



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber Market Review

February

In February 2016, the Kuala Lumpur rubber market saw a mixed trend. The positive sentiments were contributed by a firmer advice from regional futures market which was driven by the decision of International Tripartite Rubber Council (ITRC) to implement Agreed Export Tonnage Scheme (AETS) amid wintering season, a weakening of *ringgit* against US dollar and rebound in crude oil prices. The rubber market was further supported by positive uptrend in Tokyo Commodity Exchange (TOCOM) rubber futures following a weakening of *yen* against US dollar and a stronger Tokyo stocks market. On the other hand, the negative sentiment was resulted from the slowing demand from China owing to absence of market players throughout of the Lunar New Year celebration. Compared with those on 29 January 2016, the price of SMR 20 increased by 30.0 sen/kg or 6.7% to close at 475.50 sen/kg while latex concentrate closed at 368.00 sen/kg, decreasing by 1.0 sen/kg or 0.3%. The price movements of selected grades of rubber in February 2016 are shown in Table 1.

Generally, conditions were set easier for the first two weeks ahead of the Lunar New Year celebration. During the first trading week, the Kuala Lumpur rubber market opened the month in a mixed trend resulting from strengthening *ringgit* in addition to volatile crude oil prices. The announcement that China's manufacturing activity contracted at its fastest pace in almost three-and-a-half years in January reinforced investor's concern on slowing China demand. Gains in rubber market were capped by a weaker advice from Shanghai Futures Exchange (SHFE) and Tokyo Commodities Exchange (TOCOM) ahead of Lunar New Year.

