



# MALAYSIAN RUBBER BOARD

## DIGEST

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## Natural Rubber Market Review

### November

Prices on the Kuala Lumpur rubber market closed lower as SMR 20 recorded its lowest level for the year 2015 at 480.50 sen/kg on 24 November. Market conditions were very much influenced by global economic conditions particularly China's economic performance, movement of crude oil prices, performance of rubber futures at Tokyo Commodity Exchange (TOCOM) as well as currency movements. Compared with 30 October 2015, the price of SMR 20 declined by 34.0 sen/kg or 6.5% to close at 488.00 sen/kg while latex concentrate closed at 366.00 sen/kg, a decline of 21.0 sen/kg or 5.4%. The price movements of selected grades of rubber in November 2015 are shown in *Table 1*.

During the first trading week, the Kuala Lumpur rubber market saw a downward trend following weak advices from regional rubber futures market coupled with a stronger ringgit against US dollar. Persistent worries about slowing demand in China and oversupply in Asia also dampened the market sentiment. According to the Organisation for Economic Co-operation and Development

(OECD), economic growth in China is projected to slow to 6.8% in 2015 and to continue to decline gradually. The OECD said as China rebalances towards consumption and services, its GDP growth would decelerate to 6.2% by 2017.

During the second trading week, the Kuala Lumpur rubber market gained slightly following the uptrend in regional rubber futures markets and the weakening of the ringgit against the US dollar. Nevertheless, the gains were capped by worries over demand from buyers in China following the disappointing China factory data coupled with lower crude oil prices. Crude oil price were traded lower at USD 41 per barrel on 13 November, a 10 per cent fall since the beginning of November.

