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Rubber glove prices may rise this year

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Analyst: Malaysia's exports will not be affected

KAMUNTING: Rubber gloves from Malaysia are likely to cost more this year as latex prices are expected to go up.

The price of rubber gloves is expected to rise following the Association of Natural Rubber Producing Countries' announcement recently that it was considering fixing latex prices at a "reasonable level" of US\$2.60 per kg, an increase of about 33% from about US\$1.95 per kg currently. Latex prices hit a 56-year peak of US\$3.25 per kg in July 2008.

Latexx Partners Bhd chairman and chief executive officer Low Bok Tek told *StarBiz* the company would have to pass on the cost of higher latex prices to its customers should there be an increase.

"Latex constitutes more than 50% of the raw materials used in our production of rubber medical gloves. The price increase may prompt rubber glove producers to use synthetic rubber, an oil-based raw material, if there is no corresponding increase in the pricing of petroleum," Low said.



Rubber medical gloves being produced at Latexx Partners plant in Kamunting Industrial Estate

He added that the present price of rubber medical gloves was about US\$30 per 1,000 pieces, based on latex at US\$1.95 per kg.

Top Glove Corp Bhd chairman Tan Sri Lim Wee Chai said the company would revise its rubber glove prices accordingly depending on latex prices.

“The selling price also depends on other factors such as the exchange rate, crude oil price and labour cost.

“As rubber medical gloves are a necessity in the medical industry, we do not foresee any impact on the export of rubber gloves from Malaysia as the industry has gone through many up and down cycles in latex price,” he said adding that: “The global demand for rubber gloves is expected to be about 150 billion pieces for 2010.”

Englotechs Holdings Bhd managing director Datuk Eng Hok Sing said should there be an increase of about 15% in latex prices, the price of its industrial rubber-coated gloves would rise by between 6% and 8%. “Our industrial rubber-coated gloves are selling at US\$1 per pair now,” he added.

Maxi Support Sdn Bhd, a Penang-based medium-sized producer of rubber household gloves, also expects the price of its gloves to increase by 10% this year.

Director Freddie Ong said the company's gloves, marketed under the Duramitt brand name, were presently sold at 25 US cents per pair.

OSK Research rubber glove sector analyst Jason Yap reckons that even if latex prices were fixed at US\$2.60 per kg, the export of natural rubber gloves from Malaysia would not be affected.

“This is because of the strong demand from the medical and hygiene sectors. The global consumption of rubber household and industrial gloves should gradually pick up also due to the improvement in the economy,” he said.

Meanwhile, in response to the growing demand for medical rubber gloves in 2010, Latexx Partners is investing RM70mil to add 30 production lines this year to increase its annual output to nine billion gloves from the current six billion.

“Over the next five years, we will set up two more plants in Kamunting Industrial Estate. With the additional two plants, our annual output of medical gloves would be raised to 15 billion,” Low said, adding that the US market absorbed about 50% of the group's medical gloves.

“We import about 80% of our raw materials from Thailand and source the balance locally,” he added.

Top Glove also plans to increase its production capacity, by about 12% in 2010. Said Lim: “For the plant in Banting, we are adding eight production lines with the capacity of 0.75 billion pieces per annum. This expansion exercise is scheduled for completion in June 2010.”

For each of its two plants in Klang, Top Glove would add 16 production lines, raising their capacity to 1.5 billion pieces per annum each, he said, adding that this exercise would be completed by August.

Meanwhile, its planned installation of 32 lines with a combined annual production capacity of 3 billion pieces for its Ipoh facility was targeted for completion in February next year, Lim said.

OSK's Yap said a shortage of rubber gloves could be expected in the first quarter of this year.

“This is because there have been constraints to new capacity expansion in Malaysia, as there was no new natural gas supply made available for the industry,” he said.

While using biomass to generate power was an alternative, it would take 12 to 15 months to get a biomass boiler ready for use, he said.

“Thus we expect new capacity to kick in only in the second half of 2010,” said Yap.

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