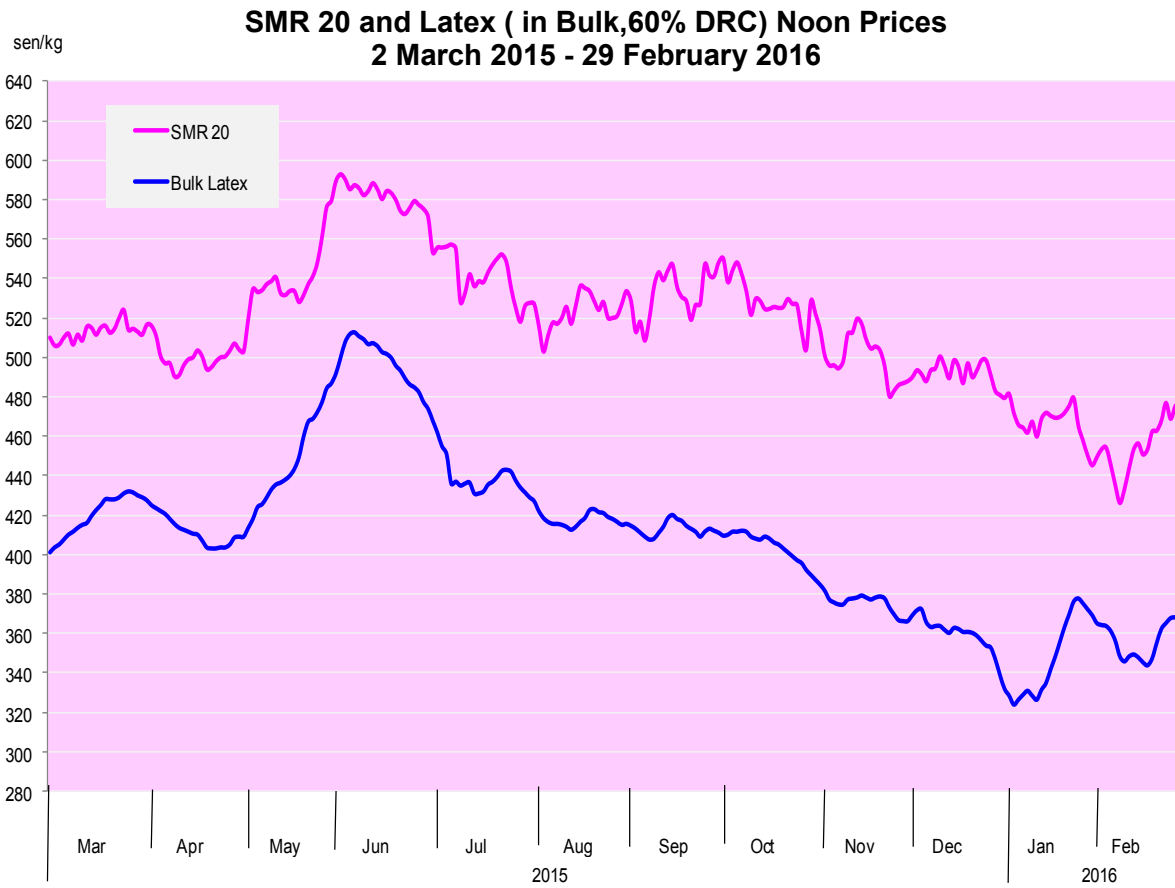
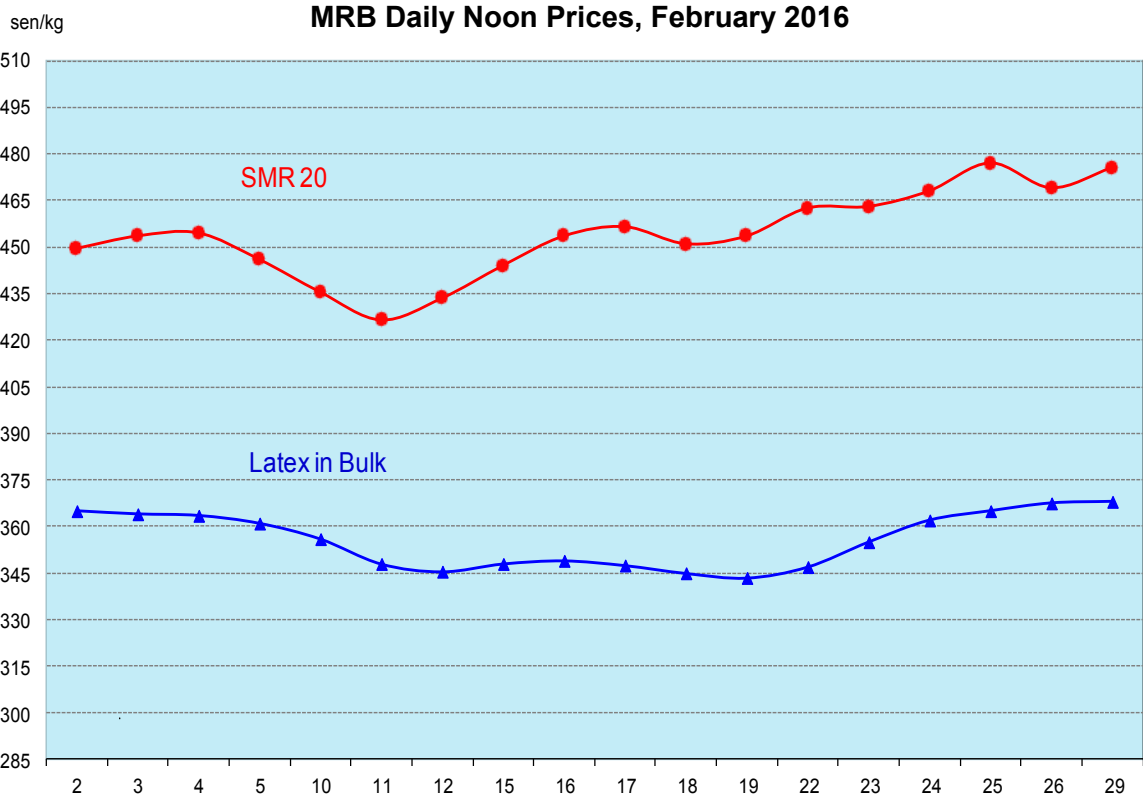
Rubber prices continued its mixed trend during the second trading week. The decline was attributed by weak advices from Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) along with growing concerns regarding global economic growth. SMR 20 declined sharply on 11th February to 426.50 sen/kg following a stronger *ringgit* against US dollar and slumping in crude oil prices. However, the decline was capped by a slight rebound in crude oil prices coupled with a weakening of *ringgit* against US dollar.

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, February 2016

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	570.50	5,705.00	477.00	4,770.00	368.00	3,680.00
Lowest	548.00	5,480.00	426.50	4,265.00	343.50	3,435.00
Average	562.31	5,623.10	454.03	4,540.30	355.58	3,555.80
Change from the last day of the previous month	-1.00	-10.00	30.00	300.00	-1.00	-10.00

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

Source: Malaysian Rubber Board



During the third trading week, the market saw a slight gain as the positive sentiment was brought by the firmer advice from regional rubber markets and weakening of *ringgit* against US dollar. The market responded positively on recovery of crude oil prices. Brent crude oil recovered after reaching its lowest at USD 30.06 per barrel on 12th January 2016. However, gains were capped by profit-taking activities in Tokyo Commodities Exchange (TOCOM), worries on the global and Chinese economy and uncertainty over crude oil prices coupled with volatility in currency.

