



MALAYSIAN RUBBER BOARD

DIGEST

2007 JULY

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Natural Rubber market review

July

After trading easier at the beginning of the month, the market braced itself for another run-up in July. Unfavorable weather in the major producing countries triggered fears of supply shortages coupled with lower crude rubber stocks in Japanese warehouses. Compared with levels on 29 June, the price of SMR 20 gained 10.50 sen/kg or 1.5% to 719.00 sen/kg whilst latex concentrate declined marginally by 2.50 sen/kg or 0.5% to 453.00 sen/kg. The price movements of selected grades of rubber in July are shown in **Table 1**.

During the first week of July prices continued its easier tone and market was quiet with little demand. Anticipation of a production recovery as well as weak overseas demand cause prices to slide to lower levels. The improved weather increased raw material

production while buyers were said to have enough stocks to enable them to wait for cheaper prices before entering the market again.

However, the market regained its strength on the second week as prices surged across the board. Chinese buyers were noted to have returned to the market as continued rain in Thailand and Peninsular Malaysia inspired serious concern about the supply. Sellers began to quote higher prices as buyers sought prompt shipment to cover their commitments. Expectation of further price increases prompted active shortcovering by buyers while sellers turned reserved. The market was also influenced by speculation in the futures markets which caused prices to surge to higher levels. Towards the end of the month, the Tokyo rubber futures surged to a near six-week high supported by a weaker yen and lower crude rubber stocks that also aided market sentiment in the local market.

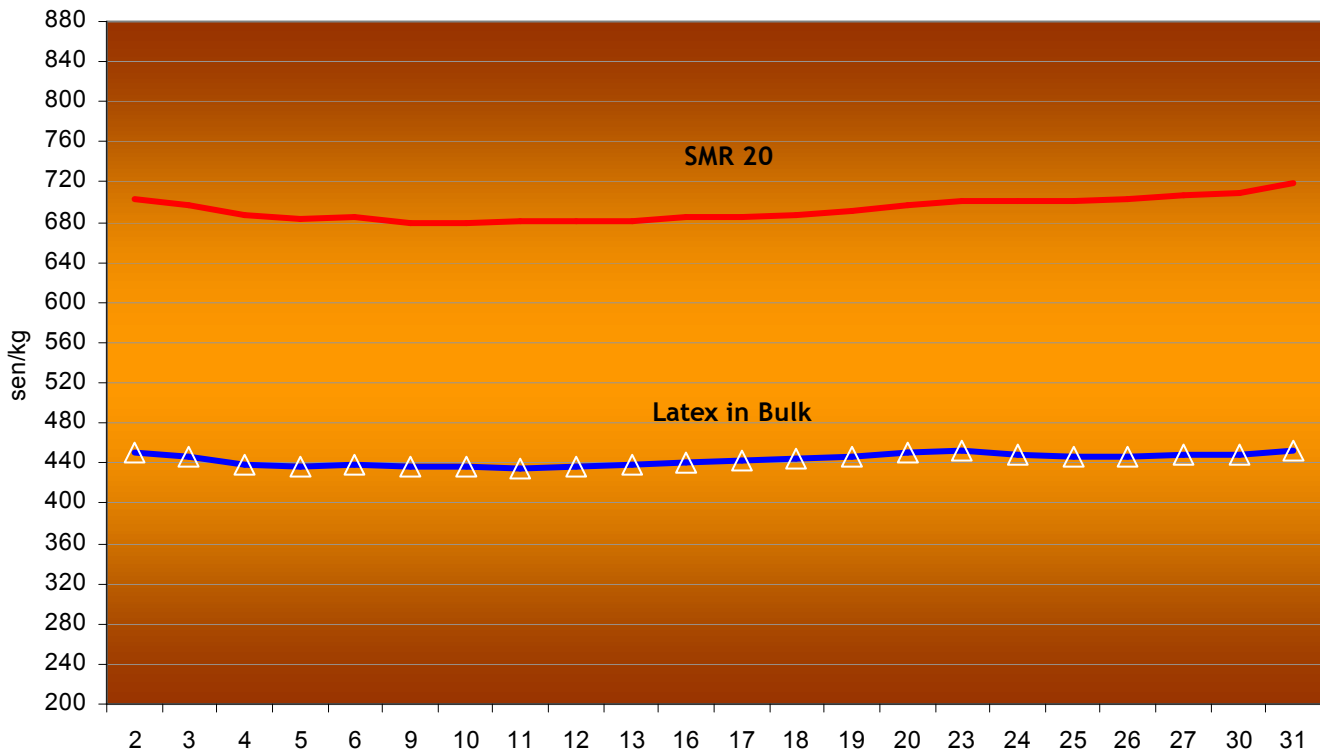
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, July 2007 (sen/kg)

