



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber Market Review

December

In December 2014, the Kuala Lumpur rubber market saw a mixed trend following a further fall in crude oil prices and 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. Compared with those on 28 November 2014, the price of SMR 20 increased by 22 sen/kg or 4.38% to close at 524.00 sen/kg while latex concentrate closed at 377.50 sen/kg, a decrease by 1.50 sen/kg or 0.4%. The price movements of selected grades of rubber in December 2014 are shown in *Table 1*.

During the first trading week, the market saw a mixed trend with prices increasing at the beginning but then declined at the end of week, following a weaker ringgit, besides tracking similar trends in regional futures market on an overnight commodities' rally fuelled by a strong rebound in oil prices. At the end of week, the prices declined following a drop in crude oil prices and that in TOCOM and SHFE. It was reported that excess supplies had been hanging over the

market at a time when global prices were already low because of weak demand.

The market continued its mixed trend during the second trading week. Besides a weakening of the ringgit, it tracked the downtrend in regional futures markets following further fall in crude oil prices. The crude oil futures fell to the lowest in more than five years, extending a four-per cent slide in the previous session on expectations that a deepening oil glut would keep its prices under pressure in 2015. Meanwhile, it is reported that Thai rubber farmers had planned protests to force the kingdom's military government to provide more support for the commodity's prices and would take to the streets in defiance of martial law. In addition, the weakening of Chinese demand for rubber had also worsened the negative sentiment.

The market saw a slight gain during the third trading week on further weakening of the ringgit. Such gain, however, was capped by the negative sentiment over further fall in crude oil prices following a statement by Saudi Arabian Oil Minister which reiterated that the kingdom has no plans to cut output. The fall in regional futures markets had also curbed further gains. In addition, worries over a supply shortage began to

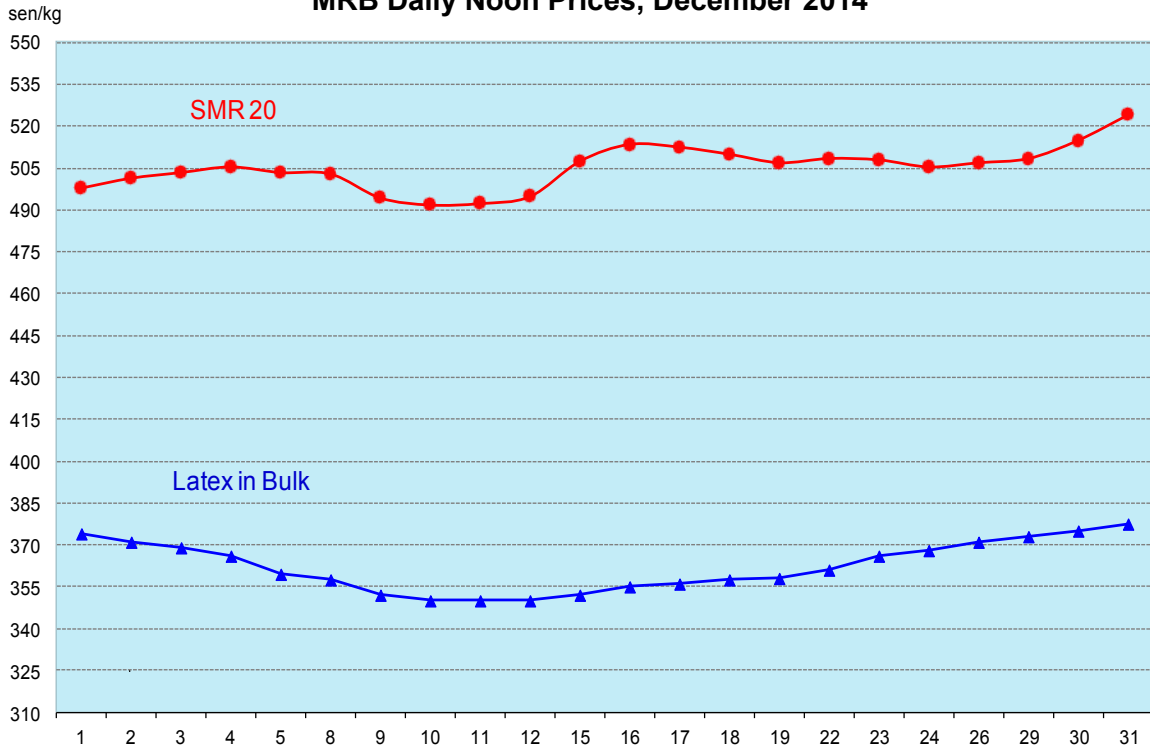
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, December 2014

