



Rubber Futures Rise on China, India Demand

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Rubber climbed on concerns that demand from China and India may outpace supply during the low-production season in Southeast Asia.

The September-delivery contract advanced as much as 3.1% to 425 yen per kg (\$5,185 a tonne) and settled at 419 yen on the Tokyo Commodity Exchange. Futures declined 3.7% this week, the second straight fall.

"Rubber demand from China and India is still high, while supply remains low in the short term," said Masahiro Tamagawa, senior manager at HS Futures Co. Prices are in so-called backwardation, when nearby contracts are more expensive than long-term ones, he said.

Consumption in China, the largest buyer, is expected to grow by 6% this year to 3.5 million tonne, the Kuala Lumpur-based Association of Natural Rubber Producing Countries said in a March report. India's demand may rise 5% to 991,000 tonne, it said.

Michelin, the world's second-largest tyre maker, said first-quarter revenue rose 28% to 5.05 billion euros (\$7.36 billion), led by surging demand for speciality tyres to equip construction equipment and agricultural vehicles. Thai output may decline from last year if rains that caused floods persist, according to the Thai Rubber Association. Production may be 3.2 million tonne this year, Luckchai Kittipol, president of the group, said on April 21. That compares with



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last year's 3.25 million tonne and an earlier 2011 target of 3.49 million tonne.

"Inventories in China remain low and Chinese buyers may soon step in to buy the commodity," Sureerat Kunthongjun, an analyst at Agrow Enterprise, said by phone from Bangkok. "Some investors took this as a cue to buy."

Unseasonal rains from the start of this year in Thailand caused floods in 10 southern provinces in March that may have damaged about 50,000 rai (19,641 acres) of

rubber plantations, according to the Department of Disaster Prevention & Mitigation. Water levels have since receded, it said.

Farmers in Thailand, Indonesia and Malaysia reduce tapping during so-called wintering, from February to May, when trees shed leaves and latex production drops, according to the Association of Natural Rubber Producing Countries. The physical price of Thai rubber was unchanged at 177.05 baht (\$5.90) per kg on Friday, according to the Rubber Research Institute of

Thailand. Rubber for September delivery in Shanghai advanced as much as 2% to 35,195 yuan (\$5,408) a tonne before closing at 34,780 yuan.

Bridgestone plans to suspend some production lines and limit operating hours at factories serviced by Tokyo Electric Power to save power during Japan's summer. The tyre maker will shift some production to other regions to cut power use by 25% between July and September, according to a statement on its website.