During the fourth trading week, rubber market saw an uptrend in prices, followed by a slight decline at the end of week. Overall, the positive sentiment was contributed by a firmer advice from regional futures market, a weakening of *ringgit* against US dollar and a slight rebound in crude oil prices. The decline at the end of week was due to a stronger *ringgit* against US dollar and a steep fall in both China stocks and TOCOM rubber futures.

Outlook

Market is expected to improve in the near-term as International Tripartite Rubber Council (ITRC) has agreed to cut back export by 615,000 tonnes for six months, starting 1 March 2016 under the 4th Agreed Export Tonnage Scheme (AETS). Market players are expected to be cautious in view of the uncertainty over the China economy, crude oil prices and *ringgit* movements. Meanwhile, market players will also adopting 'wait and see' attitude before making a new move and will be closely monitoring the ITRC measures on the implementation of the 4th AETS.

News Briefs

Malaysia to rubberise about 1,000km of state roads

Malaysia is ready to rubberise about 1,000 kilometres of state roads beginning this year, Malaysian Rubber Board (MRB) Director-General Datuk Dr Mohd Akbar Md Said said. He said the diverse use of rubber, especially for construction, would help reduce the current rubber stockpile and shore up flagging prices for the commodity. Rubberised roads offer superior performance, safety, durability and low maintenance compared with conventional roads. Mohd Akbar also said

the board was looking at how to increase the domestic consumption of the commodity in other sectors.

Mohd Akbar also said it was possible to rubberise roads in the country as evident from the one kilometre rubberised road built at the Kota Tinggi Research Station in Johor. "Indeed, we are now looking at state roads and also estate roads," he added. Mohd Akbar said Thailand, Indonesia and Malaysia have decided to increase the domestic consumption of the commodity and one option was to use natural rubber for road construction. "The three countries have looked into the possibility of using 300,000 tonnes of natural rubber for the next 5-10 years," he added.

- *Bernama Daily Malaysian News*, 2 Feb

3 nations cut rubber exports

Thailand, Indonesia, and Malaysia announced plans to cut rubber exports by 615,000 tonnes for six months to boost the commodity's price. The International Tripartite Rubber Council (ITRC) said in a statement that the export cuts would take effect from March 1 to the end of August. The move comes as rubber prices have been depressed amid excess supply. Latex in bulk has been on a downtrend in the last five years from a high of RM11 per kg in June 2011. It hit a seven-year low of RM3.25 per kg at the start of this year. Yesterday, latex in bulk slid one sen to close at RM3.63 per kg.

Thailand will cut exports by 324,000 tonnes, Indonesia by 238,740 tonnes and Malaysia by 52,260 tonnes. "The three countries' ministers believe that cutting exports and boosting domestic use of rubber will drive up prices and fix the price slump, allowing fairer pricing for rubber smallholders," ITRC said. "We are optimistic that with joint implementation of these measures, the rubber price will recover and continue to be fair and remunerative to all smallholders and other stakeholders in the natural rubber industry," ITRC added.

- *New Straits Times*, 5 Feb

Pirelli tests tyres made of guayule

Pirelli Tyre S.p.A. tested an ultra-high-performance tyre made with rubber derived from guayule, culminating a two-year research and

development initiative Pirelli embarked on with Italian materials supplier Versalis. Pirelli said in general the test tyres “demonstrated the same performance as the equivalent tyres made with synthetic polymers from oil-derived products” in a variety of extreme usage simulations, including wet road surfaces.

The program benefited from the research Versalis has carried out on technologies used for the extraction of rubber, as well as the resinous nature of the plant, which yielded a material that was compatible with the non-elastomeric parts that make up a tyre. Versalis’ research is part of a development program looking at ways to incorporate guayule usage throughout industry. Starting with experimental crop growing in southern Europe, it expanded into various technologies aimed at extracting the natural rubber to make tyres.

- *Rubber & Plastics News, V.45 No. 14, 8 Feb*

GAPKINDO wants govt to reinforce rubber downstream industry

The Indonesian Rubber Producers Association (GAPKINDO) wants the government to strengthen the country’s rubber industry by opening the downstream rather than the upstream sector to foreign investors. Gapkindo chairman, Moenardji Soedargo said his association would welcome it if the government opens the door to foreign investors in the downstream rubber business to reinforce the integral structure of the rubber industry in the country. However, the rubber industry in the upstream sector, such as crumb rubber business, should allow only the national or domestic industry players, with the number of existing factories in the country now reaching 140. In order to make national businesses more competitive, Gapkindo said it hopes that the government will improve the funding/baking cost structure so that domestic rubber businesses can compete with foreign companies.

