

Demand for rubber gloves going strong into new year

KUCHING: Global demand for rubber gloves remains robust as total capacity for players are expected to reach new highs this year as well as further ahead.

According to OSK Research Sdn Bhd (OSK Research) in a recent research report, “We think that global demand for rubber gloves remains positive, with an expected annual growth rate of eight per cent per annum, mainly driven by rising global public awareness of hygiene standards.”

Even without imputing any ‘unpleasant’ catalysts such as the possibility of a pandemic breakouts, the research house believed that the resilient demand for gloves was mainly due to the post-H1N1 breakout whereby consumers continued using gloves out of habit.

OSK Research also noted that there was stringent hygiene requirements in the developed nations as well as escalating hygiene awareness in developing countries.

“We think that the operating environment is in favour of glove makers and thus we remain upbeat on the sector. The demand for rubber has stayed sluggish due to the slow recovery in global vehicle sales, and therefore the prices of latex will remain weak,” it added.

Weakening crude oil prices had also led to lower butadiene prices and hence lower nitrile prices.

The research house still believed that the increment in labour costs and gas prices might not significantly impact the earnings of the glove makers.

“The major players under our coverage have rolled out their expansion plans to increase their production capacities and achieve better product mixes to capture larger shares in both the natural rubber and nitrile gloves markets,” OSK Research pointed out.

As such, Top Glove Corporation Bhd (Top Glove) was expected to hit a total capacity of 44.8 billion pieces per annum and focus on expanding its nitrile production.

Supermax Corporation Bhd (Supermax) on the other hand, planned to produce 21.5 billion pieces per annum and had indicated plans to achieve a product mix of 52 per cent in nitrile and 48 per cent in natural rubber latex.

Kossan Rubber Industries Bhd (Kossan) aimed to achieve an annual capacity of 14 billion pieces while Hartalega Sdn Bhd (Hartalega) was still the largest nitrile glove producer with an annual capacity of 11.2 billion pieces and was projected to reach total capacity of about 13.5 billion pieces a year by 2013 upon the completion of its Plant 6.

“In short, by 2013, there will be additional annual capacity for at least 14 billion pieces from the ‘big four’ and we believe this figure is

growing. Besides the capacity increase, Top Glove has also ventured upstream into rubber plantations to secure a stable supply of raw materials.

“Meanwhile, Supermax is focusing on expanding its downstream distribution network. Kossan is putting efforts into niche market products with better margins and Hartalega is creating more value through production technology innovation.”

In 2012, OSK Research observed that two listed rubber glove companies had been taken private. As such, it believed that the market would consolidate further as the smaller players were losing out to big companies in terms of capacity and efficiency as well as in terms of technology to produce better quality products.theborneopost.com