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	659.00	6,590.00	524.00	5,240.00	377.50	3,775.00
Lowest	633.00	6,330.00	492.00	4,920.00	350.00	3,500.00
Average	645.45	6,454.50	505.27	5,052.70	362.23	3,622.30
Change from the last day of the previous month	-2.50	-25.00	22.00	220.00	-1.50	-15.00

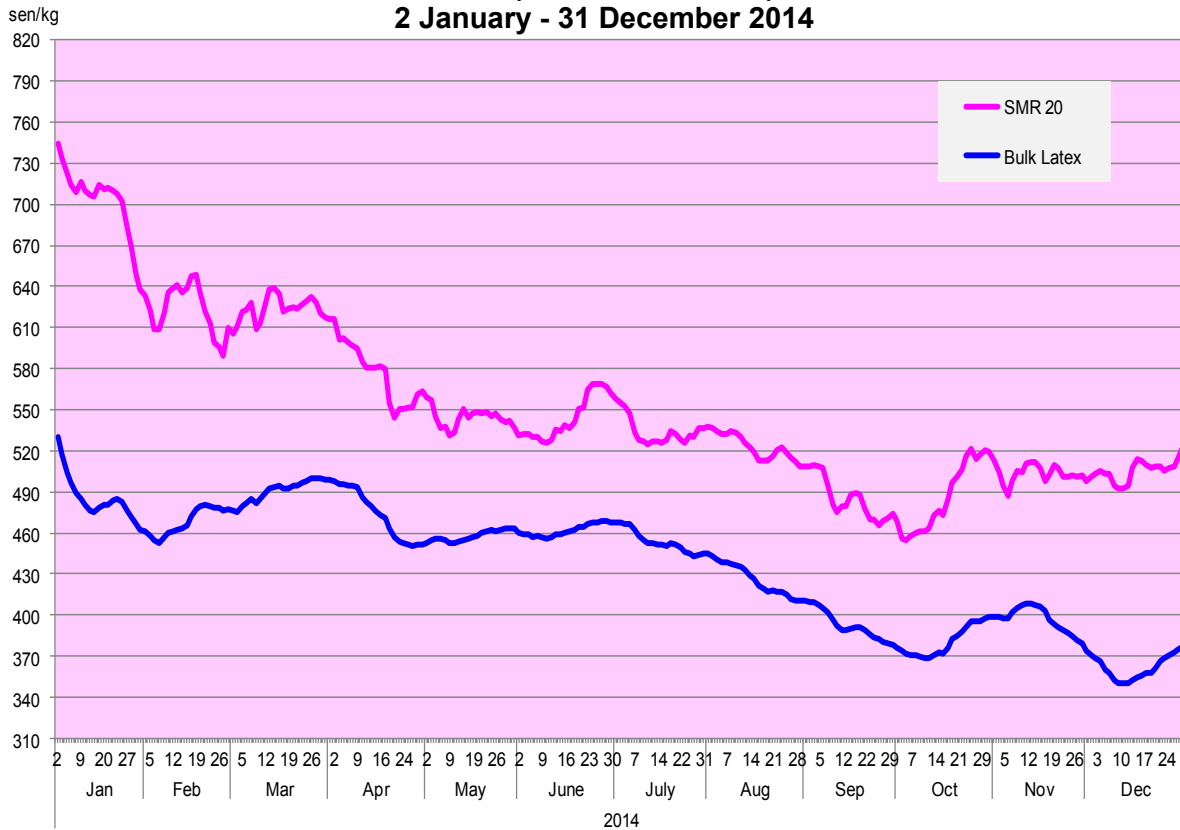
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, December 2014