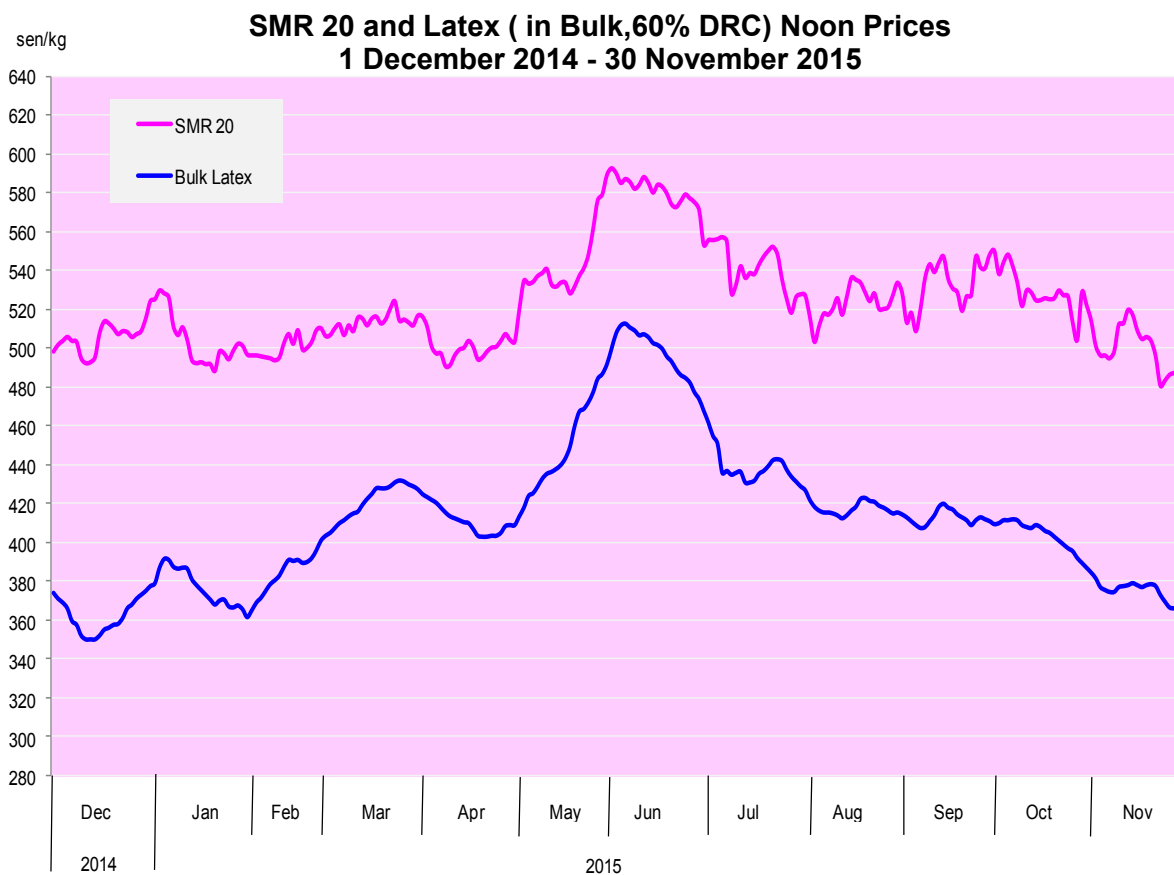
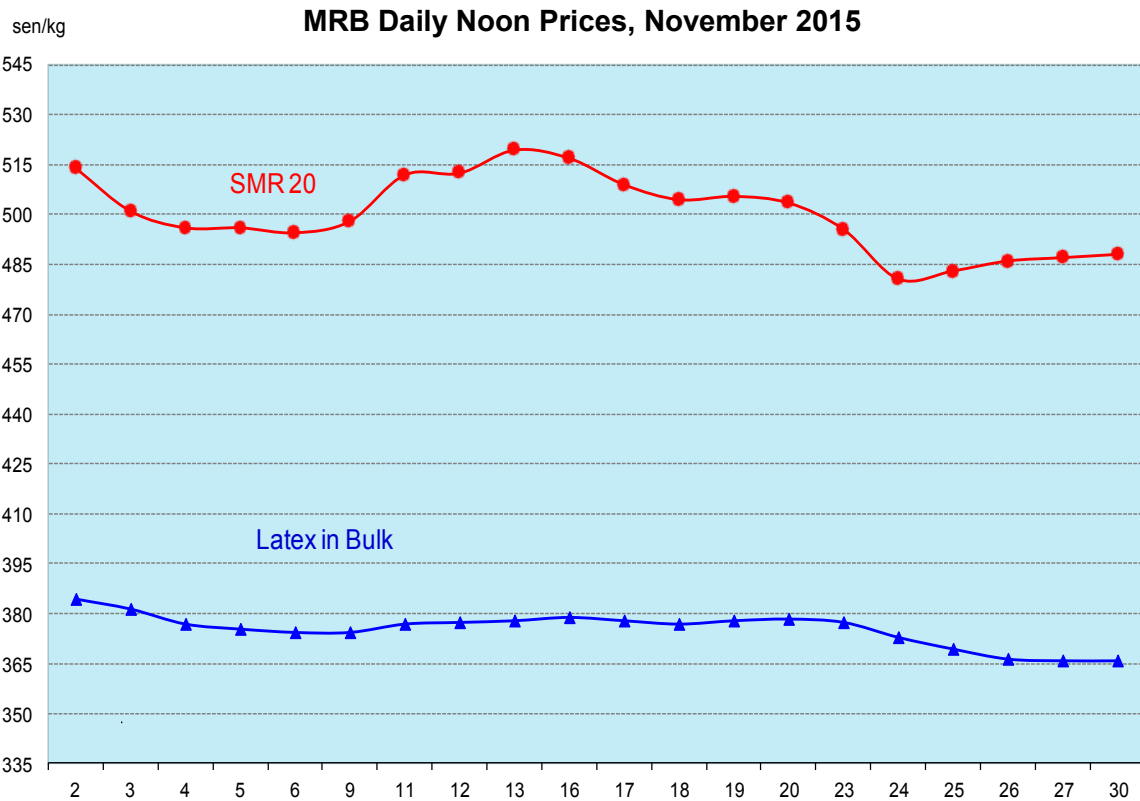
The Kuala Lumpur rubber market declined sharply on 24 November following weak advices from TOCOM market coupled with a stronger ringgit against US dollar. TOCOM rubber futures fell more than three per cent tracking a sharp fall in Shanghai Futures Exchange (SHFE) when Japanese markets were closed for a public holiday on 23 November. Brent crude oil prices hovered between USD 41 to 48 per barrel during the review period. Among the factors contributed to the movement of crude oil prices are US dollar

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	681.50	6,815.00	519.50	5,195.00	384.50	3,845.00
<b>Lowest</b>	634.50	6,345.00	480.50	4,805.00	366.00	3,660.00
<b>Average</b>	659.68	6,596.80	500.15	5,001.50	375.45	3,754.50
<b>Change from the last day of the previous month</b>	-50.00	-500.00	-34.00	-340.00	-21.00	-210.00

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

Source: Malaysian Rubber Board



currency movement, US crude stockpiles, global supply glut as well as global tensions after Turkey shot down a Russian warplane near the Syrian border. The ringgit was hovering around 4.19 to 4.39 against US dollar during the month.