- *ANTARA, 16 Feb*

Bridgestone pioneers new technique to easily diagnose disease in natural rubber trees

Bridgestone announced recently it has established a groundbreaking technique that can be used to easily, quickly, and accurately

diagnose white root rot disease in natural rubber trees, which are the primary source for natural rubber used in tyres and other rubber applications.

White root rot disease is a disease caused by *Rigidoporus microporus*, a type of filamentous fungi that affects natural rubber trees. By infecting the root and destroying its system, the disease causes the natural rubber tree to wither. Early detection of the disease is difficult, and there is currently no fundamental countermeasure for the disease. When an outbreak occurs, the diseased area of the tree is cut off and treated with drugs. With the establishment of the technique, Loop-Mediated Isothermal Amplification Method (LAMP), the presence of the pathogen in the field can be confirmed easily enabling the early detection of white root rot disease.

- *Domain-B, 18 Feb*

Centre for rubber science, technology to be established

The Hanoi University of Science and Technology (HUST) decided to establish a centre for rubber science and technology in order to further contribute to the development of Vietnam’s rubber industry. The centre will continue and carry forward the technologies and equipment of the project: ‘Establishment of a Carbon-Cycle-System with Natural Rubber’ funded by the Japan International Cooperation Agency (JICA). It will be managed by a directorate staffed by Dr. Phan Trung Nghia from the Vietnamese side and Associate Prof. Dr. Seiichi Kawahara from Japan’s University of Technology. Within the framework of the over 6.9 million USD project, they successfully developed a technology that helps remove proteins which cause allergy in natural rubber, thereby enabling the production of higher-quality materials and easing adverse impacts of rubber production on the environment.

- *Vietnam News Agency Bulletin, 23 Feb*

Low buying price hits ANRPC NR production

Natural rubber production by member-countries of Association of Natural Rubber Producing Countries (ANRPC) dropped by -0.2% year-on-year to 9.964 million tonnes during January to November 2015, ANRPC says in its latest Natural

Rubber Trends & Statistics Report. According to ANRPC forecast, total production for the full year of 2015 will touch 10.94 million tonnes in 2015, down 0.1% over 2014. Most top NR producers such as Thailand, Indonesia, Sri Lanka and Philippines will register a fall in production. Cambodia will register the highest rise of 31.6% to 127,800 tonnes, followed by Vietnam with a 5.9% jump in production to 1.01 million tonnes. Indonesia and Malaysia too will slightly increase their NR production in 2015, ANRPC says. Reports from Vietnam indicate that increasing number of plantation workers in the State-owned estates have left their jobs for better wages in manufacturing sector. In the Philippines, tapping activities were adversely affected by occurrence of frequent rains aside from low buying price of cuplump in Zamboanga Sibugay in Zamboangan Peninsula. At the same time, drying up of rubber trees owing to dry spell and low buying price of rubber cuplump has led to reduced tapping in North Cotabato in Soccksargen, ANRPC says.

- *Rubber Asia, Vol.31(1), p. 130, Jan-Feb 2016*

3.2% rise in NR consumption

NR consumption within ANRPC showed positive growth of 3.2% during January-November 2015 period compared to the same period in 2015. The total consumption of 2015 is expected to grow by 3.4% to 7.891 million tonnes. China led the progressive rate of annual consumption at 3.2% year-on-year, followed by Indonesia, Thailand and Malaysia with each chartering an estimated growth of more than 3%. China is expecting a slower growth at the rate of 2.9% this year amounting to 4.898 million tonnes. The country's annual growth rate for consumption was 13.1% during 2014-13. Malaysia increased its consumption estimate by 700 tonnes from previous estimates to 474,000 tonnes.

- *Rubber Asia, Vol.31(1), p. 130, Jan-Feb 2016*

Downtrend in NR exports

NR exports by ANRPC countries showed a negative growth of -0.8% to 8.091 million tonnes in the January-November 2015 period. Total exports of the year from ANRPC region would see a fall of -0.9% year-on-year to 8.895 million tonnes, says ANRPC. Cambodia's exports has been revised down from 124,900 tonnes to

124,300 tonnes. Data from Indonesia saw a small adjustment from 2.649 million tonnes reported last month to 2.684 tonnes. Malaysia is expecting lower export figures of 1.095 million tonnes compared with 1.120 million tonnes reported in October. Thailand too has made a lower projection from 3.795 million tonnes to 3.783 million tonnes. The current global economic situation has a direct bearing on export performance of NR, which as an industrial commodity is more sensitive to economic considerations than many other agriculture goods. Apart from economic indicators, concerns remain about rubber fundamentals in the market especially the level of global NR stocks. The issue is further aggravated with the huge spread on published world stock figures between one NR-related institution and another from time to time.

