



# MALAYSIAN RUBBER DIGEST

2006  
MAY

*A monthly publication of the Malaysian Rubber Board*

## NR market review

### April

After witnessing a steady run-up in prices over the past months, the market finally took a breather in April. Prices drifted within a narrow range for the major part of the month amid thin trade as buyers were refrained from making purchases as prices deemed to have risen too high despite the prevailing shortage of raw materials. Compared with levels on 31 March, the price of SMR 20 gained marginally by 1.00 sen/kg or 0.1% to close at 708.00 sen/kg whilst latex concentrate closed at 552.50 sen/kg, gaining 5.50 sen/kg or 1.0%. The price movements of selected grades of rubber in April are shown in Table 1.

At the beginning of the month, the market continued with the previous month uptrend for the first two trading days but began to ease slightly as buyers turned cautious and market began to adjust lower. In mid month, markets in producing countries were quiet due to Songkran New Year water festival and Good Friday holidays. Also, the Thai rubber market tracking lower futures market thus, remained quiet in the absence of strong demand. However, uncertainty of over supplies due to political crisis and wintering gave support to prices.

The Tokyo rubber futures market was softer as the yen firmed against the dollar coupled with the quiet physical. Prices

appeared to be searching for new directions in a listless market due to uncertainty about the near-term market trend and speculators remained sidelined, awaiting further developments.

Towards the end of the month, the market undertone was steady as demand from China grew when supply failed to improve with the presence of wintering. Market sentiment was further aided by high crude oil prices that reached a record high of above 72 USD a barrel.

### Outlook

Anticipation of increased supplies in producing countries and slow demand from major buyers, the market in the near term is expected to stay quiet. However, high crude oil prices will provide positive market sentiment.

## News brief

### NR prices now stretch past SR

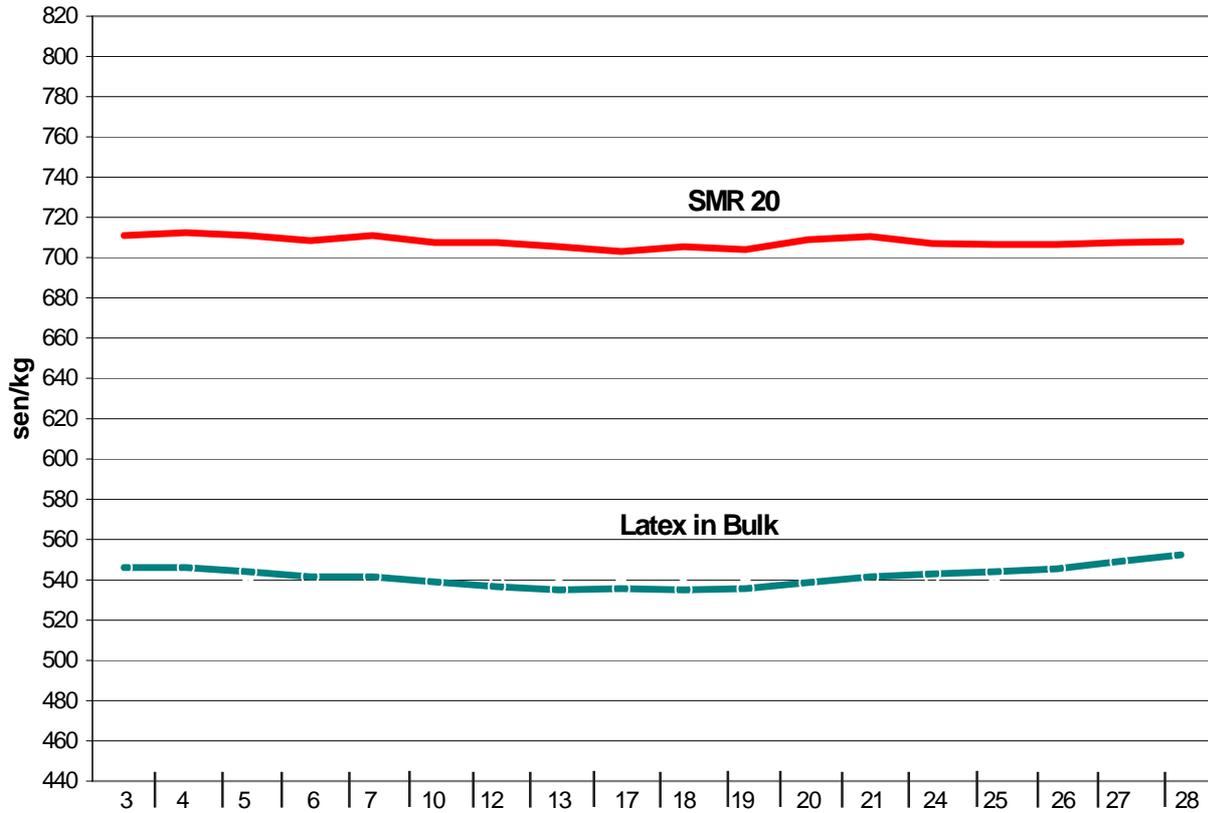
For the first time in four decades, the prices of natural rubber (NR) have shot up over the prices of synthetic