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 2 January - 31 December 2014



set in as rubber farmers in two of Asia's biggest producing-nations held back stocks as prices dropped close to five-year lows, with many producers in Thailand pressing their government to shore up prices while those in Indonesia cut back on work shifts, both of which brought some support. Meanwhile, the market also responded positively on the report that the U.S. retail sales data showed that consumer spending advanced at a brisk clip in November 2014 as lower oil prices gave holiday shopping a boost and offered the latest sign the American economy was still gathering momentum. Besides a further weakening of the ringgit and good performance of the regional futures, the market also saw a rally in its prices on positive sentiment over the announcement by the Thai Government to spend over six billion *baht* (US\$180 million) to buy rubber to support prices, while another fund will support domestic rubber futures with the help from private firms.

During the fourth trading week, the market witnessed an uptrend following that in regional futures market on gains in the crude oil price, which was helped by profit-taking on short positions. The positive sentiment was also 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. Furthermore, the market responded positively to a statement by the 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 floods persist.

Outlook

The natural rubber industry is expected to recover in 2015, supported by increased demand from consuming countries amid low supply. The brighter prospects would be supported by China's mounting demand for the commodity which has been on the increase since 2014. The demand is expected to exceed the world's supply of natural rubber. Furthermore, the International Tripartite Rubber Council (ITRC) consisting of Malaysia, Thailand and Indonesia are taking steps to curb the fall in the commodities prices.

News Briefs

Three ASEAN cities vying to house rubber exchange

It was heartening when the Plantation Industries and Commodities Minister Datuk Amar Douglas Uggah Embas announced that Thailand, Indonesia and Malaysia will set up a regional rubber exchange. This exchange, which is expected to be up and running in 18 months from now, will help bolster the commodity's trading activities and support prices.

The regional rubber exchange will provide a platform for better price discovery and effective hedging functions, bringing benefits to producers, consumers and market players. It will later be able to trade other rubber-related products such as rubberwood, which is used to make furniture.

-New Straits Times, 1 Dec

Asian rubber producers agree to manage supply

Three key natural rubber manufacturers in Thailand, Indonesia, and Malaysia unveiled their plans for ensuring good balance between global natural rubber demand and supply to the ministerial committee of the International Tripartite Rubber Council (ITRC) in Kuala Lumpur, Malaysia. In response to destabilizing of the commodity's prices, the three nations will oversee its exports to international markets to avoid excess supply. For improving demand, the nations will create a list of focus regions for raising local natural rubber consumption, such as uses in dam and road constructions, and encouraging the use of latex beddings and rubber gloves in clinics and government hospitals.

-Rubber & Plastics News, 1 Dec

Malaysia, Thailand to strengthen cooperation in rubber, bilateral trade

Prime Minister, Datuk Seri Najib Tun Razak said that Malaysia and Thailand will discuss further cooperation to stabilise natural rubber prices. He said it was important for Malaysia, Thailand and Indonesia to continue working together to support the work of the International Tripartite Rubber

Council (ITRC) to shore up the commodity's price.

"Both countries also agreed to include Vietnam in the process, as well as, to explore ways and means to increase the natural rubber usage in other new products," Najib told reporters after hosting a luncheon in honour of visiting Thai Prime Minister, Gen. Prayut Chan-o-cha at Seri Perdana here. The prime minister and his counterpart also discussed joint-development strategies for border areas which included the establishment of rubber cities to promote the natural rubber industry of both countries.

-Bernama Daily Malaysian News, 1 Dec

Hainan to buy 208,000 tonnes of rubber from Thailand agency

Hainan Rubber Industry Group has agreed to buy 208,000 tonnes of rubber from Thailand's state-run Rubber Estate Organization (REO). The purchases would be made at a fair market price, said a spokesperson for the group. The contract was signed between REO and Hainan Rubber Group (Singapore) Development Pte. Ltd., a fully-owned subsidiary of the group.

