



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2009
NOVEMBER

Natural Rubber market review

November

Bullish sentiment continued to prevail in the Kuala Lumpur rubber market as prices surged encouraged by an active rubber futures, steady crude oil prices and shortage of raw materials faced by major producing countries. Prices continued to be adjusted upwards due to tight supplies from major producing countries. The floods in Thailand and Malaysia coupled with the wintering season in Indonesia curtailed raw material production, thus pushing up prices. Compared with levels on 30 October, the price of SMR 20 gained 990 RM/tonne or 12.6% to close at 8,805 RM/tonne while latex concentrate gained 615 RM/tonne or 12.3% to close at 5,605 RM/tonne. The price movements of selected grades of rubber in November are shown in **Table 1**.

The market gained momentum from the soaring price trends prevailing in other regional markets.

Malaysian prices were said to be quoted at a discount from those of the other markets, giving reason for the local prices to rise further. Traders reported that major tyre manufacturers, who have earlier waited for lower prices, were buying for nearby shipments as they were worried over supplies in producing countries and high escalating prices. However, producers were unwilling to sell due to uncertainty over the supply of raw materials. Positive data on the sale of cars in China which showed impressive growth as economic development and the stimulus measures spurred demand in the world's top automotive market. The increase in car sales in China boosted investors' confidence that the demand for rubber to be used in tyres would continue to rise despite the measures taken by the US to increase the tariff of Chinese tyres. The market continued to take its cue from the Tokyo rubber futures which saw active short-covering and registered sharp gains, supported by a stronger yen, weak crude oil prices and tight physical supplies.

Meanwhile, IRCo in a statement informed that it would not resume export controls as current prices are reasonable. Also, the reduction in

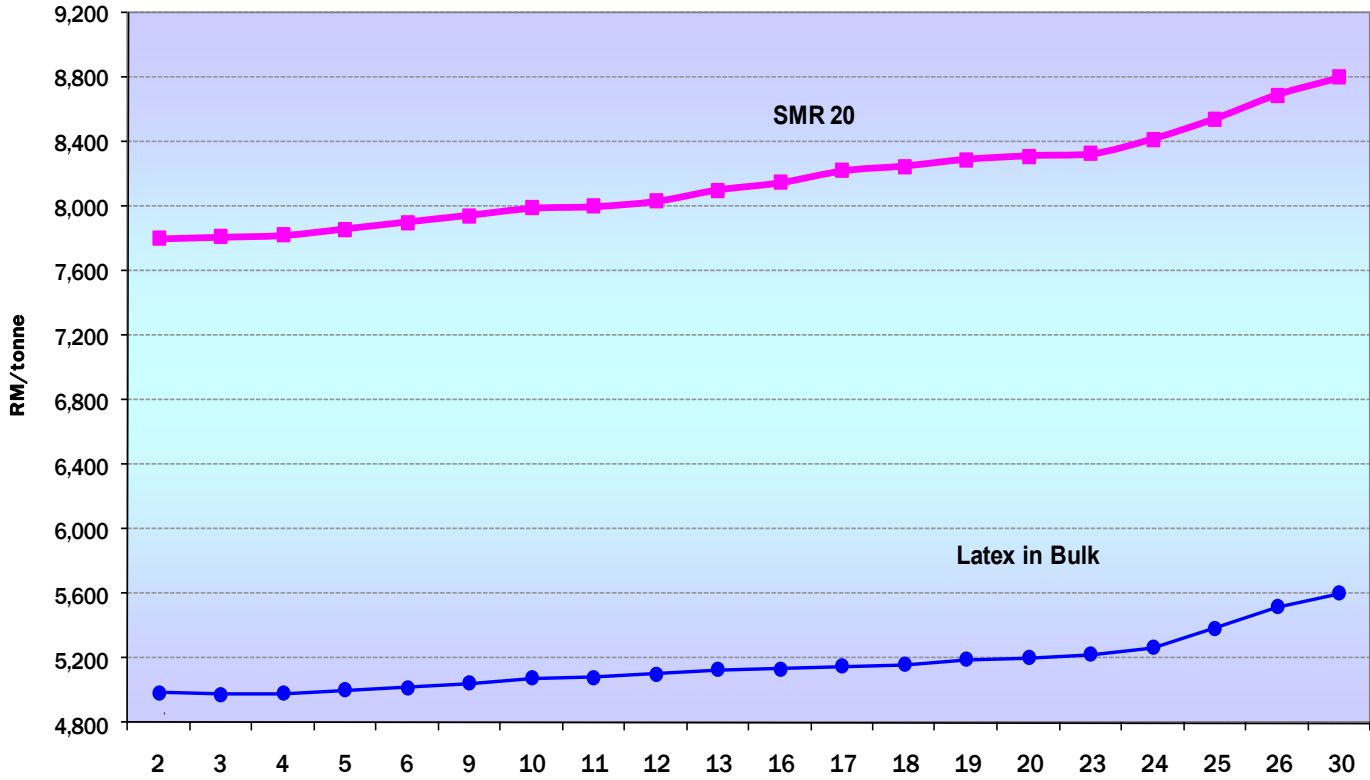
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, November 2009 (RM/tonne)