- *Rubber Asia, Vol.31(1), p. 130-131, Jan-Feb 2016*

8.5% growth in rubber gloves market

Global rubber gloves market is expected to grow at CAGR of 8.5% between 2014 and 2022, according to a study, Global Rubber Gloves Market Outlook - Trends, Forecast and Opportunity Assessment (2014-2022), released by Market Research Store. Factors such as rising healthcare expenditure, increasing health threats and increasing hygiene awareness and healthcare regulations are driving the market growth. However, foreign exchange risks, rising raw material costs and pricing competition are posing a threat to market growth, the study says. The US represents the largest market for gloves, though the Asian markets are the fastest growing. Consumption of rubber gloves is forecast to increase in Asia, particularly in India, Pakistan and China, as healthcare awareness becomes crucial, the report adds.

- *Rubber Asia, Vol.31(1), p. 131, Jan-Feb 2016*

Call to set up Regional Rubber Market

The International Tripartite Rubber Council (ITRC) and International Rubber Consortium Limited (IRCo) have called for expediting the establishment of a Regional Rubber Market (RRM) within three months if possible. In a statement, ITRC said two technical working groups were set up to accelerate the drafting and

related bye-laws and exchange rules and regulations, including technical specifications and arbitration resolution procedures. At the recent ITRC Ministerial Committee meeting in Jakarta, the Ministers welcomed the progress on the establishment of the RRM which will originally be by June 2016. The meeting was represented by Thailand, Indonesia and Malaysia.

- *Rubber Asia, Vol.31(1), p. 138, Jan-Feb 2016*

IMF forecasts gradual pickup in global economy

International Monetary Fund (IMF) has forecast global growth at 3.3% in 2015, marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. In 2016, growth is expected to strengthen to 3.8%. Growth in advanced economies is projected to increase from 1.8% in 2014 to 2.1% in 2015 and 2.4% in 2016. Growth in emerging market and developing economies is projected to slow from 4.6% in 2014 to 4.2% in 2015 and pick up to 4.7% in 2016, largely on account of the projected improvement in economic conditions in a number of distressed economies, including Russia and some economies in the Middle East and North Africa.

- *Rubber Asia, Vol.31(1), p. 144, Jan-Feb 2016*

Vietnam tyre market poised for growth

The tyre market in Vietnam is forecast to touch US\$ 2.7 billion by 2020, a TechSci Research report has said. Prominent factors driving the market include growing automobile sales, rising automobile fleet, favourable government policies and increasing foreign investments in the country's automotive sector. Moreover, Vietnam's rubber production capability provides considerable opportunities to tyre manufacturers to increase production capacities and establish new manufacturing plants in the country. As of 2014, around 14 tyre plants accounting for a production capacity of more than 65 million units per annum, operated in the country, "Vietnam Tyre Market Forecast & Opportunities, 2020" report said.

- *Polymers & Tyre Asia, Vol.6(6), p. 15, Jan-Feb 2016*

PanAridus gets first US patent for Guayule harvesting

Arizona Guayule producer, PanAridus, LLC., has received the tenth patent and first in the industry for *Guayule* harvesting from United States Patent Office, thereby increasing the company's global leading intellectual property portfolio. PanAridus already holds nine patents for *Guayule* plants, which yield a polymer nearly identical to tropically grown natural rubber. It's the only known source of domestically grown rubber to be successfully tested in tyres and is an attractive alternative for tyre companies who currently import 100% of their rubber supply. The company's latest patent, the Near Infrared Spectroscopy (NIRS), is a machine that scientifically measures the rubber plant which it's in the ground. It's considered a critical step towards advancing the entire *guayule* production process.