	SMR CV	SMR 20	Latex Concentrate
Highest	805.00	719.00	453.00
Lowest	786.50	680.00	435.50
Average	792.84	693.30	443.91
Change from the last day of the previous month	-14.50	10.50	-2.50

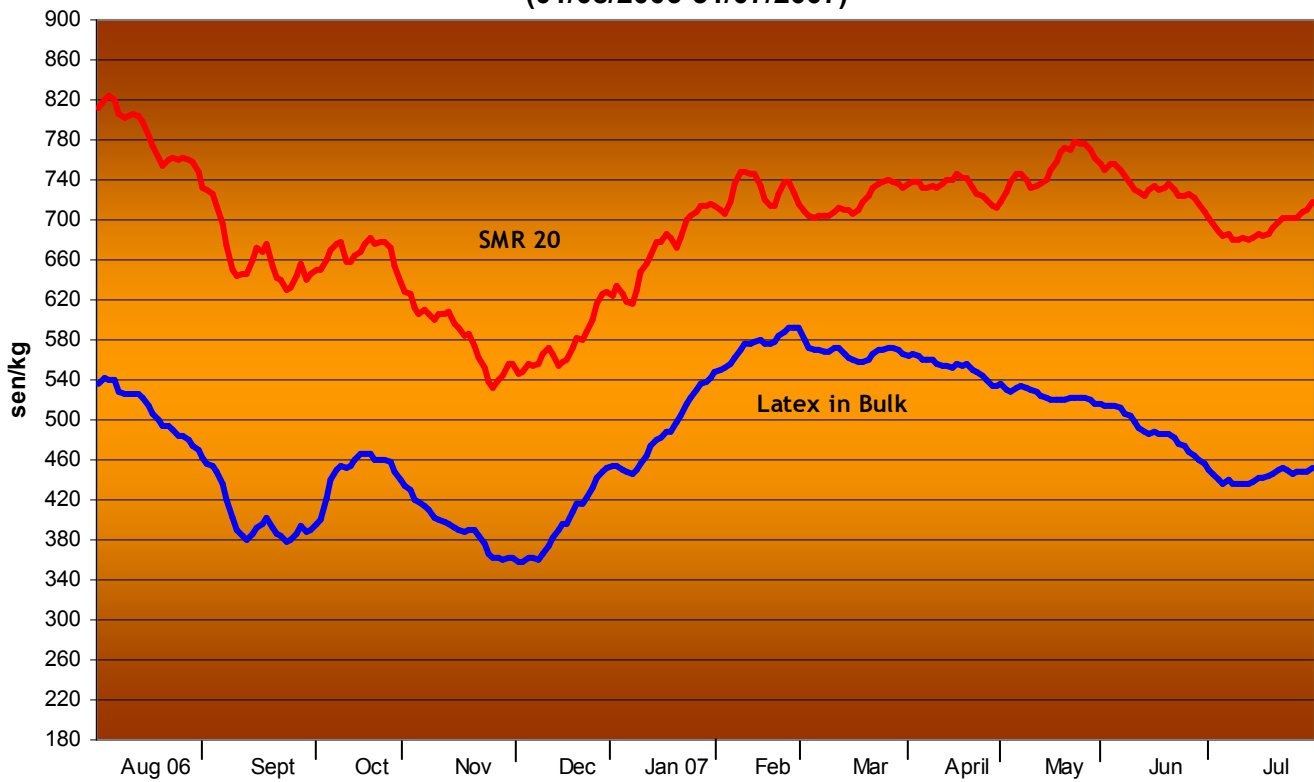
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, July 2007