Market recovered slightly towards the end of the review period following the extension of gains in TOCOM on bargain-hunting activities coupled with firm Tokyo share prices. Nevertheless, the gain in TOCOM was capped by lower prices of other commodities such as gold and copper. Gold price hovered close to its lowest in nearly six years, as the US dollar held at multi-month highs and U.S. economic data reinforced market expectations of an interest rate hike this year.

## Outlook

Prices are likely to be under pressure in the absence of fresh leads and uncertainties in the regional rubber market. Most market participants are likely to remain sidelined, waiting for a clearer market direction. Market operators are now keeping their eyes on external factors like the world economic condition, development in China's economy, crude oil prices, currency movements and performance of rubber futures market.

## News Briefs

### ***Uggah: Fall in ringgit's value against US dollar has no impact on palm and rubber***

The fall in the ringgit's value to the US dollar has had no impact on the stability of palm oil and rubber prices in the country, says the Minister of Plantation Industries and Commodities, Datuk Amar Douglas Uggah Embas. He said the decline in prices of both commodities resulted from a number of factors, among them, the slowing down of economic growth in importing nations as China, the European Union and the United States, which affected demand.

In the case of rubber, the government was working to enhance production by mixing it with bitumen for the construction of roads from next year. "At the international level under the International Tripartite Rubber Council (ITRC) framework, we, together with Thailand and Indonesia are working together to find ways to stabilise the price of natural rubber. This includes strengthening the Supply Management Scheme

and Agreed Export Tonnage Scheme among ITRC members.

- *Bernama Daily Malaysian News*, 3 Nov

### ***Rubber farmers to get B12bn***

The Thai cabinet approved a budget of 12 billion *baht* to support rubber farmers suffering from tumbling prices, said Prime Minister Prayut Chan-o-cha. Speaking after the cabinet meeting, the prime minister said the fund will help farmers with production costs as they battle with a slowdown in global demand.

Under the scheme proposed by the Agriculture and Cooperatives Ministry, the government will allocate 1,500 *baht* per *rai* and the money will be split 60:40 between owners and tappers. The owner will receive 900 *baht* and the tapper will receive 600 *baht* of the assistance on offer. The financial assistance is limited to 15 *rai* and the plantation must have land ownership documents, the prime minister said.

- *Bangkok Post*, 4 Nov

### ***The Government of India announces incentive to boost natural rubber exports***

The Government of India has added RSS (Ribbed Smoked Sheet) and TSR (Technically Specified Rubber) in Merchandise Export from India Scheme (MEIS) which would make them eligible for an incentive at the rate of two per cent for exports to 169 countries including China, USA, Germany, Italy, Poland, UK, Malaysia, Brazil, Egypt, Iran, Japan, Mexico, Russia, Singapore, South Africa, Turkey and UAE.

- *Kerala IT News*, 7 Nov

### ***Vietnam, Japan partner to produce carbon-free rubber***

Vietnamese and Japanese researchers have developed technologies to reduce proteins in natural rubber, thereby permitting the production of high-performance rubber materials and alleviate the environmental burden caused by natural rubber processing, the Vietnam News Agency has said. The scientists presented their research results at a session during the International Rubber Conference held in Ho Chi Minh City last week, the news agency said.

The project, conducted in 2011-2016, aims to reduce carbon dioxide emissions by replacing fossil-resource originated synthetic rubber with carbon-neutral natural rubber. It also seeks to create new industries in automotive or fuel cell fields through the application of high-performance rubber and advanced polymers from protein-free natural rubber. The newly developed technology enhances the safety level of rubber products and promotes replacement of synthetic rubber with natural rubber.

- Vietnam News Brief Service, 10 Nov

### ***Sri Trang Agro: Thai rubber company's new tree-to-tyre strategy***

Thailand's largest and the world's second largest rubber producer is placing a big bet. With global rubber prices on the decline, Sri Trang Agro-Industry is increasing its capacity. The goal is to raise capacity by nearly 10% at its domestic and overseas facilities, including a newly launched Myanmar factory.