- *Rubber Asia, Vol.31(1), p. 138, Jan-Feb 2016*

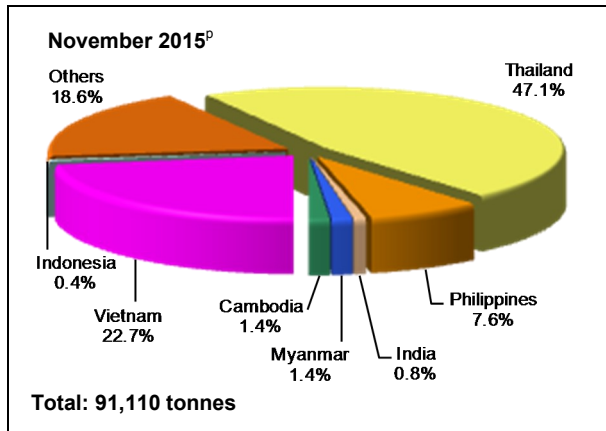
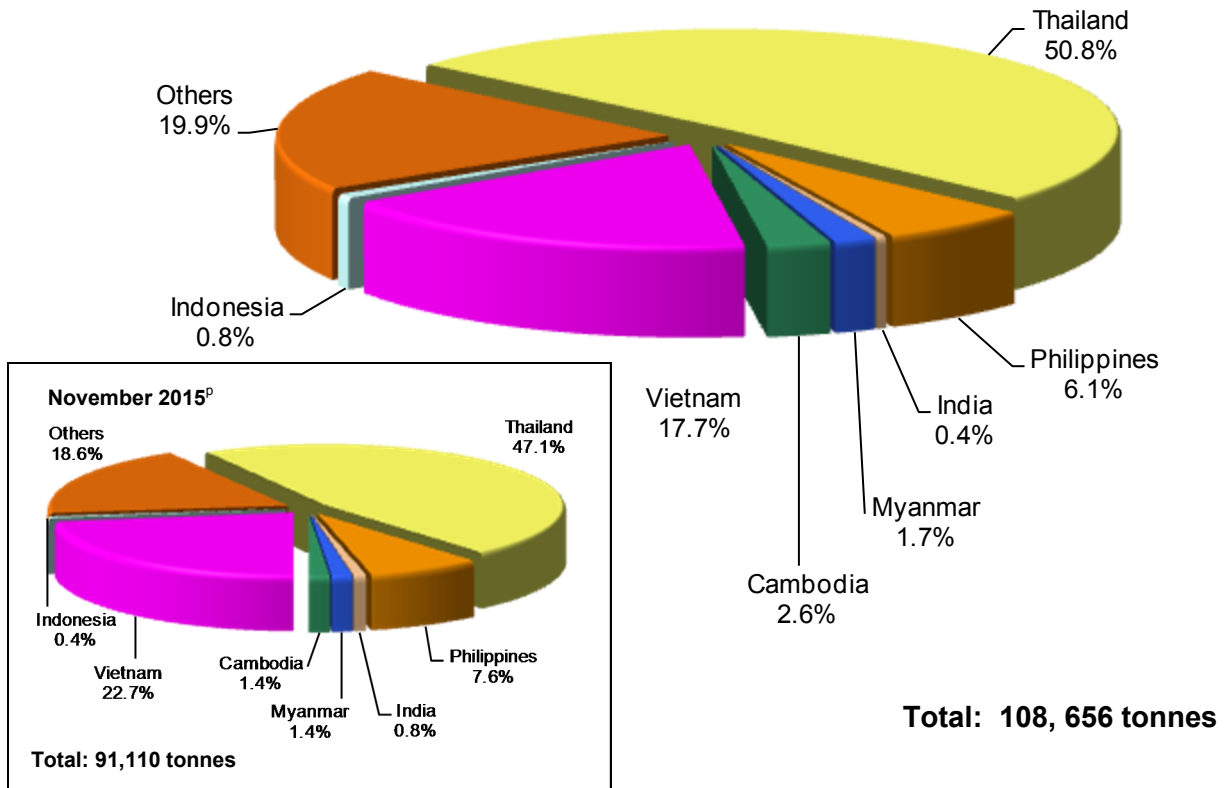
Thai rubber industry: Plunging prices drive world's biggest producer out of business

Plunging rubber prices have driven Thailand's 6 million natural-rubber growers into a corner. With rubber traded at prices one-fifth of their peak, the Thai government has introduced measures aimed at helping growers get out of the hole, such as high-priced purchases. But the measures are widely expected to fall well short of reviving the industry in the world's largest rubber producer, mainly because they will only serve to maintain the glut intact. Even as prices began to go south in 2011, Thai growers continued to increase production, completely throwing off the supply-demand balance.