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
(01/08/2006-31/07/2007)**



Outlook

Market fundamentals are expected to remain strong on continued shortage of raw materials due to wet weather. This would affect prices favourably coupled with the low rubber stocks faced in China and Japan, as overseas buyers are expected to make purchases after being sidelined waiting for cheaper bargains.

News Brief

Vietnam - Malaysia foster cooperation

Vietnam and Malaysia, two of four biggest natural rubber producers in the world, are striving to boost up cooperation in the rubber industry, at a workshop held on July 10 in Ho Chi Minh City.

Addressing the workshop jointly held by the Vietnamese Rubber Association and the Malaysian Rubber Board, Michael Dosim Lunjew, Secretary General of the Ministry of Plantation Industries and Commodities of Malaysia, expressed wish that the two countries' businesses will share experiences in rubber processing and trading.

Highlighting Vietnam's rapid expansion of rubber growing areas, the Malaysian official said if Vietnam succeeds in expanding the rubber acreage in the country to 1 million ha by 2015 and 200,000ha in Laos and Cambodia, the country will be able to obtain an output of 1.5 million tonnes of latex by 2020.

Malaysia expected to import more rubber from Vietnam in order to meet growing demand for rubber in the local processing industry.

-factiva.com, 11 July

Chinese buyers eye Thai cargoes

Chinese buyers are likely to shy away from deals for Indonesian tyre-grade rubber and instead eye nearby shipments from Thailand, where prices are easing because of improving domestic supplies.

Relatively lower freight rates between Thailand and China, compared with shipments from Indonesian ports, were also prompting Chinese tyre makers to eye Thai cargoes.

Although, Indonesia's SIR20 was relatively cheaper at around 90 U.S. cents a pound (\$1.98 a kg), traders said buyers are showing more interest in Thai rubber because of certain quality requirements.

Freight rates between Bangkok and Shanghai or Qindao were around \$400 per container, lower than \$650 quoted from Belawan or Palembang in Sumatra, dealers said.

-factiva.com, 9 July

Rubber export sector hit by strong baht

Rubber exporters say the industry could lose more than 20 billion baht as the strong baht climbs further against the falling US dollar, the Bangkok Post reports.

President of the Thai Rubber Association, Luckhai Kittipol said, rubber is one of the products that will be hardest hit by the baht's surge against the US dollar, with export values expected to decline by more than 10% this year.

The surging baht is now affecting farmers as the prices of the RSS3 now stand at only 60 baht per kilogramme, down about 10 baht in the past few months, Mr Luckchai said.

He added that exporters were now unwilling to accept advance purchase orders because of fear of volatile currency exchange rates.

Most of the now accept orders just on a monthly basis to prevent exchange risk.

-factiva.com, 23 July

Thai's BOI grants promotional privileges

The Board of Investment (BOI) has granted promotional privileges for the country's first plant producing nitrile latex, the key raw material in medical rubber gloves, to a Thai-Japanese joint venture, to meet strong demand worldwide in face of the outbreaks of contagious diseases, the Bangkok Post reports.

A board subcommittee approved a proposal by Pichit Nithivasin, an executive of BST Elastomers Co, to invest 2.51 billion baht to produce acrylonitrile butadiene latex and modified acrylonitrile butadiene latex (nitrile latex) as the main raw materials for producing rubber gloves, foam and other products, said Sudjit Intharathaiwong, the BOI's deputy secretary-general.