That is step 1 on the path of hope back to profitability. The second step is improving both its sales and production efficiency. Sri Trang in October launched its first Myanmar rubber factory in the southeastern state of Mon. It is capable of producing 4,800 tonnes of rubber a year, a drop in the bucket compared to what Sri Trang's Thai facilities can produce about 60,000 tonnes per year.

- Nikkei Report, 12 Nov

### ***Rubber farming: Too much supply has tyre makers worried***

The world's tyre makers are expanding their rubber plantations in Southeast Asia, a region that produces nearly 80% of the globe's natural rubber. Weaker demand for natural rubber and surging labor costs are affecting the earnings of the region's rubber farm operators. The situation has tyre makers concerned. With questions hanging over future rubber supplies, the tyre industry is digging deeper into the plantation business.

Bridgestone of Japan runs a huge natural rubber farm, Bridgestone Sumatra Rubber Estate, in the Indonesian province of North Sumatra. It now produces nearly 10% of the company's natural

rubber needs. Michelin, like Bridgestone, is rubber farming in Indonesia. The French tyre maker has entered into a joint venture with Indonesian conglomerate Barito Pacific Group, contributing US\$55 million to the business. The partners plan to produce approximately 80,000 tonnes of natural rubber per year on the Indonesian islands of Sumatra and Borneo.

- Nikkei Report, 12 Nov

### ***Biotech startup wants to burn cash to make rubber***

A North Carolina-funded biotech startup developing new ways to turn sunflower into rubber has kicked off a debut US\$830,000 funder. That's according to a securities filing disclosed Friday by Durham-based Edison Agrosiences. Edison's goal is to meet a monumental need for natural rubber – "an essential material for the manufacture of tens of thousands of consumer, medical, and industrial products," according to a descriptor on its website.

"Natural rubber is a strategic product in that it is not possible to produce engines or vehicles without it," Edison literature reads. But commercial natural rubber production is largely reliant on one crop species: The rubber tree, which is difficult to grow due to its environmental requirements and disease susceptibilities. Additionally, it takes five years for a rubber tree to reach production maturity. That's where Edison could come in, with its sunflower crop.

- Upstart Business Journal Online, 13 Nov

### ***Rubber output grows 18.5 per cent in September***

Malaysia's natural rubber (NR) production in September 2015 registered 67,971 tonnes, up by 10,605 tonnes (+18.5%) compared with the preceding month. Year-on-year, production recorded an increase of 12.7%, the Statistics Department said.

It said the smallholdings sector was the largest producer of Malaysia's NR (91.9%), while the rest came from estates. On a month-on-month basis, the smallholding and estate sectors showed an increase of 19.9% and 4.9% respectively. NR exports in September amounted to 61,231

tonnes, down 6,539 tonnes (-9.6%) compared with for August, while year-on-year, it appreciates 6,768 tonnes (+12.4%). Of the total exports, Standard Malaysian Rubber contributed 93.3%, whereby 66.1% was attributed to SMR 20.

- *New Straits Times*, 14 Nov

#### ***Thailand tyre market to grow at over 8% through 2020***

According to TechSci Research report, "Thailand Tyre Market Forecast & Opportunities, 2020", the tyre market in Thailand is forecast to grow at a compound annual growth rate (CAGR) of more than 8% during 2015 - 2020 on account of anticipated increase in automobile production, expanding automobile fleet and favorable government initiatives which include infrastructure development plans and several incentive schemes to promote energy saving eco-cars in the country. Bridgestone and Michelin are the most dominating tyre brands in Thailand. Other tyre brands operating in the country include Goodyear, Pirelli, Vee Rubber, Sumitomo, Otani Tyres, Apollo, Nokian, Toyo Tyres, etc.

- *PR Newswire Europe*, 19 Nov

#### ***China develops *eucommia ulmoides* rubber to enhance industry security***

The *eucommia ulmoides* branch under the China Cash Forest Association was recently established in an effort to promote large scale development of the *eucommia ulmoides* rubber industry and reduce China's heavy reliance on rubber imports. As natural rubber is a tropical plant and can grow only in Hainan Island and Xishuangbanna domestically, more than 80 percent of natural rubber used in China is from overseas. The volatile rubber prices in the international market have severely affected healthy development of the domestic rubber industry. Therefore, it is urgent to develop the second source of rubber, said Du Hongyan, an official of the Chinese Academy of Forestry.