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

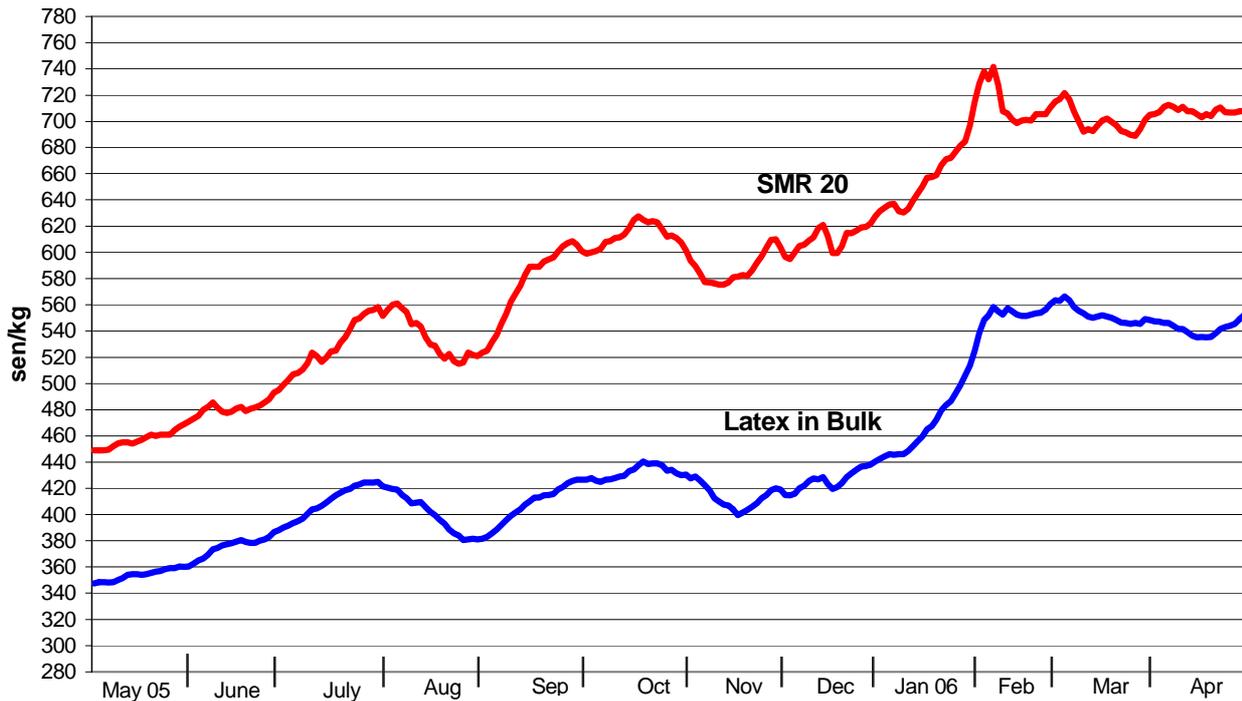
	SMR CV	SMR 20	Latex concentrate*
Highest	817.50	712.50	552.50
Lowest	804.00	703.00	535.00
Average	809.83	707.85	541.64
Change from the last day of the previous month	-9.50	+1.00	+5.50

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

MRB Daily Noon prices, April 2006



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices  
(3/5/05 - 28/4/06)



rubber. In the United States market, the price of NR or Technically Specified Rubber (TSR)-20 was 95% of synthetic rubber or Styrene Butadiene Rubber (SBR) in Jun 2005. However, by Feb 2006, NR price was 140% of SBR price. This means that NR prices are now 40% higher than that of synthetic substitutes. In the South-East Asian markets, the April delivery price for SBR was \$1.60 per kg, while for Poly Butadiene Rubber (PBR) the price was \$1.85 per kg. Comparatively, the April delivery price for NR was \$1.94-2.15 per kilogram.

