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NATURAL RUBBER

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The **wintering season** is slowly drawing to the close in the producing countries north of the equator. The development could be considered as more or less “normal” and tapping slowly starts again. A big handicap in this context is the extreme heat and dryness that lasts for a couple of weeks already. The rubber trees are lacking the urgently needed rain for receiving the energy to produce fresh latex. Therefore tapping is only cautiously resumed and thus a shortage of raw material could be expected. This might be one reason for the increase of the NR-prices since the beginning of April. Even though an improvement of the weather condition in certain regions is reported during the last days it remains to be seen whether it will last.

The consumers in Europe are rather reserved, however the big tire manufacturers recently started to cover their demand for the 3rd quarter. Additionally the demand from **China** continues to be on a high level. According to a statement of the General Secretary of the Chinese Rubber Industry Association, Fan Renda, on occasion of the Rubber Forum of the TRA (Thailand Rubber Association) on 9.4.04 in Chiang Mai the NR-Import in 2003 should have been even 1.440.000 tons plus a domestic production of 580.000 tons. Provided no large stocks had been built up, the total consumption in 2003 must have reached gigantic 2.020.000 tons. These figures must be questioned since according to the statistics of the China General Administration of Customs the net imports of NR in 2003 amounted to 1.200.000 tons and the domestic production 470.000 tons resulting in consumption of 1.670.000 tons assuming no change of stocks. Probably the figures of Fan Renda include unofficial imports and revised domestic production data.

During the first quarter of 2004 the imports of China declined slightly by 3,6% to 320.000 tons compared with the same period of last year. In any case this shows that the high level has been maintained and indicates that no large stocks had been built up last year. The reason for the reduction of NR imports could have been also due to a shift in favor of synthetic rubber. The imports of SR increased during the first quarter by 13.7 % to 277.695 tons compared with the same period a year before.

Since the beginning of April the **EURO** is weaker against the US-\$ resulting in higher €prices. Due to the expected increase of the interest rate in the USA the weaker trend of the EURO is likely to continue.

We recommend to cover the required quantities for the 2nd quarter as well as partial quantities for the 3rd quarter as the market is difficult to forecast for the time being. If the weather condition does not change decisively we might experience – just as in the previous years – another price increase.