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Thailand: Rubber growers to cut supply 25%

Written by HMH | November 16, 2011

Rubber growers in the southern provinces have agreed to reduce supply by at least 25% in an attempt to stabilise prices that have been declining steadily for two months.

Under the agreement, planters will reduce tapping to 15 days a month from 20 during the high season, said Wit Pratuckchai, director-general of the Office of the Rubber Repainting Aid Fund. Delaying output entering the market is among several measures intended to shore up para rubber prices. They were agreed on at a weekend meeting among growers in 14 southern provinces, traders and agriculture officials.

Prices of natural rubber have fallen to about 81-85 baht this week for a kilogramme of un-smoked rubber sheet, from 128-133 baht in September.

The decline reflects falling prices in major commodity markets such as the Tokyo Commodity Exchange, where the December contract this week was bid at US\$3.23 for a kilogramme of ribbed smoked sheet grade 3 (RSS3), compared with \$4 to \$4.40 earlier for the October contract and \$4.60 to \$4.70 for September delivery.

The Thai Rubber Association attributed the decline to the economic crisis in Europe, as well as the flooding in Thailand which has severely hurt automobile and auto-parts plants, major users of natural rubber.

According to Mr Wit, the International Rubber Consortium Company (IRCo), formed by three leading rubber producers _ Indonesia, Malaysia and Thailand _ will meet this weekend and may discuss plans to slow down exports.

Such cooperation among IRCo worked successfully two years ago to salvage prices which had dropped critically to 57 baht/kg on average, from 78 baht _ the average selling price of un-smoked sheet products in 2008.

A source at IRCo said that Thailand would propose that members strive to maintain export prices at not lower than \$3 per kg for RSS3.

In the longer term, Mr Wit said a committee representing all parties in the industry would be formed to work out how to manage rubber in state stocks and draft measures to prevent price volatility.

He said that the Agriculture Ministry was considering setting up a 10-billion-baht intervention fund to buy rubber from the market. The money would be available to finance traders who agree to buy rubber from planters at prices not lower than 120 baht/kg for unsmoked rubber sheet.

Some of the funds will also be lent to farm cooperatives to absorb supply from the market during the high season.

He said these measures needed the support of the government in order to protect the 203-billion-baht rubber export industry and save one million farm households.

Mr Wit also said that he was investigating claims by some farmers that traders in China had delayed imports of Thai rubber products because of large stocks in the mainland.

Together with Deputy Agriculture Minister Pornsak Charoenprasert, Mr Wit yesterday departed for China to witness the signing of an agreement to sell 180,000 tonnes of rubber at \$3.50 a kilogramme by a Thai company to a state enterprise of China.

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