- *factiva.com*, 5 May

### ***NR shortage to widen in next 5-7 years***

The worldwide tightness in natural rubber supply will only intensify in the next five to seven years, as demand will

increasingly outstrip supply, speakers at the World Rubber Summit in Kuala Lumpur said Tuesday.

An official from the International Rubber Study Group, which sets statistical benchmarks for the industry, said the shortage will rise to 820,000 tonnes by 2010, from an expected deficit of 250,000 tonnes in 2006.

Senior Statistician Darren Cooper said the price of natural rubber has risen 54% in the past year, fueled by strong demand for tyres in emerging economies, robust gross domestic product growth worldwide and speculation in commodities futures markets.

However, IRSG officials declined to forecast what impact the shortage would have on prices.

- *factiva.com*, 25 Apr

## **Trade enquiries**

Enquirer	Product	Type of enquiry	Contact
PT. Korin Abadi Multi Usaha	Natural rubber	Seeking suppliers	PT. Korin Abadi Multi Usaha Jakarta, Indonesia Email: <a href="mailto:korinabadi@yahoo.com">korinabadi@yahoo.com</a>
Michael Chia	SMR	Seeking suppliers	Mr. Michael Chia Email: <a href="mailto:mic6118@yahoo.com">mic6118@yahoo.com</a>
Central Elastics Corporation Sdn. Bhd	SMR L	Seeking suppliers	Central Elastic Corporation Sdn Bhd Plot 56-61, Solok PERusahaan 1 Prai Industrial Complex 13609 Prai, Penang Tel: 604-390 6212 Fax: 604-390 8052 Email: <a href="mailto:centeral@po.jaring.my">central@po.jaring.my</a>
Good Faith International Co. Ltd	Latex	Seeking buyers	Good Faith International Co. Ltd #1405, The Nine, 889-56 Daechi-Dong, Gangnam-Gu, Seoul, Korea 135-280 Tel: +82-2-508-5406 Fax: +82-2-508-6120  Asean Regional Officer: GFI South East Asia Sdn Bhd Lot BI-2, Jalan Selaman 1 68000 Ampang, Selangor, Malaysia Tel/fax: 603-42706540 Mobile: 6012-384 7580 Email: <a href="mailto:chanweichuen@gmail.com">chanweichuen@gmail.com</a>
TH Group Bhd	SMR	Seeking suppliers	Mr. Mak Wai Ming TH Group Bhd Email: <a href="mailto:wmmak@thgroup.com.my">wmmak@thgroup.com.my</a>
TP Management & Services	Natural rubber	Seeking suppliers	Mr. Aziz TP Management & Services, Tel: 605-312 6942 Mobile: 6012-505 2144

### ***Recycled rubber may reduce natural rubber demand***

Recycling in the tyre industry could have a substantial impact on demand for natural rubber in the coming years, said Andrew Tinker, a researcher at a leading rubber research organisation, at an international rubber conference in Kuala Lumpur this week.

"It has the potential to reduce the demand for (all) tyre rubber by an amount that is significant," said Tinker, director of research at the Tun Abdul Razak Research Centre. "A realistic upper limit would be 2.5 million tonnes less demand for virgin rubber."

World natural rubber consumption is forecast to reach 9.063 million tonnes in 2006, growing at a yearly average of 3% until 2010 if no substitution of synthetic or recycled rubber occurs, according to the International Rubber Study Group.

However, substitution is likely because supply of natural rubber is expected to fall short of demand during the next five to seven years.

This gap may be filled partly or mostly by synthetic rubber, or, thanks to new technological developments, recycled rubber.

"There are already suitable technologies for 'closed loop' recycling," Tinker said.