	SMR CV	SMR 20	Latex Concentrate
Highest	9,010.00	8,805.00	5,605.00
Lowest	8,345.00	7,805.00	4,975.00
Average	8,639.00	8,165.00	5,161.50
Change from the last day of the previous month	665.00	990.00	615.00

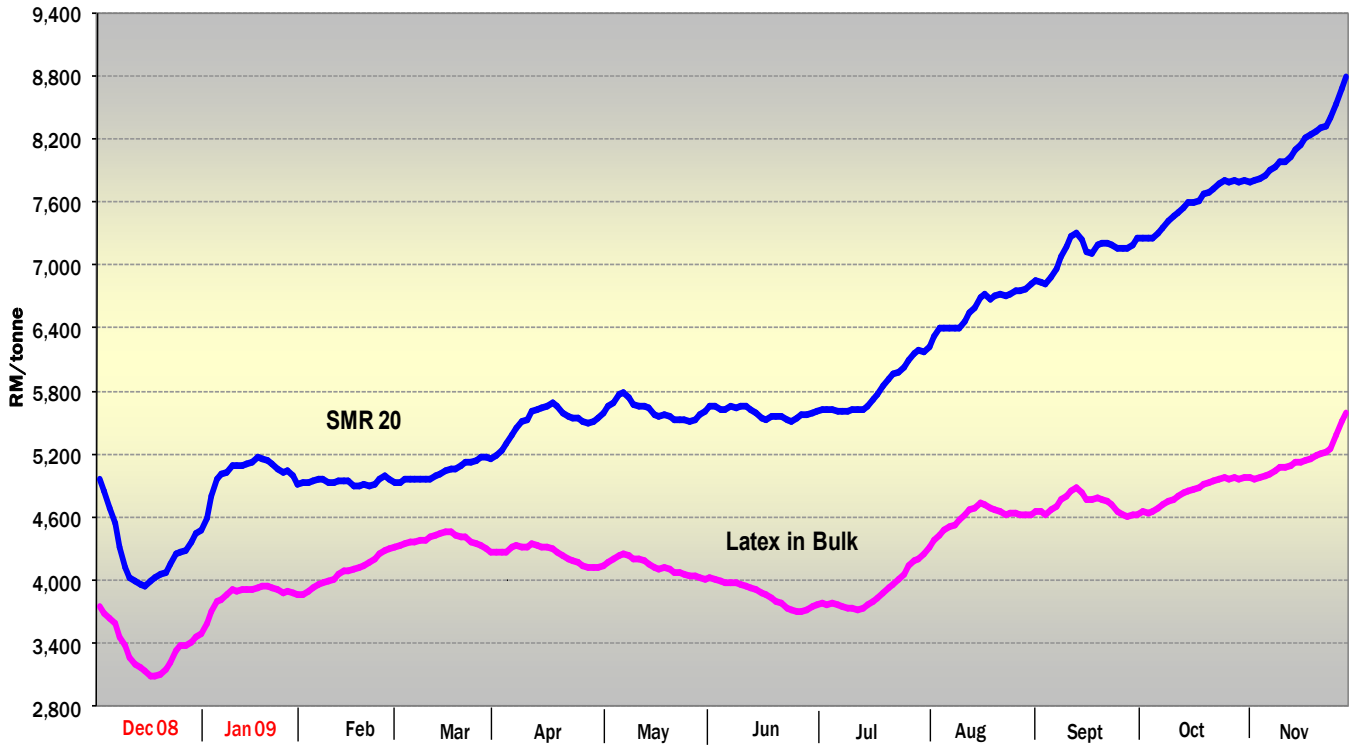
Note: * Official price of latex concentrate in bulk, 60% drc