To be built in Rayong, the plant will become the first in Thailand to produce nitrile latex to meet the world's fast-growing demand of 9-12% per year.

The project is a joint venture between Thai and Japanese investors, with the latter providing the technology to produce the substance.

Thailand has no plant at present to produce nitrile latex and the demand is met by imports from the United States and Malaysia.

-factiva.com, 10 July

South Korea invested rubber latex plant bounces into operation

The Republic of Korea's Kumho Tyre Group kicked off operations of its 4 million USD, 11,000 tonne per year, rubber latex plant in

Ben Cat district in southern Binh Duong province, Vietnam on June 28.

The Kumho Tyres plant is expected to use natural rubber latex that has been sourced from the area that will then be processed and delivered to the company's tyre factory, which is also currently under construction in the province.

Provincial People's Committee Chairman Nguyen Hoang Son said the province considers rubber latex as one of its five major export items and that the presence of Kumho is expected to aid the province in producing higher quality rubber products.

-factiva.com, 2 July

Trade Ministry warns rubber exporters against rumors from China

The Vietnamese Ministry of Trade is trying to ease rubber exporters' worry over fallacious rumors in the market about oversupply of rubber in China, which led to price falls over the past week.

The rumors said China, one of the biggest natural rubber consumers in the world, is now so supernumerary of rubber for processing and manufacturing that it needs no new import.

The information pushed down export price of Vietnamese rubber to China over the past three weeks while remaining stable at other markets. The price is now standing at \$2,000 a tonne, according to the Vietnam Rubber Association (VRA).

In recent years, China accounts for around 60% of Vietnam's total rubber export volume.

In the first half of 2007, Vietnam earned \$527 million from exporting rubber, up 1.5% over the same period last year.

-factiva.com, 11 July

Rupee rise takes rubber exports down

Exports of natural rubber have registered over 50% drop in the April-June period owing to a sharp rise of the rupee against the dollar. The rupee appreciated 11% against the dollar in the last six months, making natural rubber (at Rs 83 a kg for RSS-4 grade) from India costlier by Rs 8 a kg than the global prices.

According to leading exporters, the recently announced concessions (including a 2% reduction in the interest rate on post and pre-shipment credit) by the Union government were far from enough to compensate for the heavy losses incurred by exporters.

Exporters said the benefits of reliefs announced against deemed exports could not be reaped unless the government directs the industry to buy rubber locally. If the industry cooperates with such a move, the country will be able to reduce the imports of NR. This would also bring the huge stock in the market down, which was hindering the rubber prices.

-factiva.com, 21 July

Local glove price revision unlikely

Top Glove Corp Bhd expects no price revision in local rubber gloves this year.

Executive Chairman and Chief Executive Officer Tan Sri Dr Lim Wee Chai said the current stability in the price of latex concentrate at RM4 per kilo level did not warrant any price revision.

Last year, the volatile latex price had resulted in the revision of rubber glove prices four times with increases of between 10% and 20%. In July last year, latex price touched a high of RM6.82 per kilo.

"Rubber will continue to be traded at prices slightly on the high side in line with the significant increase in other world commodities.

I believe rubber glove players are quite satisfied with the current reasonable raw material price," he said recently.

On the revision of gas price structure, Lim said "Any rise in gas prices will affect the group but the impact will not be significant." He said fuel such as natural gas represented about 8% of the group's total production cost.

-The Star, 13 July

China's roaring economy set to overtake Germany

China's economy grew so rapidly in the first half of 2007 that it is likely to overtake Germany as the world's third-largest by the end of this year, analysts say.