Closed loop recycling refers to the recycling of a product, sometimes into its original form, and developing markets for these recycled products.

- *factiva.com*, 26 Apr

### ***More than RM300m allocated for rubber replanting***

Malaysian government has allocated more than RM300 million for rubber replanting under the Ninth Malaysia Plan to ensure the sustainability of the upstream and downstream rubber industries.

Plantation Industries and Commodities Minister Datuk Peter Chin Fah Kui said Malaysia had 1.2 million hectares of rubber plantation land to replant.

"Our purpose is to replace what (old rubber trees) has been cut down. The replanting goes on every year," he said after opening the International Rubber Study Group (IRSG) and World Rubber Summit in Kuala Lumpur on April 24.

He said 19,400 ha were replanted in 2004, near its annual replanting target of 20,000 hectares. He urged smallholders to contact the Rubber Industry Smallholders Development Authority for details on how to obtain the rubber replanting funds.

- *factiva.com*, 24 Apr

### ***Indonesia's 2006 rubber output seen up 7%***

Indonesia's rubber output is forecast to rise 7% to 2.4 million tonnes in 2006 due to good weather and a surge in the price in the commodity used in car tyres and condoms, a senior industry official said on Friday.

Exports may rise 6% to 2.15 million tonnes with the United States, Japan and China remaining the main buyers of the world's second-largest producer, said Suharto Honggokusumo, the executive director of the Indonesian Rubber Association.

"I expect production to rise by at least 7% this year because the weather is conducive," said Honggokusumo, referring to ample rains and sunshine. Planted areas would increase to 3.31 million hectares in 2006, from 3.28 million hectares last year as farmers and plantation companies grow more trees to capitalize on strong rubber prices, he said.

PT Astra Agro Lestari Tbk, the country's largest listed plantation firm, plans this year to open a rubber plantation of 5,000 hectares in Kalimantan, the Indonesian part of Borneo Island.

It aims to cultivate up to 50,000 hectares in the next seven years. The firm has 2,400 hectares under rubber.

- *factiva.com*, 21 Apr

### ***India's NR production to exceed targets***

India's natural rubber production, during 2005-2006, will exceed the projections of the Rubber Board as the weather conditions facilitated more tapping and yield. Rubber production is expected to touch 7.86 lakh tonnes in 2005-2006, a growth of 4.9%. The Board had forecast production would grow by 4% to 7.80 lakh tonnes. Between Apr 2005 and Feb 2006, the rubber production increased by 5.1% to 7.44 lakh tonnes. The rising prices induced growers to adopt better farm practices and continued tapping.

- *factiva.com*, 30 Apr

### ***SGX to launch natural rubber future contract***

The Joint Asian Derivatives Exchange, a joint venture between the Singapore Exchange Ltd. (S68.SG) and the Chicago Board of Trade, Thursday said it expects to launch a natural rubber futures contract in the third quarter.

"The rubber contract will be based on a natural rubber grade called Technically Specified Rubber 20 (TSR 20) and is on target to launch in the third quarter of 2006," JADE said in a statement.

The rubber futures contract will JADE's first.

SGX and CBOT, the second-biggest futures exchange in the U.S. by trading volume, first announced the joint venture last August.

The venture had initially also considered palm oil futures for trading on the JADE electronic trading platform. Other products it looked at included energy and metals derivatives.

- *factiva.com*, 18 May

### ***China's auto output hits record in Q1***

Production and sales of cars in China rose more than 36% in the first quarter on strong demand and lower steel prices, according to the China Association of Automobile Manufacturers (CAAM). China produced 1.78 million vehicles in the first quarter, up 36.3% on a year earlier, while sales rose 36.9% to 1.73 million units. The rapid growth is due to strong market demand reinforced by a new tax regime that encourages the consumption of small and low emission cars, according to analysts. Lower steel

prices may also have offset the pressure of the rising cost of material, fuels and engines.

- *factiva.com*, 24 Apr

### ***China targets 40% auto industry output growth***

China's 11<sup>th</sup> five-year plan for 2006-2010 being drafted by the National Reform and Development Commission has set a growth target of 40% a year in vehicles, parts and components, the South China Morning Post reported.

The reported output target follows the Ministry of Commerce's announcement that exports rose 139% to 647 mln USD, the Hong Kong-based newspaper said.