Source: Malaysian Rubber Board

MRB Daily Noon Prices, November 2009



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices (01/12/2008-30/11/2009)



exports from member countries exceeded the AETS' targets due to low demand and less production amid replanting of old trees during the first half of this year.

Outlook

Car sales in China have seen strong growth and are forecasted to continue the pace with the development of highway construction and expansion of the transportation sector, which will boost the demand for tyres. China's demand for rubber is expected to rise in 2010 with consumption forecast at 6.4 million tonnes, of which 2.8 million tonnes would be NR, compared with the estimated 2.65 million tonnes in 2009. Based on the encouraging demand from China, coupled with declining production in the major rubber growing areas, prices are expected to remain steady hovering at higher levels in the near term.

News Brief

Lower tariff push up China compound rubber imports

China's imports of compound rubber are on the rise and are likely to reach 950,000 metric tonnes this year, up from around 557,000 tonnes in 2008 according to a senior industry official.

It is the tariff advantage, which compound rubber enjoys over natural rubber, that is pushing up imports, Mo Ye Yong, associate professor at china's Danzhou-based Rubber Research Institute, told Dow Jones Newswires in an interview.

Speaking on the sidelines of an international conference here, organized by the Association of Natural Rubber Producing Countries, YeYong said natural rubber imports in 2009 are likely to be almost unchanged on the year at around 1.6 million tonnes.

China levies an import duty of 5% on compound rubber and 20% on natural rubber. The duty difference is large despite more than 95% of compound rubber actually consisting of natural grades.

YeYong said even the 5% duty is likely to be scrapped next year for compound rubber imports from Association of South East Asian Countries, or Asean.

-factiva.com, 4 Nov

Vietnam Min: May build local rubber stockpile if prices fall

Vietnam may build a domestic stockpile of 100,000-200,000 metric tonnes of natural rubber if there is a significant fall in global prices, the country's vice minister of agriculture and rural development was quoted.

Speaking at an international conference on rubber, Ho Xuan Hung said though Vietnam isn't a member of the Inter-Tripatite Rubber Council – which comprises Thailand, Indonesia and Malaysia – it is ready to take action and buy rubber through domestic enterprises when prices are below production cost.

Vietnam can coordinate with the ITRC and other producing countries to stabilize prices in the next few years, he added.

-factiva.com, 4 Nov

Global '09 natural rubber output likely down at least 6 percent

Global natural rubber production is likely to be at least 6% lower on year in 2009 due to adverse weather conditions in major growing countries, according to Jom Jacob, senior economist with the Association of Natural Rubber Producing Countries.

Production was estimated around 9.1 million metric tonnes in 2008, almost unchanged on year.

"Government of member countries is still compiling figures, but from the feedback we're getting, it's likely to be significantly lower," Jacob said on the sidelines of the annual ANRPC conference.

-The Star, 4 Nov

India rubber board cuts 09-10 output forecast to 840,000 tonnes

India has revised down its natural rubber production forecast to 840,000 metric tonnes from an earlier projection of 867,000 tonnes for the marketing year that started April 1.

The country produced 864,500 tonnes of rubber in 2008-09.

The board also cut its estimate for exports in 2009-10 to 20,000 tonnes from 45,000 tonnes earlier, said the official, who didn't wish to be named.

-factiva.com, 23 Nov

... and ageing plantations slow India rubber output growth

India's rubber re-planting program is running way behind schedule and 70,000 hectares need to be replanted immediately to improve yield, was quoted as saying.

Most of the trees on that 70,000 hectares are between 28 and 29 years old, yielding less than half of the national average output, rubber Board Economist, Toms Joseph said.