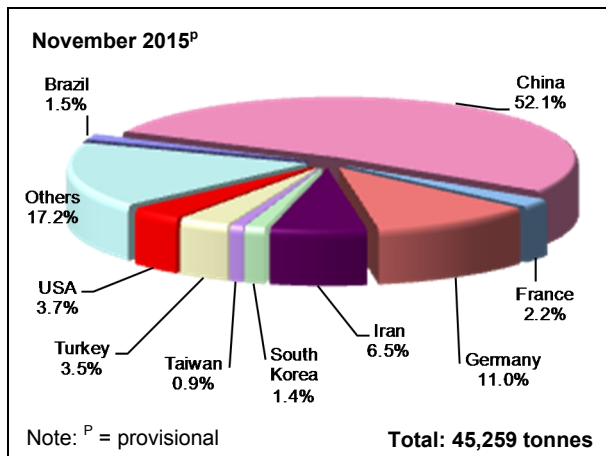
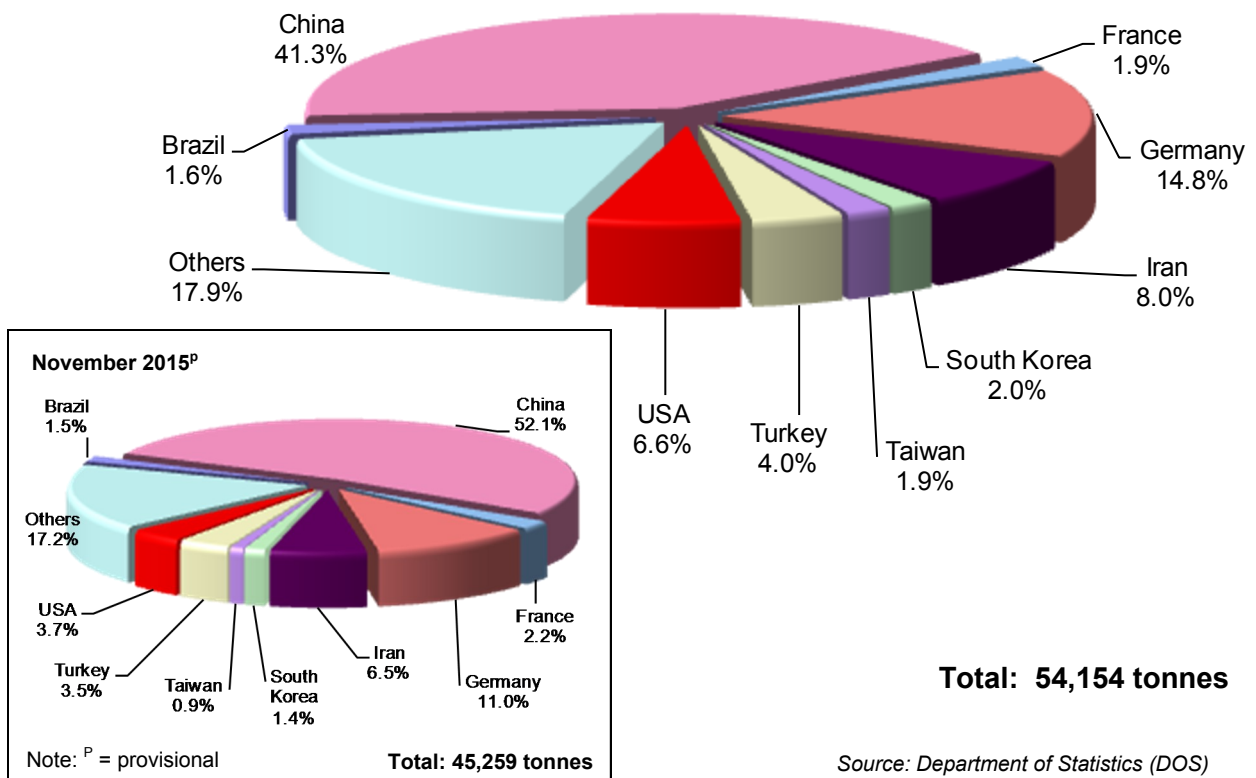
In a bid to realign the balance, the government uses rubber it buys at inflated prices for infrastructure projects, for example extending the durability of road surfaces. But as the government has capped its purchase at 100,000 tonnes, the bailout program is expected to last until June at the latest. Experts point out that the Thai rubber industry is in a weak position because nearly 90% of its output is exported after very little processing. The country has few end users that produce value-added rubber products.