Last year China became a net exporter of vehicles for the first time, with exports of 172,800, an increase of 27% over 2004, and imports of 162,000, the report said.

It says that within 10 to 15 years, China's car exports are expected to account for over 10% of the global market, up from less than 1% currently.

Of the first quarter exports, 16,813 were passenger cars, an increase of 458%, with a value of 116.8 million USD, up 302%. Most went to Russia, the Middle East and Southeast Asia.

- *factiva.com*, 7 May

### ***Rubber glove makers upbeat over exports***

Malaysia, the world's biggest supplier of medical rubber gloves, is confident that this year's total rubber glove exports will continue to be on the uptrend despite more expensive raw materials.

"Latex prices have been going up. As manufacturers, we have no choice but to pass on a portion of the price increase to our buyers," Malaysian Rubber Glove Manufacturers Association (MARGMA) immediate past president James Liew Ben Poh said.

Three months ago, Malaysia's rubber glove makers increased glove prices by RM 7.50 per 1,000 pieces in view of latex prices which had jumped 25% within six months.

Malaysia's medical glove producers have to pass the minimum standard of the Government's Standard Malaysian Glove (SMG) of barrier performance and minimize latex proteins that can cause allergic reactions in individuals.

"Global demand for rubber gloves is still on the uptrend. Other sectors may switch over to nitrile or vinyl gloves but safety is a priority for hospitals. We think the healthcare sector will continue to buy natural rubber gloves even though it is now just a little bit more expensive," he said.

"Our 133-member Margma is committed to making the best protective care rubber gloves and will continue to invest in research and development," he added.

On the industry trend, Liew said, "more mergers and acquisitions are in the works".

He explained that as raw materials become more expensive, bigger players which have the financial muscle may acquire the weaker smaller players to achieve economies of scale.

*-New Straits Times, 26 Apr*

### ***Oil prices to remain high***

Oil prices, after surpassing US\$75 (US\$1 = RM3.66) a barrel last week, are unlikely to decline until Opec countries and Western nations invest enough in new fields and refineries to meet rising energy demand.

Edmund Daukoru, president of the Organisation of Petroleum Exporting Countries (Opec), told reporters yesterday in Doha, Qatar, that crude oil will stay around an average of US\$60 to US\$65 a barrel.

Claude Mandil, executive director of the International Energy Agency, which represents the interests of oil importing nations, said crude supplies will stay tight through the end of the decade.

*- New Straits Time, 24 Apr*

### ***Japanese economy on track to grow further***

Japan's economy is logging its second-longest expansion since the end of World War II and is on track to grow by more than 2% this year, Economy Minister Kaoru Yosano said yesterday.

The upward trend should continue until the summer of 2007, making the current growth streak the longest in post-war history, Yosano said.

His remarks are the latest in a stream of optimistic forecasts about the strengthening recovery of the world's second-largest economy.

Japan's economy has suffered stagnation for about 15 years since the late 1980s. Its turnaround promises more balanced growth for the world economy, which has relied in recent years on breakneck consumption in the US.

But now, Japan is enjoying a rebound on booming exports and rising consumer spending.

The economy has now been expanding for 51 months, the same span as the so-called bubble era of the 1980s and 1990s, Yosano said.

Yosano said that the current trend of growth would continue until the summer of 2007, and that growth this year should exceed expectations.

*- New Straits Time, 17 Apr*

### ***China GDP up 10.2% in first quarter***

China's gross domestic product (GDP) grew by 10.2% in the first quarter of this year on the back of fast-paced trade growth, Chinese President Hu Jintao said in a televised speech yesterday.