He said growers are reluctant to replant this area because of the high prices now. Only 9,000 hectares were replanted in 2008.

Joseph said close to 38% of India's rubber acreage of 662,000 hectares is above 22 years old.

He said the government is providing INR19,500 per hectare to growers with less than five hectares of holdings, to encourage re-planting.

While high prices during the last five years prompted growers to postpone re-planting of old trees, it has also encouraged new plantings, both in the southern province of Kerala and in north-eastern India.

Joseph said more than 100,000 hectares of new rubber plantations have been added between 2004 and 2009, including 27,500 hectares in 2008 alone.

There has been an increase in acreage in Trissur, Malappuram, Kozhikode and Kannoor districts of Kerala. The government is also undertaking a program to double the area under rubber in the north-east region in 10 years. The program started in 2007 and the north-east now has an 11% share in India's total rubber acreage, mostly in the Tripura province.

-factiva.com, 4 Nov

Thailand's 2009 rubber exports may drop 3 percent

Thailand, the world's top rubber producer, is expected to export 2.6 million tonnes of the commodity this year, a drop of 3% from 2008, a senior Thai official said on Wednesday.

Rain has affected tapping in the main growing area in the south and production may only reach 2 million to 2.5 million tonnes, as much as 35% down on 2008, said Somchai Charnnarongkul, director at Thailand's Ministry of Agriculture.

Traders said unseasonable monsoon rains hit Thailand from late August through October, disrupting tapping and resulting in a drop in production and exports.

Traders and senior officials in Thailand say they expect falls in Thai production to be limited as the country is expanding its rubber plantations.

It has expanded rubber cultivation by 160,000 hectares in the north and northeast since 2004 when the government encouraged farmers to take advantage of high world prices.

Those rubber trees should start producing latex in 2010, adding around 10% to the country's normal potential output of around 3 million tonnes.

-factiva.com, 4 Nov

....and Thailand to swap rubber with oil palm to up output

In one of the most ambitious agricultural crop swap initiatives in recent times, Thailand plans to substitute natural rubber with oil palm in the southern regions in line with the local climate, a senior government official said Wednesday.

At the same time, natural rubber will substitute

soybeans, sorghum and corn in Thailand's north and northeastern parts, Director General, Department of Agriculture, Somchai Charnnarongkul said on the sidelines of an international conference.

"In many areas of the south, climate is not suitable for rubber production. Heavy rains prevent tapping of trees," Somchai said. He said leaves in some areas fall twice due to phytophthora fungal disease, affecting output.

Due to the vast expanse of the crop substitution program, it will be implemented over a period of five years and is likely to start during the next planting season in May, he disclosed.

The government will provide assistance to growers including the crucial planting material to opt for the crop substitution.

Somchai said the program involves reduction of natural rubber acreage by 815,000 hectares in the south and increase by 870,000 hectares in the north and northeastern regions.

-factiva.com, 5 Nov

Malaysia 2009 replanting in rubber areas 73% complete

Malaysia has completed 73% of its replantation in natural rubber growing areas for 2009, Minister for Plantation Industries and Commodities Bernard G. Dompok said late Monday.

Of the targeted 30,530 hectares, 22,390 hectares had been covered as of Sept. 30.

The minister said 21,100 hectares of old trees were to be replanted with rubber, of which 15,608 hectares have been covered. Some 8,000 hectares under rubber holdings of five hectares each or below are to be replanted with other crops. Until end-September, 5,710 hectares of this area had been replanted.

Another 1,430 hectares of old rubber holdings of less than five hectares each are to be brought under other crops, of which 1,070 hectares have been covered.

-factiva.com, 10 Nov

Malaysia eyes free trade pact with Turkey

Malaysia and Turkey would explore the possibility of having a free trade agreement (FTA) to enhance bilateral ties and trade between the two countries.

Foreign Affairs Minister Datuk Seri Anifah Aman said a meeting to discuss the matter would be held in Kuala Lumpur.

Anifah also said both Malaysia and Turkey planned to join forces to help rebuild and developed third world countries in the near future such as Iraq and Africa.

-New Straits Times, 4 Nov

No FTA with US

The bilateral Free Trade Agreement (FTA) between Malaysian and the United States may not materialize after all as the economic giant is more keen on having a regional FTA.