-Emerging Markets Business Information News, 6 Dec

The Government is optimistic that TPPA will boost automotive and local industries

The Trans-Pacific Partnership Agreement (TPPA) will help increase access to more opportunities which will help and protect the automotive and local industries. International Trade and Industry Minister Datuk Seri Mustapa Mohamed said that the Government was optimistic of achieving the target, which would, however, depend on competitive pricing and the quality of the local cars.

-The Star, 5 Dec

Thai legislative assembly passes first reading of rubber bill

The National Legislative Assembly (NLA) has passed the first reading of the Thai rubber bill by 173 votes to 1 while making note of the issue of

zoning for natural rubber cultivation. The rubber bill seeks to establish a legal body to be in charge of overseeing financing, research and development of Thailand's rubber industry. Minister of Agriculture and Cooperatives, Amnuay Patise said that he believes that once the bill is signed into law, the price of natural rubber will definitely not fall below the current level and the ministry will try to ensure that the price reaches at least 60 *baht* per kilogram.

-Rubber Journal Asia, 11 Dec

Thailand: Three measures by Industry Ministry to boost rubber prices

The Office of Industrial Economics (OE) in the Ministry of Industry launches three measures to shore up the decreasing rubber prices in the market to 66 *baht/kg* by the middle of next year, from 40 *baht/kg* currently. OIE Director-General, Udom Wongviwatchai explained that in the first measure, the OIE has set aside 10,000 million *baht* in loan credits for rubber processing operators to increase their financial liquidity and enable them to purchase the surplus rubber from the market at the beginning of the harvesting season.

In the second measure, the Government Savings Bank will lend a 15,000-million-*baht* credit to rubber processing plants so that they can expand their production capacity by investing in new machines. The third measure is to develop the overall rubber industry including the standardization of rubber quality to achieve the international standard.

-Thai News Service, 12 Dec

The Ministry of Agriculture and Agricultural Traders welcome 'Rubber Fund' as good step to push up prices

Thai Rubber traders welcomed the planned 420-million-baht "Rubber Fund" as a good start to ensure a brighter outlook for their industry, hoping that it could help shore up prices of the commodity. "The fund is a good start to encourage more trade in the futures market, which will help shore up the rubber price in the long-run," said Dr. Luckchai Kitipol, Honorary President of the Thai Rubber Association and Chief Executive of Thai Hua Rubber.

Aat Pisanwanich, Director of the International Trade Studies Centre, said that the government and private enterprise had the right moves to support rubber market prices. He said that with serious action by the government in cooperation with private enterprises, rubber prices should increase over the next two months.

-The Nation, 13 Dec

Malaysia GDP expected to grow by 5.8% this year, say analysts

AllianceDBS Research has maintained its forecast on Malaysia's real gross domestic product (GDP) growth at around 5.8% for this year and around 5% for 2015. In a note, the research house said that for the fourth quarter of 2014, the economic growth is likely to remain soft at around five percent.

- The Star, 13 Dec

Nations cooperate to arrest rubber price fall

Malaysia, Indonesia and Thailand are intensifying efforts to stop the decline in global rubber price that is affecting their economies and planters. Plantation Industries and Commodities Minister, Datuk Amar Douglas Uggah Embas said that one of the measures was to ensure production did not exceed demand.

"The control in production can be the controlling factor of rubber price based on supply and demand, where a high supply can cause the rubber price to fall and vice versa," he said after a dialogue between rubber planters in Machap Baru here. Uggah suggested that the Association of Natural Rubber Producing Countries (ANRPC) members hold a ministerial-level meeting and make a decision on the world rubber price.

- New Straits Times, 14 Dec

Tyre companies to buy rubber at 25% higher than global price

Major Indian tyre-makers have agreed to procure natural rubber from domestic market at 25% rate higher than the International (Bangkok) price. In a meeting with Kerala Chief Minister, Oommen

Chandy, top brass of 12 leading tyre companies had approved the purchasing formula proposed by Kerala Government. According to the agreement worked out, tyre companies will buy rubber from local market with 20% customs duty and 5% purchase tax, over the international price from local dealers.