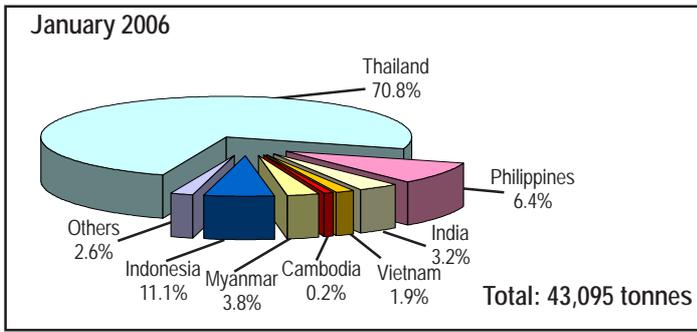
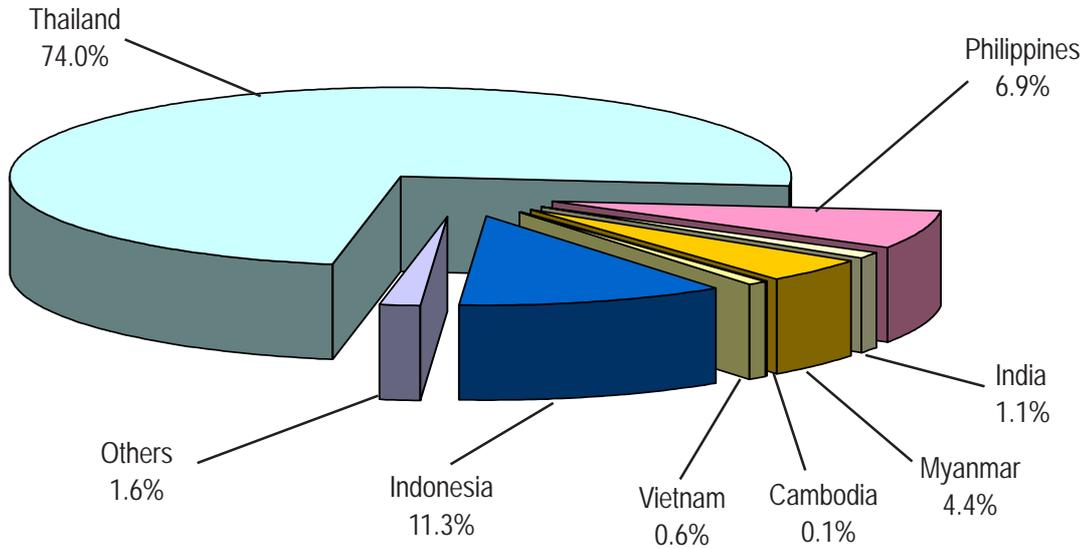
"The mainland economy maintained good developmental momentum with our GDP in the first quarter rising by 10.2% and import and export trade up by 25%," Hu said in a meeting with Taiwan's former Kuomintang opposition leader Lien Chan.

China's economy had expanded by 9.9% in 2005, including 9.9% in the fourth quarter of last year.

*- New Straits Time, 17 Apr*

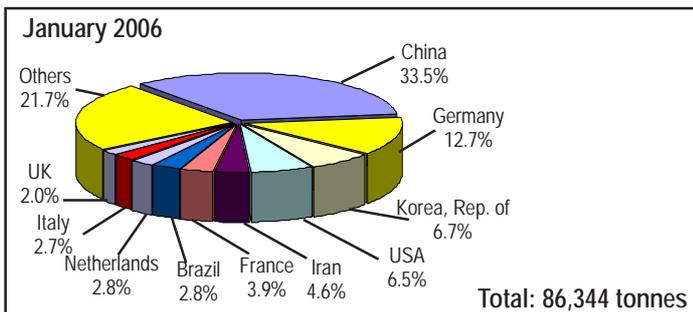
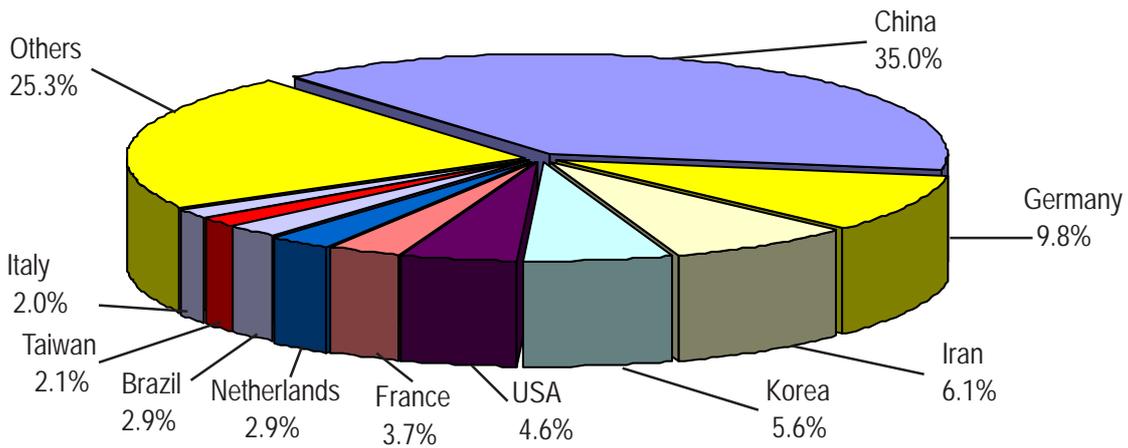