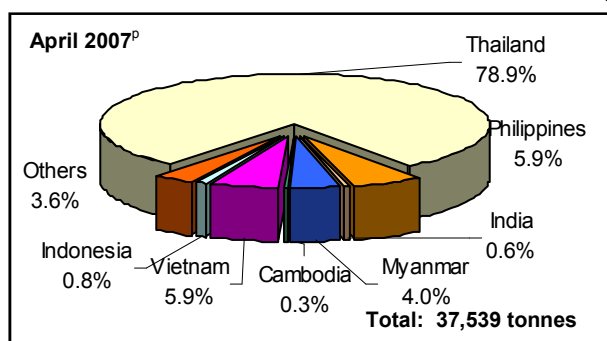
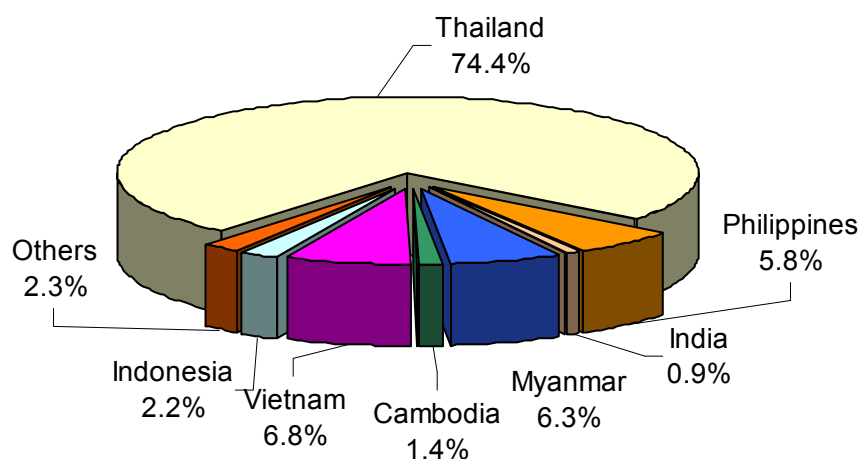
China's sizzling economy expanded even faster than originally thought last year, with the government revising 2006 growth domestic product (GDP) to 11.1% from 10.7 per cent.

The revision puts China in striking distance of Europe's largest economy within months.

"With this upward revision, it is highly likely that China will bypass Germany to become the third-largest economy in the world in current US dollar terms by the end of this year," said Hong Liang, an economist at Goldman Sachs.

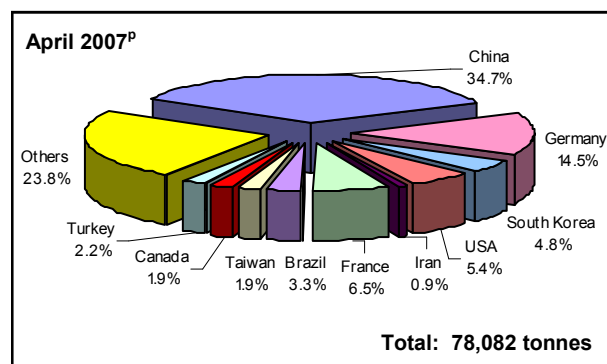
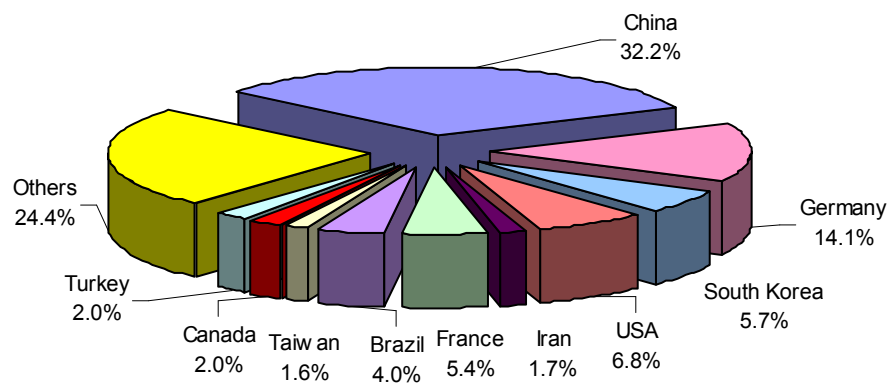
-Rubberworld.com, 15 July

