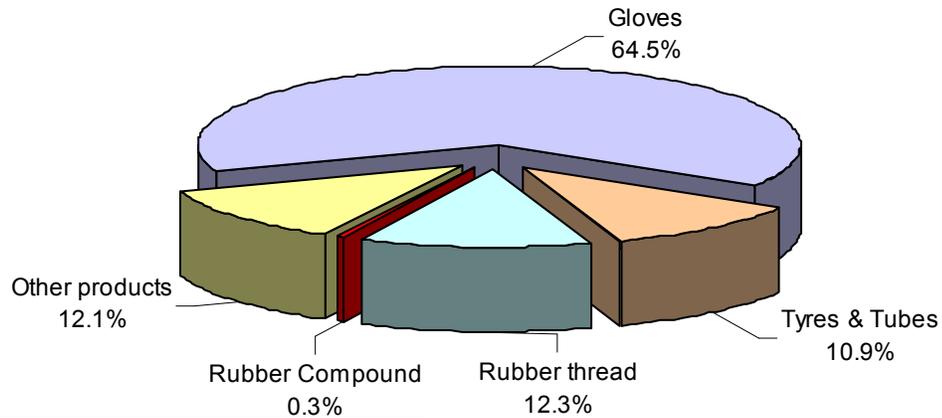
Note: <sup>P</sup> = provisional

**Malaysia's NR exports by types September 2006<sup>P</sup>**



**Total: 98,125 tonnes**

**Malaysia's NR consumption by sectors September 2006<sup>P</sup>**



**Total: 31,199 tonnes**

Note: <sup>P</sup> = provisional