Gas shortage crimps Malaysian glove makers

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* Rubber glove body willing to pay market rate for gas

* Expansions will be slow if gas shortage not addressed

* Glove makers using energy from biomass to fuel plants

By Niluksi Koswanage

KUALA LUMPUR, Jan 18 (Reuters) - Malaysian glove makers who supply about two-thirds of the global market may not be able to keep pace with strong demand due to a natural gas shortage in the Southeast Asian country, a top industry official said on Monday.

Malaysian Rubber Glove Manufacturers' Association (MARGMA) President Lee Kim Meow said the industry wanted the government to ensure adequate gas supplies to spur expansion of domestic firms.

Malaysia wants to speed moves to free up its economy to lure back investors but commitments to subsidise key industries over others have slowed the pace of reforms. It is expected to review electricity and gas prices this month.

"We do not mind market rates (for natural gas) but it must be step-by-step. We would like to have transparency in the pricing of natural gas," Lee told Reuters in an interview.

"The government should allocate more natural gas to us as we significantly contribute to export revenues."

Rubber glove demand is expected to jump as countries ramp up healthcare expenditure to guard against the H1N1 flu pandemic that has spread to 208 countries and as top buyer U.S. kicks off reforms expanding access to health insurance.

Glove makers in Malaysia want to advance to this year expansion plans made for 2011 so as to meet that extra demand, said Lee, who is also an executive director of the world's largest rubber glove maker, Top Glove TPCG.KL.

"Strong demand and expansion augurs well for us. We (the industry) could have a growth rate of 8 to 10 percent this year," he said. "The gas pipelines have been laid years ago and the investment costs have been sunk. We need more supply."

MARGMA groups 44 glove making firms, including top manufacturers, such as Top Glove (TPGC.KL: Quote, Profile, Research), Supermax (SUPM.KL: Quote, Profile, Research), Adventa (ADVE.KL: Quote, Profile, Research), Hartalega (HTHB.KL: Quote, Profile, Research) and Kossan (KRIB.KL: Quote, Profile, Research), that earned Malaysia $2.10 billion in 2008.

A key natural gas exporter, Malaysia allocated more than a third of the 2,146 million standard cubic feet per day of total processed gas to the non-power sector on the mainland, FY2009 data from state oil firm Petronas [PETR.UL] showed.

The rest goes to state power firm Tenaga Nasional (TENA.KL: Quote, Profile, Research) and private power producers such as MMC Corp (MMCB.KL: Quote, Profile, Research), Genting (GENT.KL: Quote, Profile, Research) and YTL Power (YTLP.KL: Quote, Profile, Research) that pay $3.21 per million metric British thermal units.

The manfacturing sector pays much more, at $4.49-4.60 per mmbtu of gas. These tariffs represent a discount of up to 44 percent to the Feb. gas contract NGG0 on the New York Mercantile Exchange that closed Friday up at $5.691 per mmbtu.

The total cost per 1,000 pieces of gloves stands $24, Lee said, with natural gas accounting for 10 percent. Many firms were using energy from biomass to fuel their plants as well as cut costs and reliance on natural gas.

"Players are using environmentally friendly stuff, woodchips, palm kernels and fibres," he said.

Latex concentrate -- from which gloves are made -- takes up 50-60 percent of total costs. A tonne of latex concentrate currently trades at 6,400 ringgit, a level unseen since early 2008, due to tight supplies and soaring demand.

Although Malaysia has tight rubber supplies due to weakening yields, Lee said rubber glove companies would maintain their operations in Malaysia due to its proximity to Indonesia and Thailand, the world's top two rubber producers. (Editing by Clarence Fernandez)

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