- *Nikkei Report, 24 Feb*

Malaysia's NR imports by countries December 2015^P

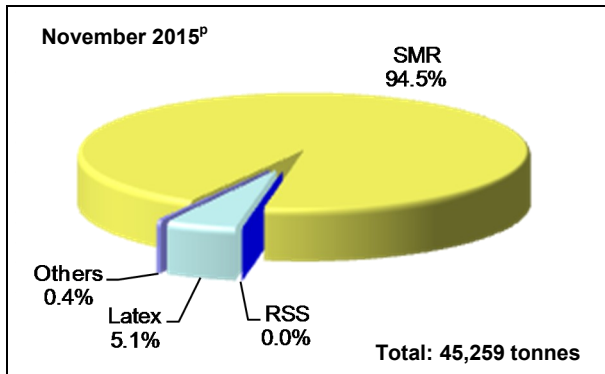
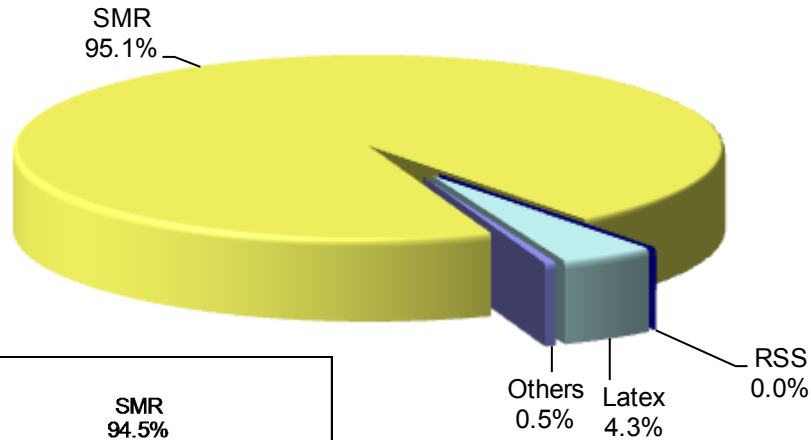


Malaysia's NR exports by countries December 2015^P



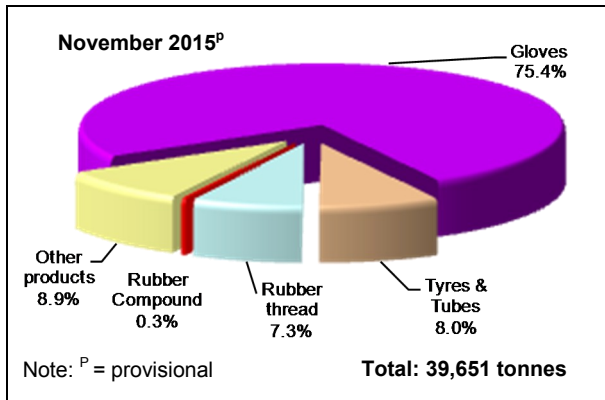
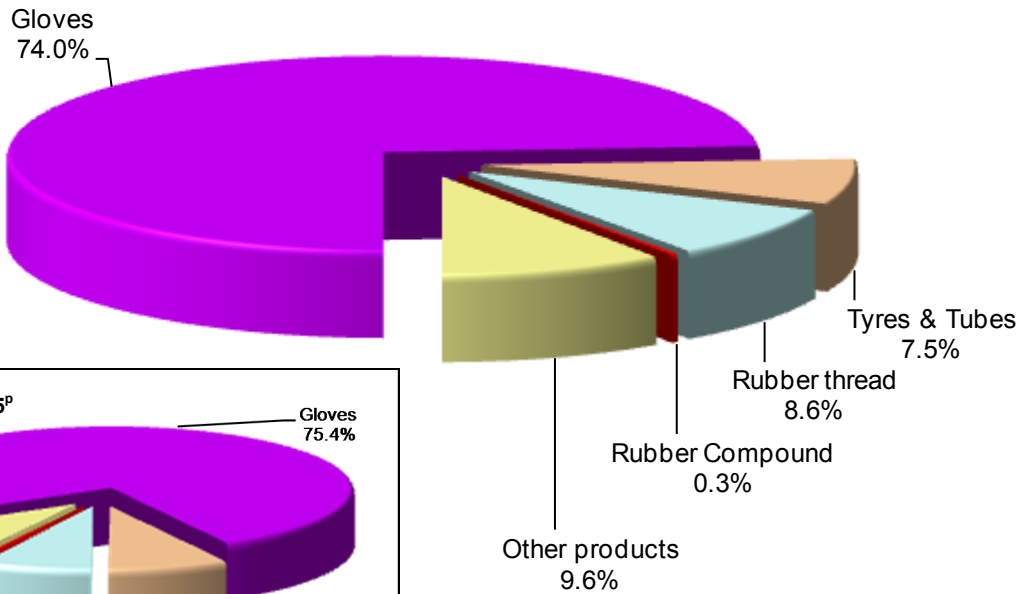
Source: Department of Statistics (DOS)

Malaysia's NR exports by types December 2015^P



Total: 54,154 tonnes

Malaysia's NR consumption by sectors December 2015^P



Total: 41,305 tonnes

Source: Department of Statistics (DOS)