- *Xinhua's China Economic Information Service*,  
19 Nov

#### ***Global rubber output to drop as farmers curtail tapping***

Global natural rubber output could drop for a second straight year in 2015 as prices near six-year lows have prompted Asian farmers to curtail tapping during their peak season. Lower production this year - which would be the first time in at least a decade that output has fallen two years in a row - would help reduce stockpiles and allow prices to rebound after losing more than 25% so far in 2015. "Lower prices during peak tapping period will have a negative impact on overall production," Sheela Thomas, secretary-general of the Association of Natural Rubber Producing Countries (ANRPC), told Reuters. So far this year, over the January-October period, ANRPC members have produced 9 million tonnes of rubber, down 0.9% from the same period in 2014. Total production from the ANRPC in 2014 was down 1.9% from the previous year.

- *Reuters News*, 20 Nov

#### ***Yunan State Farms to develop natural rubber with Laos***

Yunan State Farms Group will work together with the Laos government to set up a national natural rubber industrial technology demonstration center to implement national quality standards and industry guidelines on rubber seedlings, planting, tapping, processing, product testing, etc.

China and Laos will work together to set up natural rubber technology standard demonstration center, testing center and training center, agricultural inspection and quarantine center and other institutions, which will greatly promote the development of the natural rubber industry in Laos. The Chinese company started to work together with Laos to develop the rubber plantation industry in February 2006.

- *SinoCast Metals & Mining & Chemicals Beat*,  
26 Nov

### ***Rubber-producing countries approve clone-sharing deal***

The International Rubber Research and Development Board (IRRDB) is set to formalize the exchange of 49 rubber clone varieties among its associate institutes following the recent approval by the group's 19 member countries of the sharing system. Dr. Abdul Aziz S.A. Kadir, IRRDB secretary-general, made the announcement during the recently concluded 2nd Philippine Rubber Investment and Market Encounter (Prime) 2015 held in Davao City. The Malaysian Mr. Aziz said a rubber clone, which has a higher yield and particular secondary characteristics, used to take 40 years to produce but modern technology has now made the process easier and faster. He cited the work of Dr. Romulo L. Cena of the University of Southern Mindanao (USM) in developing the high-yield USM 1 clone after 15 years of research. "The fluctuating price of rubber has existed since 1934 so it is nothing new. And since it is going to be up and down, it needs targeted research," he said. It is also important for small farmers to grow rubber from good clones to ensure quality output, he added, noting that there are around 50,000 products that can be made out of rubber.

*- BusinessWorld, 26 Nov*

### ***Continental makes winter tyres from dandelion rubber***

Leading international tyre manufacturer Continental of Germany has reached an important milestone in its research project for the industrialisation of dandelion rubber in tyre production. Last year Continental had presented the first test tyres in a limited series made from the innovative material that the company is calling Taraxagum, derived from the botanical name for dandelion (*taraxacum*).

*- Automotive Products Finder, 30 Nov*

### ***Global rubber consumption up 2% in H1 2015***

The world total rubber consumption increased by 2% to touch 14.60 million tonnes in the first half of 2015, as against 14.29 million tonnes in the same period of 2014, according to the latest Rubber Industry Report of International Rubber Study Group (IRSG). The continued expansion of the world total rubber consumption is a reflection

of the positive growth of the world economy at a modest-to-moderate rate. China and Asia Pacific excluding China were the two main sources of the absolute increase in the total rubber consumption. China's total rubber consumption increased by 3.9% to 5.67 million tonnes in H1 2015. The Asia-centred growth in rubber consumption is due to the region's status as the factory for the world, at least for tyres: Asia had accounted for 59.6% of world total output of automobile tyres, while accounting for 37.8% of the total sales of the same types of tyres in 2014. World natural rubber consumption was up 1.4% at 6.1 million tonnes during H1 2015, while world synthetic rubber consumption increased by 2.8% to 8.49 million tonnes during the period. China and the US contributed largely to the increase in NR consumption.

*- Rubber Asia, November-December 2015*

### ***US Q2 growth revised up 3.9%***

According to revised estimates by Commerce Department, US GDP expanded at an annual pace of 3.9% in the April-June 2015 quarter, higher than a 2.3% growth estimated earlier. It marked an even stronger bounceback from the sluggish 0.6% growth recorded in the opening months of 2015. The upward revision to GDP is driven largely by higher consumer spending and appreciation of the dollar against other currencies. Output expanded 2.2% in the first half of the year compared to growth of 1.9% during the same period in 2014.