International Trade and Industry Minister Datuk Mustapa Mohamed said the priority for the United States was to have a Trans Pacific Strategic Economic Partnership Agreement (TPP).

"To them the TPP is a priority while the bilateral FTA was of low priority," he said.

-The Star, 13 Nov

“To them the TPP is a priority while the bilateral FTA was of low priority,” he said.

-The Star, 13 Nov

Of the targeted 30,530 hectares, 22,390 hectares had been covered as of Sept. 30.

The minister said 21,100 hectares of old trees were to be replanted with rubber, of which 15,608 hectares have been covered. Some 8,000 hectares under rubber holdings of five hectares each or below are to be replanted with other crops. Until end-September, 5,710 hectares of this area had been replanted.

Another 1,430 hectares of old rubber holdings of less than five hectares each are to be brought under other crops, of which 1,070 hectares have been covered.

-factiva.com, 10 Nov

Malaysia eyes free trade pact with Turkey

Malaysia and Turkey would explore the possibility of having a free trade agreement (FTA) to enhance bilateral ties and trade between the two countries.

Foreign Affairs Minister Datuk Seri Anifah Aman said a meeting to discuss the matter would be held in Kuala Lumpur.

Anifah also said both Malaysia and Turkey planned to join forces to help rebuild and developed third world countries in the near future such as Iraq and Africa.

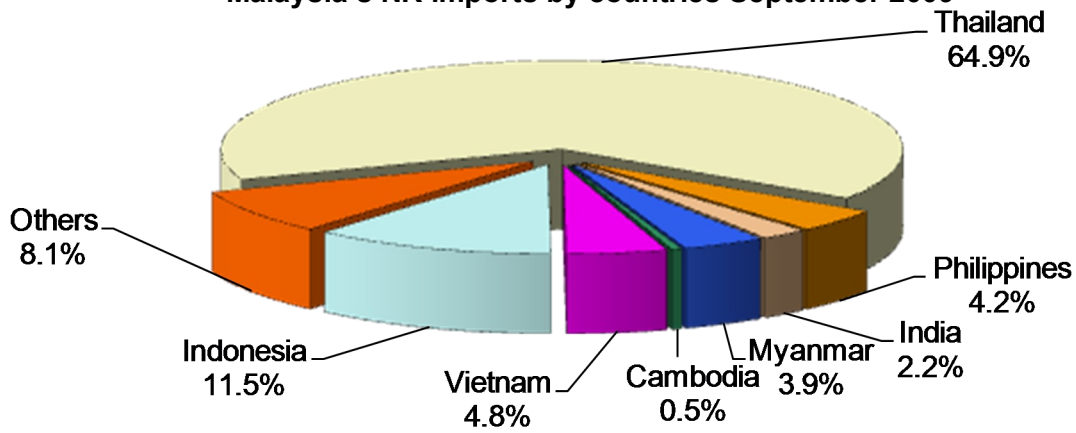
-New Straits Times, 4 Nov

No FTA with US

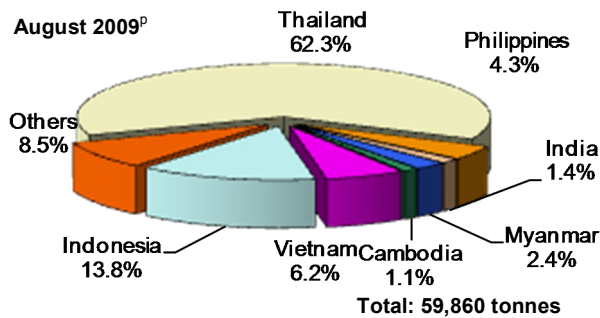
The bilateral Free Trade Agreement (FTA) between Malaysian and the United States may not materialize after all as the economic giant is more keen on having a regional FTA.

International Trade and Industry Minister Datuk Mustapa Mohamed said the priority for the United States was to have a Trans Pacific Strategic Economic Partnership Agreement (TPP).