- Business Standard, 19 Dec

Malaysia to carry out IPG programme to assist rubber smallholders

Plantation Industries and Commodities Minister, Datuk Amar Douglas Uggah Embas said that a Rubber Production Incentive (IPG) programme will be carried out in January next year to assist rubber smallholders in the country. "The Government had approved allocation to carry out the programme which will be carried out from January 2015 onwards." "The IPG is a mechanism where we assist the smallholders during the falling rubber prices situation nowadays.

The programme will start when the SMR20 FOB price is at or below RM4.60 per kg, the Government will pay for each cuplump RM0.30/kg (50% dry rubber content – DRC), a maximum of RM0.90/kg of latex based on DRC and a maximum of RM0.60/kg of unsmoked sheets rubber (USS) based on DRC.

-Rubber Journal Asia, 21 Dec

Vietnam tyre market set to grow at over 8% during 2014-19

The Vietnamese tyre market is projected to have a compound annual growth rate of more than eight percent during 2014-2019, a global market research firm said in its latest report. The tyre market in Vietnam is expected to be driven by prominent factors including growing automobile sales, a rising automobile fleet, favorable government policies and increasing foreign investments in the automotive sector.

- Vietnam News Summary, 24 Dec

ASEAN commodities: Seven countries allying to halt rubber price slide

In a bid to halt the slide in natural rubber prices, an industry group backed by the governments of

Thailand, Indonesia and Malaysia, the world's top three natural rubber producers, will seek cooperation from Cambodia, Laos, Myanmar and Vietnam in managing the region's supply. The International Tripartite Rubber Council (ITRC) will invite senior government officials from the four countries to its next meeting, to be held in Indonesia in February 2015.

The governments will discuss monitoring and managing rubber plantations in each country to ensure that production does not exceed global demand, Yium Tavarolit, Chief Executive Officer (CEO) of the International Rubber Consortium (IRCo), the organization in charge of carrying out measures on behalf of the council, told the Nikkei Asian Review. In November 2014, the council held its annual ministerial committee meeting in Kuala Lumpur. The gathering was held three weeks earlier than planned due to the recent drop in prices.

-Nikkei Report, 24 Dec

MRB: Rubber sector will recover on higher demand next year

The natural rubber industry is expected to recover next year, supported by increased demand from consuming countries amid low supply, says Malaysian Rubber Board (MRB) Director-General, Datuk Dr. Salmiah Ahmad. She said that the brighter prospects would be supported by China's mounting demand for the commodity which has been on the increase since this year. "This means that the demand will exceed the world's supply of natural rubber," she said.

An International Monetary Fund (IMF) report said that the global demand for the commodity will increase by 5.3% in 2014 and 2015. On rubber price controls, she said that major rubber producing countries have taken measures to control any further fall in rubber prices. "The International Tripartite Rubber Council (ITRC) members gathered in November to overcome and seek solutions for issues faced by rubber producers, especially to shore up the commodity's price," Salmiah said.

-New Straits Times, 27 Dec

Rubber exports to stay at 2.5 million tonnes next year

Indonesia's natural rubber exports are expected to remain stagnant at this year's level as production is set to stay low due to poor weather and weak prices in the international rubber market.

The Rubber Association of Indonesia (GAPKINDO) expects that Indonesia's natural rubber exports to remain stagnant at about 2.5 million tonnes in 2015. The association's Chairman, Daud Husni Bastari, said that the country's rubber exports were projected to decline by between eight percent and 10 percent this year from about 2.7 million tonnes in 2013. He estimated that rubber exports in 2015 would be about the same as this year's figure.