*- Rubber Asia, November-December 2015*

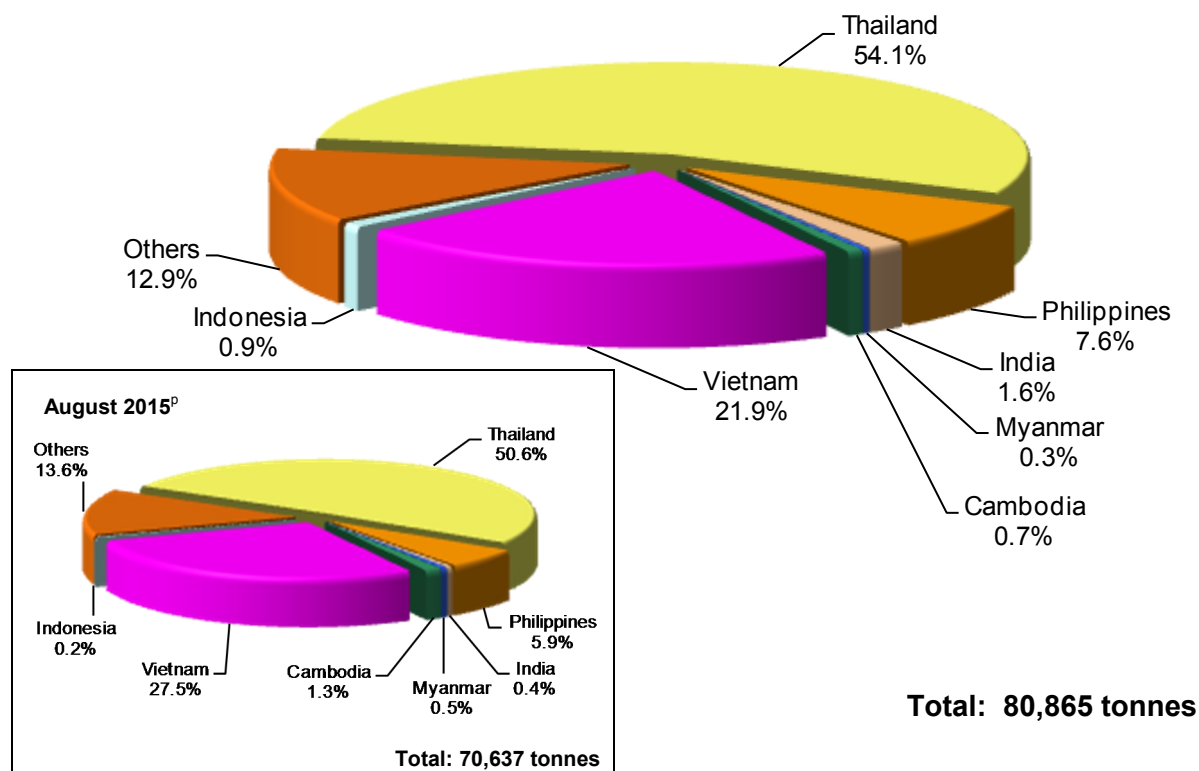
### ***SR share in rubber consumption rises to 58.1%***

Share of synthetic rubber in total world rubber consumption slightly increased to 58.1% in the first half of 2015 as against 57.8% in the same period of 2014, IRSG data shows. The following are the SR shares of various countries and regions during the period: China 57.7%, Asia Pacific excluding China 47.4%, USA 66.1%, European Union 69.3% and India 35.5%.