Malaysia's NR imports by countries May 2007^P



Total: 41,669 tonnes

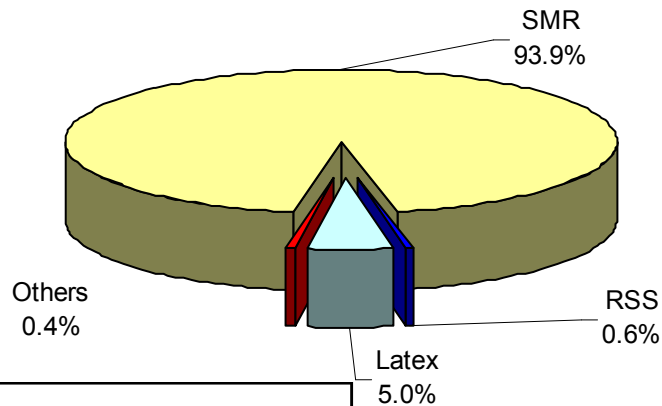
Malaysia's NR exports by countries May 2007^P



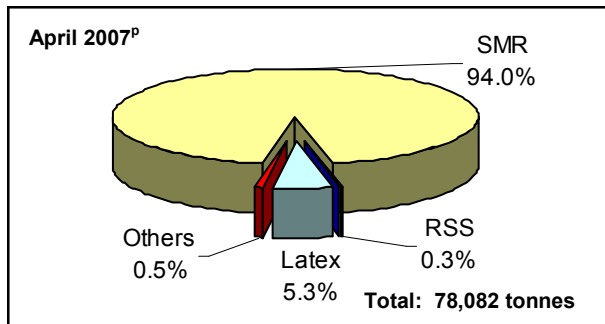
Total: 72,589 tonnes

Note: ^P = provisional

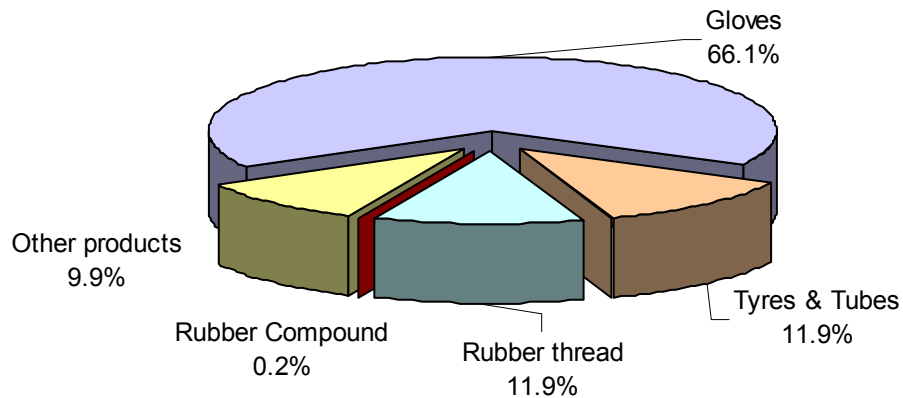
Malaysia's NR exports by types May 2007^P



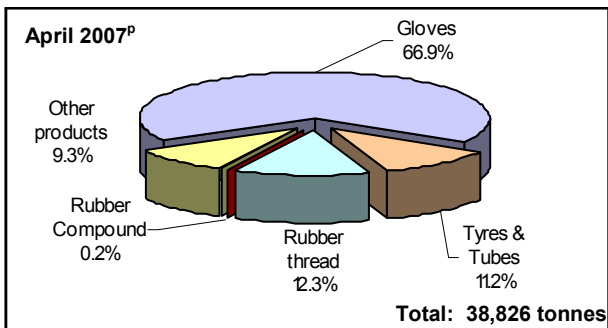
Total: 72,589 tonnes



Malaysia's NR consumption by sectors May 2007^P



Total: 38,632 tonnes



Note: ^P = provisional

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