-The Jakarta Post, 27 Dec

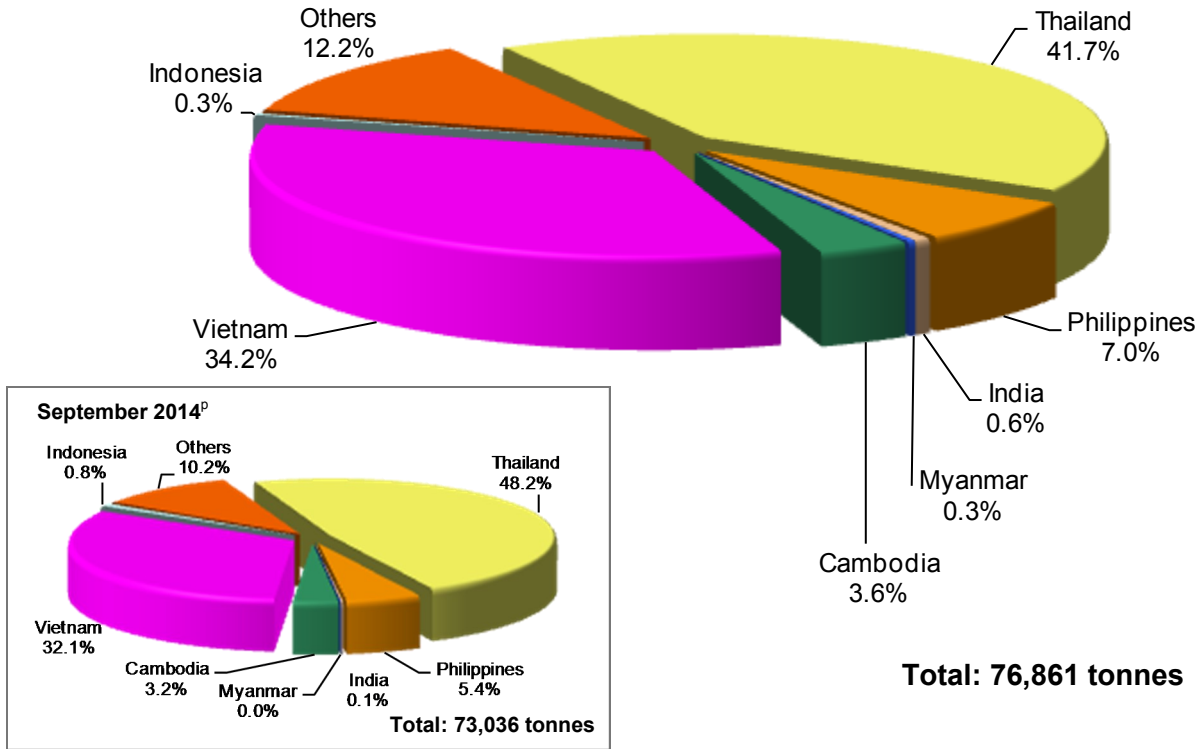
China to raise import tariff rate of natural rubber

Chinese authorities will likely raise tentative import tariff rate of natural rubber for 2015. Such increase will protect the domestic natural market and drive up prices of domestic natural rubber, said Prof. Mo Yeyong, a researcher of Rubber research Institute, Chinese Academy of Tropical Agricultural Sciences (CATAS).