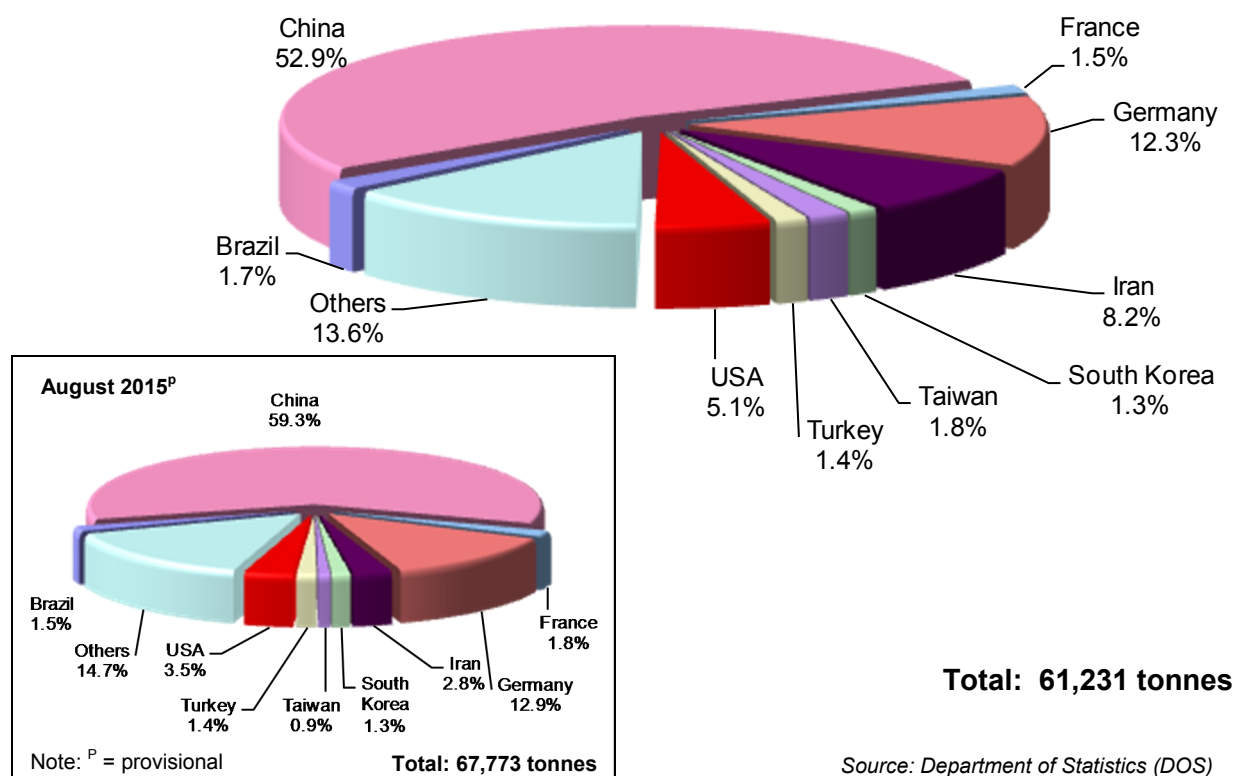
*- Rubber Asia, November-December 2015*

Sources: *www.factiva.com, New Straits Times, Rubber Asia*

### Malaysia's NR imports by countries September 2015<sup>P</sup>

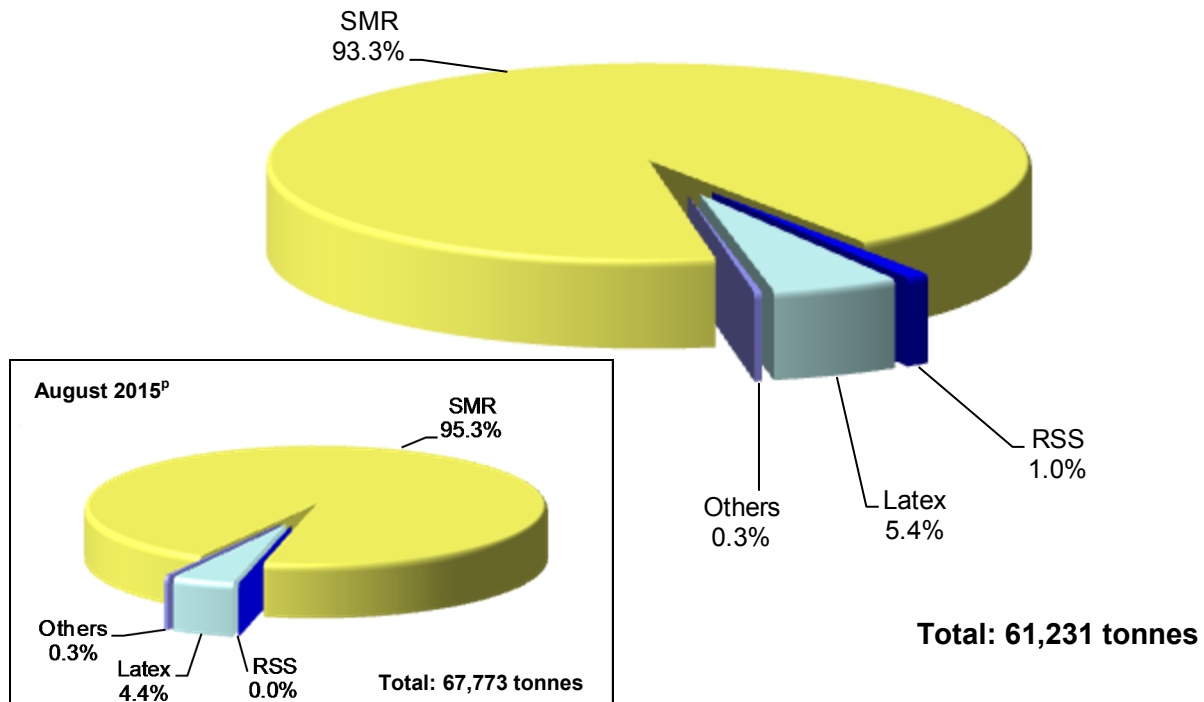