### Malaysia's NR Imports by Countries February 2006



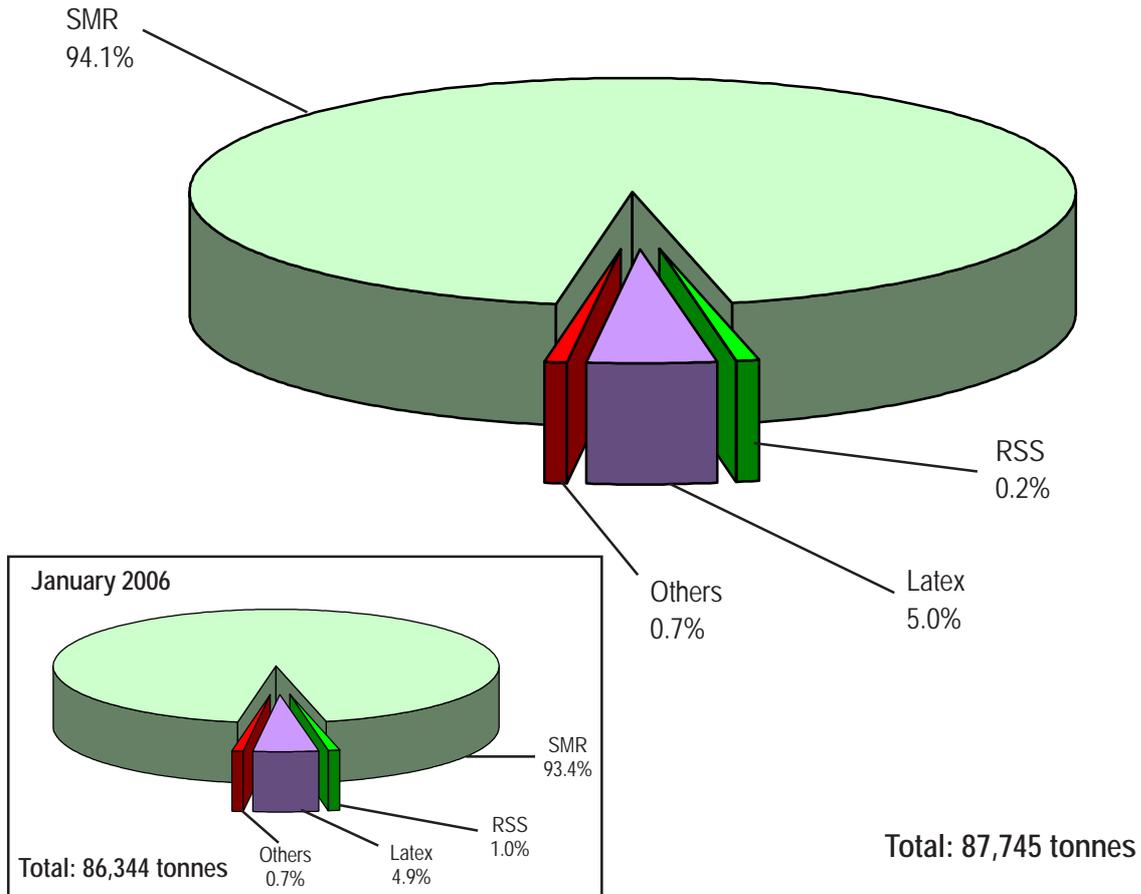
**Total: 43,185 tonnes**

### Malaysia's NR Exports by Countries February 2006



**Total: 87,745 tonnes**

### Malaysia's NR Exports by types February 2006



### Malaysia's NR Consumption by sectors February 2006