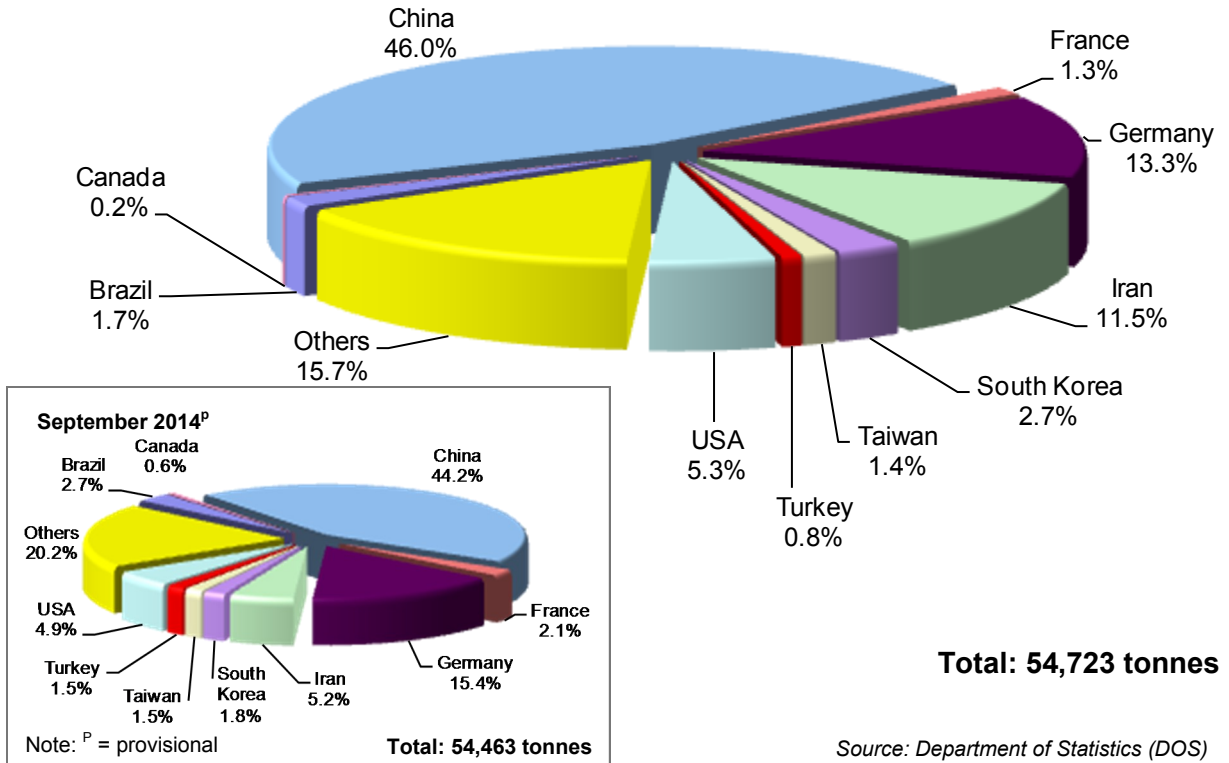
-Thai News Service, 29 Dec

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

Malaysia's NR imports by countries October 2014^P

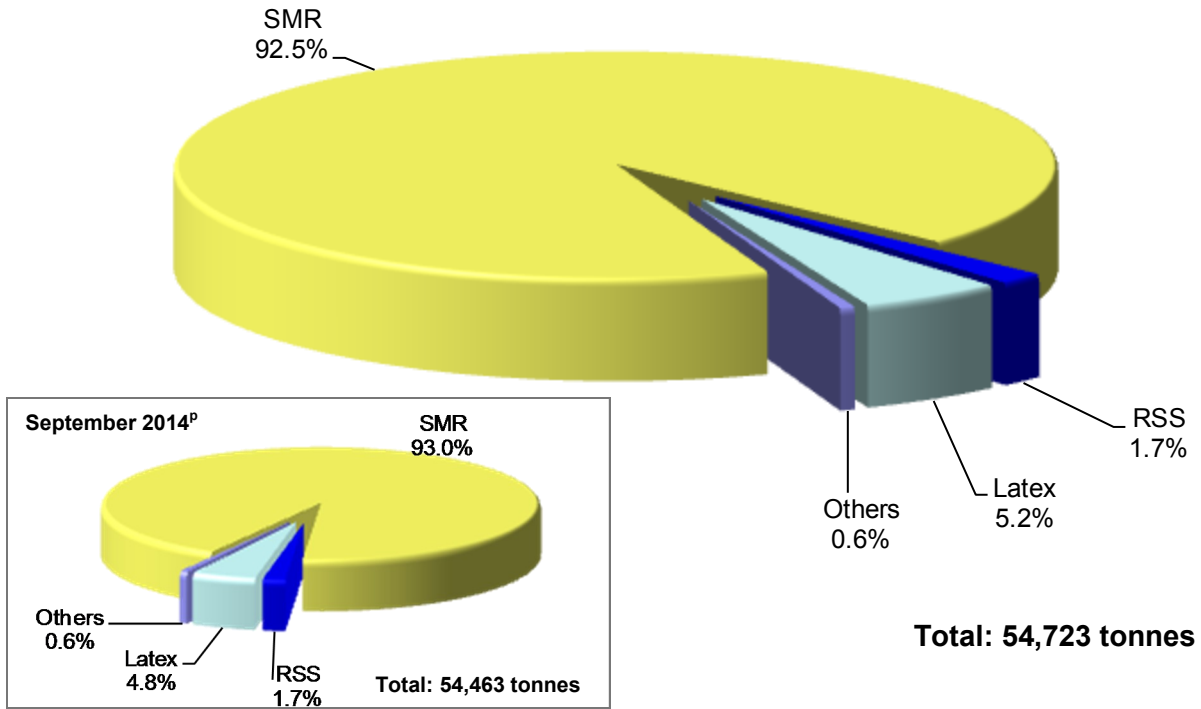


Malaysia's NR exports by countries October 2014^P

