World Rubber Market: Trends and Perspectives

Mr. Salvatore Pinizzotto
Secretary-General
International Rubber Study Group (IRSG)

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www.rubberstudy.com

Who are we?

- Established in 1944 as an inter-governmental organisation, headquartered in London, UK
- As of July 2008, the Group has been based in Singapore.
- IRSG is the forum for discussion of matters affecting the supply and demand for natural as well as synthetic rubber.
- Authoritative source of statistical data and analysis for all aspects of the rubber industry.
- IRSG has 36 member countries.
- IRSG has around 100 industry members as Associates.
Market Transparency: Why IRSG?

- Reliable forecasting starts with quality data.
- The reliability and completeness of data depends largely on both the country supplying it and the organizations collecting it.
- Inconsistent data can lead rubber producers, consumers and investors to misread the true supply and demand trends, prompting them to make ill-informed decisions that can negatively impact the rubber economy.
- Increased transparency of data should help to moderate unwanted price volatility, promote informed investment decisions and, ultimately, stabilize the rubber market.

IRSG as a Forum

“Change is the law of life. And those who look only to the past or present are certain to miss the future.”

(John F. Kennedy)
Themes

- World supply-demand of rubber
- Natural rubber land use and supply relationship
- Prospects and challenges

World supply-demand of rubber
Natural Rubber Price Relationship

Production Capacity

Thailand has 36% NR capacity while China has 50% SR capacity of the Asia-Pacific region.
Global Natural Rubber Production (KT)

0 2000 4000 6000 8000 10000 12000 14000

Thailand Indonesia Vietnam China India Malaysia
Myanmar Sri Lanka Philippines Cambodia Côte d’Ivoire ROW

Natural Rubber- Supply Chain Facts

- Around 12 million ha area (estimated)
- Production is predominantly from South-East Asia
- Around 90% of holding units and 85% production are from smallholdings
- Average size of holdings varies from 0.5 ha- 10 ha (depending on country definition)
- Wide variation in smallholders’ productivity across countries
- Presence of multiple intermediaries between producer and processor
NR Supply Chain Challenges

- Productivity
- Quality/consistency of raw material
- Rubber area expansion to marginal land
- Price variability
- Cost reduction

Land Use Challenges

Wide spread rubber expansion to marginal land

Productivity
- older plantations
- labour shortage
- aging farmers
- second generation abstains from farming
- Climate factors
Historically (1990s to mid 2000s), land use changes in Malaysia and Indonesia were in favour of crop shift towards Oil Palm; however, cyclical new planting investments happened in both traditional/non-traditional regions.

Tyre producers purchase about 70% of total natural rubber placed on the global market.
Global Natural Rubber Balance (KT)

Global Average GDP Growth (IMF, %)
IMF Boosts Global Growth Forecast to 3.5% Despite Geopolitical Angst (WSJ)

‘Sword of protectionism’ hangs over global recovery, says IMF (FT)

IMF raises China growth outlook but warns of risk of ‘disruptive adjustments’ (Reuters)

China Vehicles in Use, (millions of units)
China Vehicles Production Growth, (%)

Tyre Production Growth
Impact of Area Expansion: Thailand (Ha)

2012 surge in planting reported in Southern region reference to
Agriculture Statistics, Thailand

Impact of Area Expansion: Thailand (MT)

Reported 2012 planting surge might result in huge production
increase near to 6 million tonnes by the end of the decade...
Challenges

- NR production overcapacity.

- Vehicle growth projections in China – are they aligned with the New Normal economic outlook?

- “Regenerated/Reclaimed/Recycled Rubber” in China reported to be up to 4MMT and backing off virgin rubber demand.

Prospects

- Growing demand but only slow closure of the overcapacity gap.

- Rationalisation and consolidation in the value chain.

- Switch from rubber to other agricultural crops – driven by policies and/or economic reality?

- Drive for productivity improvements to help farmers.

- Consumption moving towards site of production to minimise logistics inefficiencies and costs.
Thank You for Your Attention