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Natural rubber prices likely to remain high

By HANIM ADNAN

Supply is tight due to drop in production while demand is up

nem@thestar.com.my

PETALING JAYA: Current fundamentals look favourable for natural rubber (NR) prices to stay bullish, said Association of Natural Rubber Producing Countries (ANRPC) secretary-general Prof Djoko Said Damardjati.

He said there was a tight supply situation caused by a progressive decline in global production and a marked rebound in demand.

Yesterday, tyre-grade SMR 20 closed two sen higher at RM10.19 per kg while Latex-In-Bulk rose RM1.50 to settle at RM6.96 per kg.

ANRPC members – Cambodia, China, India, Indonesia, Malaysia, Papua New Guinea, Singapore, Sri Lanka, Thailand and Vietnam – account for almost 94% of the world's rubber supply.

Djoko told *StarBiz* yesterday that none of the NR producing countries currently hold any NR buffer stock, contrary to a recent report on a buffer stock of 300,000 tonnes.

“Policies pursued in the major NR exporting countries are oriented towards ensuring the best price for NR with a view to enhance farmers' income and improving export earnings,” he said.

He added that putting a cap on rubber prices was not on the agenda of major exporting countries.

According to ANRPC's January 2010 newsletter, NR market continued to be bullish from December 2009 to January this year.

The current buoyant rubber market was contributed by continued fall in global NR supply and a further drop anticipated in the coming months due to wintering.

There was also surging NR demand, especially from China and Malaysia.

Djoko said: "Malaysia posted a marked increase in NR imports of about 63.7% annualised rate in the second half of 2009."

Last year, Malaysia imported 718,000 tonnes of NR compared with 523,000 tonnes in 2008.

China's consumption of NR grew at an annualised 16.7% in the third quarter and 30.2% in the fourth quarter 2009.

In addition, the weakening US dollar against currencies of major NR exporting countries and the sharp rise in crude oil prices helped boost rubber prices.

In 2009, the total supply of NR of ANRPC members fell 5.1% to 8.686 million tonnes from 9.150 million tonnes in 2008.

The NR output in Malaysia dropped drastically by 22.1% as yielding area shrank by 20,000ha in 2009.

ANRPC said Malaysia's estimated NR output for 2009 was 835,000 tonnes compared with 1.072 million tonnes in 2008.

Top producer Thailand also saw a 6.1% drop in supply last year as the estimated average annual yield came down to 1,576 kg per hectare from 1,698 kg per hectare in 2008.

Indonesia's production fell 5.7% in 2009 as the average annual yield dropped to 937 kg per hectare from 994 kg per hectare the previous year.

However, for 2010, ANRPC expects NR production of Indonesia to increase to 2.77 million tonnes from an estimated 2.59 million tonnes in 2009.