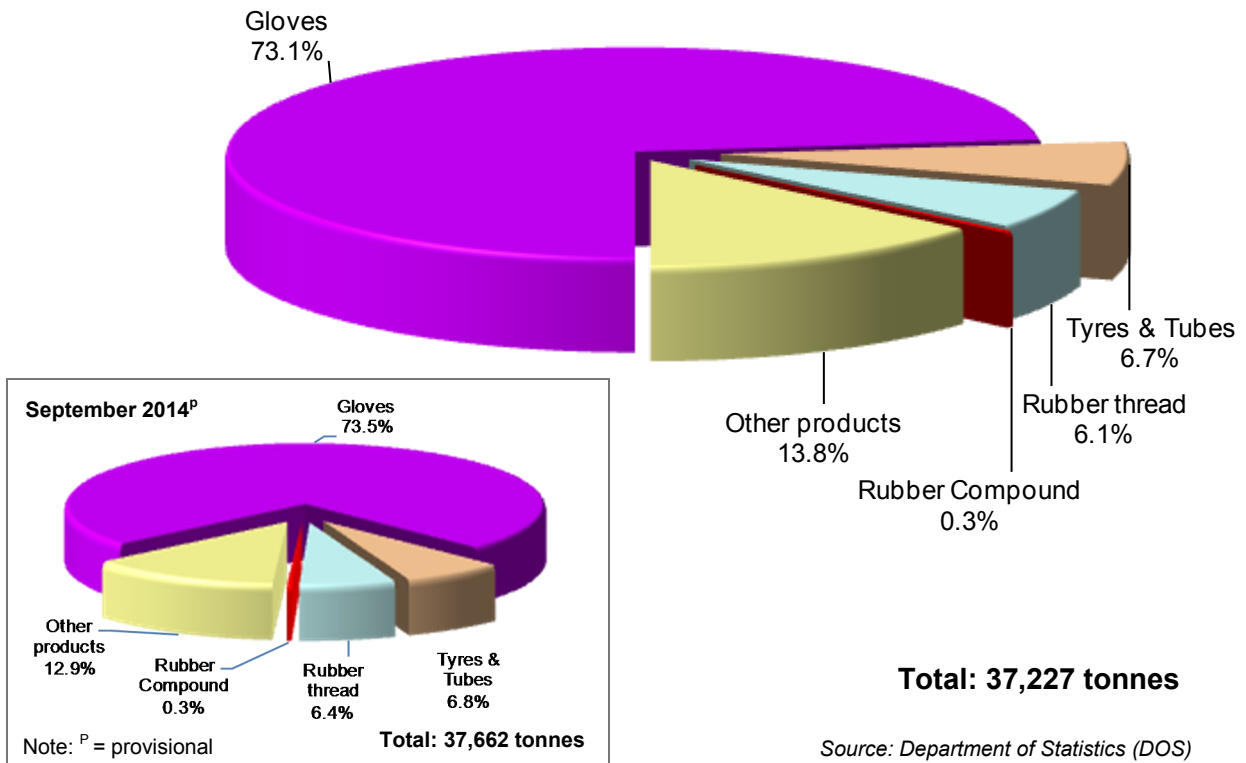


Source: Department of Statistics (DOS)

Malaysia's NR exports by types October 2014^P



Malaysia's NR consumption by sectors October 2014^P



Source: Department of Statistics (DOS)

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