DEMAND AND SUPPLY OF NATURAL RUBBER

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

Abstract

The current world consumption of rubber, totalling around 27.5 million tonnes per year, consists of 46% natural rubber (NR) and remaining 54% by different types of synthetic rubber (SR). Demand for elastomers, both NR as well as SR is well secured and is continuously increasing. Natural rubber is unique in the sense that it is consumed as an industrial raw material but produced as an agricultural commodity, predominantly in South-East Asia and around 85% of the global production is being sourced from independent smallholders. On the other hand, 71% of NR and 48% of SR have been used by the tyre industry globally. Mr Pinizzotto’s paper will present current and future trends in the supply and demand of Natural Rubber which market is highly dependent on planting investment decisions, weather induced volatility and the market price. Furthermore eliminating inefficiencies in the supply chain through the improvement of productivity and quality of harvested raw material is vital for enhancing the sustainable income of the smallholders.
Demand and Supply of Natural Rubber

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

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www.rubberstudy.com

International Rubber Study Group

- 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.
Demand and supply of natural rubber

Natural Rubber Price Relationship

CRUDE OIL


SOURCE: TRADINGECONOMICS.COM | OTC

Natural Rubber Price Relationship

USD Currency


SOURCE: TRADINGECONOMICS.COM
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 Area: Trend Across Regions (KHa)

![Graph showing trend across regions](image-url)
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.
Demand and supply of natural rubber

**Global Natural Rubber Consumption (KT)**

**Rubber Trade (KT)**

*Exports*

China is trade partner in more than 1/3rd of the rubber and rubber products trade globally
Demand and supply of natural rubber

**GDP Growth (%)**

![GDP Growth Chart](chart.png)

*Source: IMF, July 2017*

**Tyre Production Growth**

- **Europe**: Weak growth in Western Europe, strong performance for passenger car tyre sector in Central and Eastern Europe
- **Russia**: Outperforming growth in passenger car tyres
- **North America**: Moderate growth in LCV tyre, contraction in HCV tyre
- **Latin America**: Recovery in passenger car tyre and HCV tyre sector
- **Middle East / Africa**: Strong growth in passenger car tyre sector in Middle East, contraction in HCV tyre sector in Africa
- **Asia**: Continuous growth in passenger car tyre, though slowing down

![Tyre Production Growth Chart](chart2.png)
### Rubber Consumption (KT)

**Rubber consumption**

<table>
<thead>
<tr>
<th>Year</th>
<th>NR</th>
<th>SR</th>
<th>Total</th>
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- NR: Natural Rubber
- SR: Synthetic Rubber
- Total

- **Tyre**:
  - NR: 71%
  - SR: 48%
  - Total: 59%

- **GRG**:
  - NR: 29%
  - SR: 52%
  - Total: 41%

### Global Natural Rubber Balance (KT)

- **2008**: 0
- **2009**: 0
- **2010**: 0
- **2011**: 0
- **2012**: 0
- **2013**: 0
- **2014**: 0
- **2015**: 0
- **2016**: 0
- **2017F**: 0

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Demand and supply of natural rubber

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.

Cordially Invites you to the SMU Rubber Event

Date: 27 October 2017
Time: 15:30 to 17:00
Venue: Lee Kong Chian School of Business
Level 1 Seminar Room 1-1
50 Stamford Road
Singapore 178899

Exploring the Rubber Industry Challenges & Opportunities

Guest Speakers

Robert Meyer, ED & CEO
Salvatore Pinizzotto, S-G

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