

Uncertainties in rubber prices still loom, despite "bumper" rise so far this year

KUALA LUMPUR: Malaysia's rubber companies and smallholders have so far enjoyed higher rubber prices driven by strong demand and tight supplies.

Market specialists, however, cautioned there were still uncertainties in rubber prices for the rest of the year.

Year-to-date, the commodity's price has gained nearly 17 per cent, with a high of RM6.80 per kilogramme recorded in March, data from the Department of Statistics (DOSM) showed.

Still, the Association of Natural Rubber Producing Countries (ANRPC) has projected a rise in the prices of natural rubber in the short term, thanks to improved demand from China, India, US and Europe.

All these countries could add to the recovery in global rubber demand, as China alone accounted for 43 per cent share in global rubber consumption, said the Rubber Market Intelligence Report of ANRPC.

The ANRPC report went on to add that natural rubber demand from Southeast Asia was expected to remain weak in the short term amid rising Covid cases and poor inoculation progress.

Local agriculture experts said rubber had seen higher prices in the second quarter (Q2) of the year, but reminded that the price hike could be abruptly reversed.

Academy of Professors Malaysia agriculture and food security cluster head Profesor Datin Paduka Fatimah Mohamed Arshad said as rubber prices varied over time depending on demand and supply, price increase was a temporary phenomenon.

"It may later decline depending on the market situation and farmers will suffer again. Yield has not increased but production cost has increased especially with labour problem under the Covid-19 pandemic," she told the New Straits Times.

Fatimah said what mattered more was smallholders' economic sustainability with a reasonable level of income.

"This can be increased through farm diversification with other crops to increase income, effective cooperatives so that they can better negotiate with larger quantity of sale and small processing mills through cooperatives for them to do value added activities to increase income," she added.

It was reported in July that major of Vietnamese rubber companies had recorded outstanding growth in revenue and profit in the Q2 due to higher rubber prices.

However, the report, quoting analysts from ACB Securities Ltd, also said farmers had neglected their rubber plantations due to falling prices over a long period of time, meaning plants were easily exposed to diseases.

About 65 per cent of natural rubber was produced in Southeast Asia, although at present, some regional countries such as Thailand and Malaysia had rubber trees that were hit hard by disease, the report said.

Malaysia's production of natural rubber has been on decreasing trend since February this year, contracting 27.6 per cent in March and 33.5 per cent in April, before registering an increase of 22.4 per cent in May.

The country's stocks of natural rubber, meanwhile, dropped 6.4 per cent in May to 242,194 tonnes compared to 258,840 tonnes in April 2021.

The smallholdings sector was the main contributor to the natural rubber production at 25,662 tonnes (91.1 per cent) while the estate sector accounted for 8.9 per cent of total production in May 2021.

Month-on-month production of smallholdings sector and the estate sector showed an increase of 24.7 per cent and 3.0 per cent respectively.

<https://www.nst.com.my/business/2021/08/716355/uncertainties-rubber-prices-still-loom-despite-bumper-rise-so-far-year>