### Malaysia's NR exports by countries September 2015<sup>P</sup>

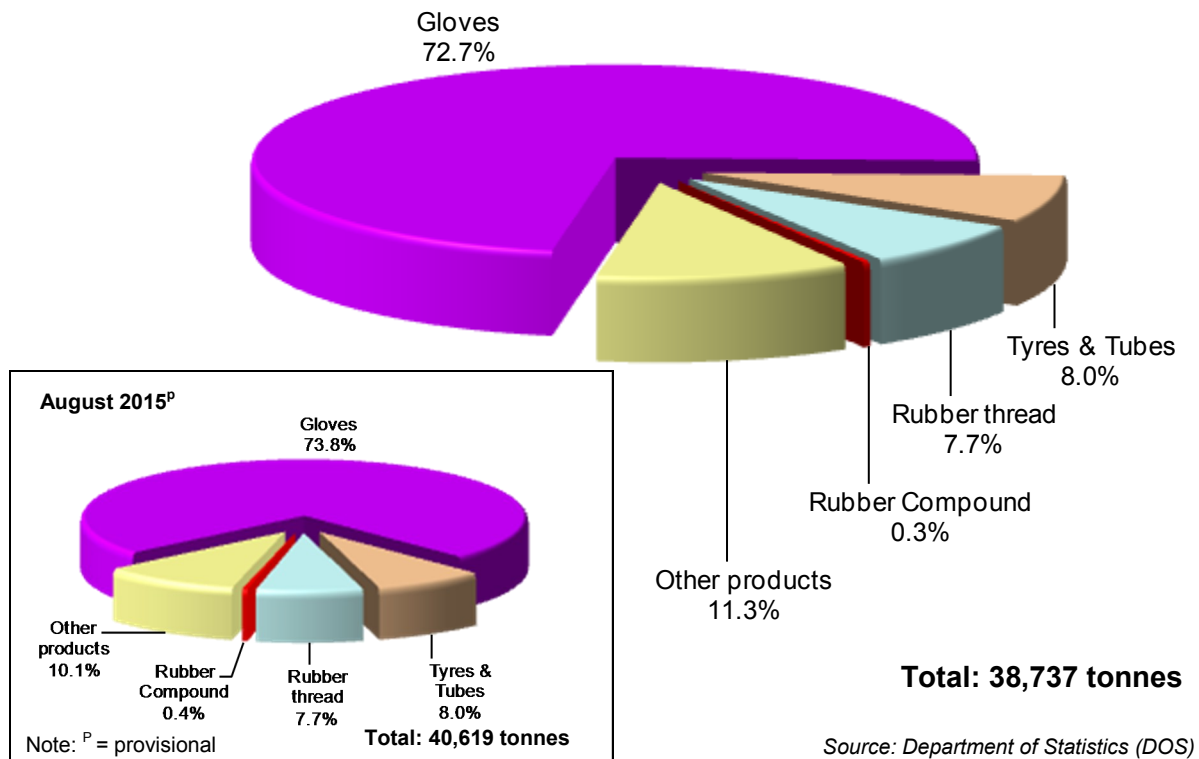


Source: Department of Statistics (DOS)

### Malaysia's NR exports by types September 2015<sup>P</sup>



### Malaysia's NR consumption by sectors September 2015<sup>P</sup>



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