Malaysia's NR imports by countries September 2009^P



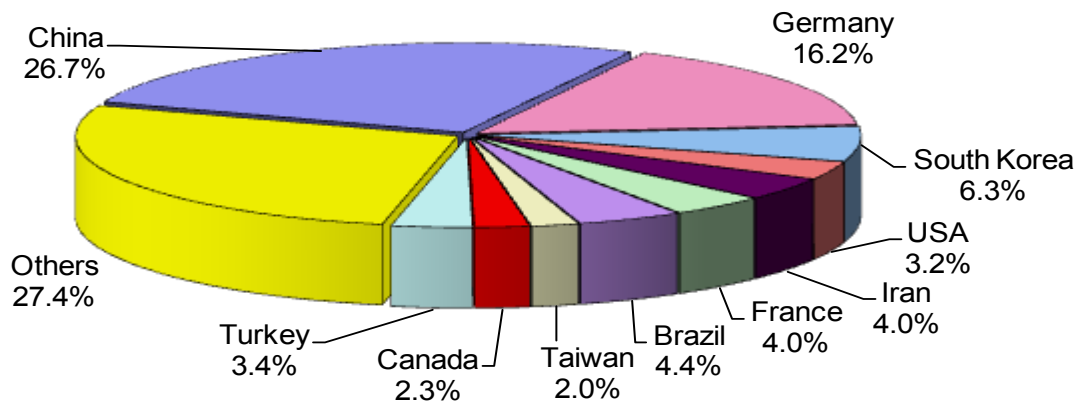
August 2009^P



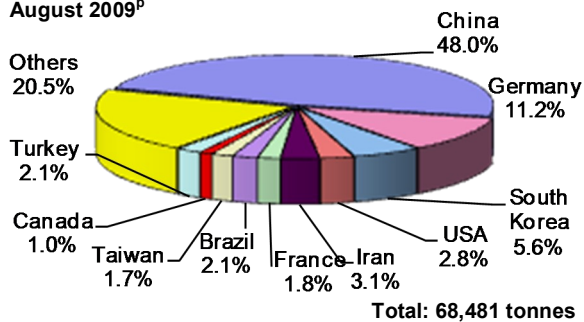
Total: 59,760 tonnes

Total: 59,860 tonnes

Malaysia's NR exports by countries September 2009^P



August 2009^P

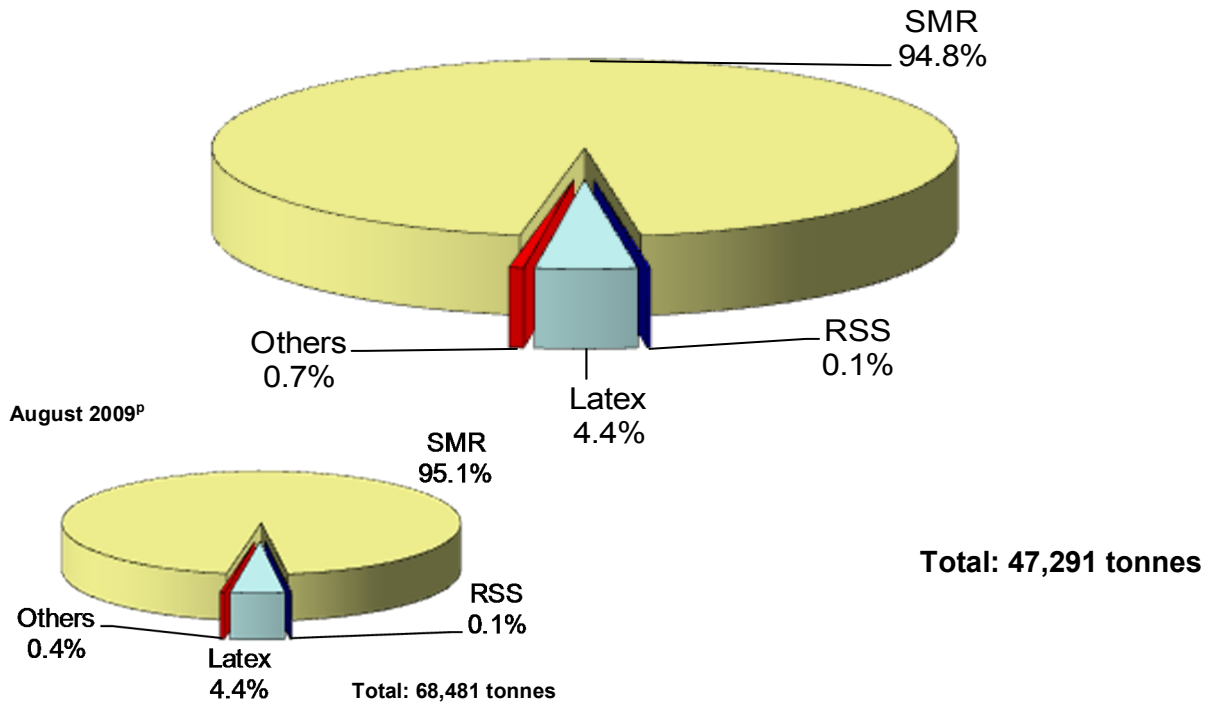


Total: 47,291 tonnes

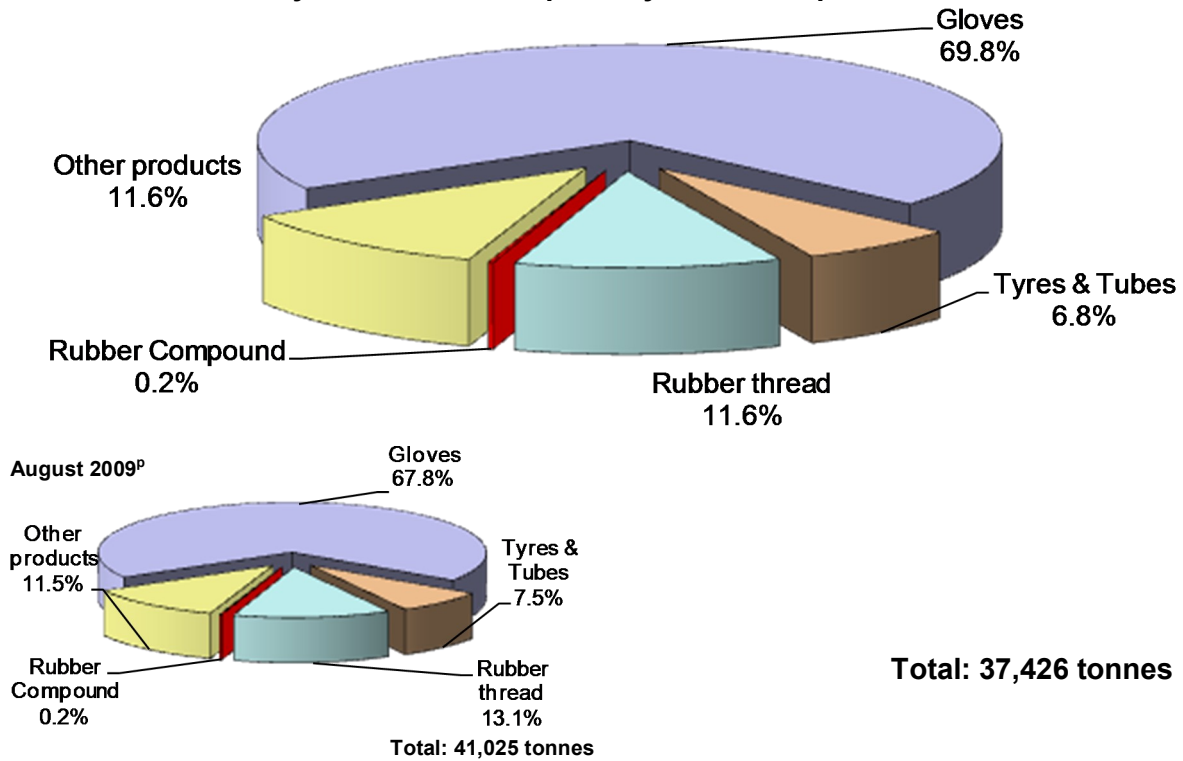
Total: 68,481 tonnes

Note: ^P = provisional

Malaysia's NR exports by types September 2009^P



Malaysia's NR consumption by sectors September 2009^P



Note: ^P = provisional

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