

Rubber producers talk of intervention as price gyrates

Bangkok/Singapore, Apr 13: A battle of nerves is shaping between rubber growers and speculators as uncertain demand due to the Japan earthquake and West Asia unrest offsets tight supply in a volatile market, but top producers stand ready to intervene if prices plunge.

Thailand, Indonesia and Malaysia threatened to take action to prop up prices in March, when tyre grades plunged about a third from a record above \$6 a kg after earthquake in Japan amplified fears about a weaker global economy, triggering selling on the Tokyo Commodity Exchange (TOCOM).

Prices later bounced on hopes for brief disruptions to Japan's auto production, but any drastic moves by producers, such as export cuts and stockpiling to avoid a repeat of the brutal correction, could slash the income of millions of farmers in Asia and feed unrest in places like southern Thailand.

"Intervention is now the only option to stabilise prices at a time when there is too much speculation on the paper markets," said Vorathep Wongsasuthikul, CEO of

Thai Rubber Latex, one of Thailand's top five rubber-exporting firms, which exports around 1,00,000 tonne of rubber a year. Intervention could at least give some psychological impact on the price, and sometime helps support it.

But with China's move to tame inflation unlikely to affect demand in the world's largest consumer, some ar-

gue the market could be best served by relying on its own fundamentals, including supply constraints caused by floods in main producer Thailand triggered by erratic weather and a forecast rise of nearly 5% in global demand this year.

Rising open interest on TOCOM rubber futures, which set the tone for physical prices and are closely eyed by dealers, signaling the current rebound could be sustainable. Open interest has jumped more than 20% to around 30,000 contracts from a near two-year low in March.

Yet market nervousness is highlighted by a 7% slide over two days this week, tracking other commodities lower after Goldman Sachs told clients to lock in commodity trading profits and fears over the economy revived, coupled with risk aversion after Japan put its nuclear crisis on par with Chernobyl.

Thailand, Indonesia and Malaysia agreed in December 2008 to cut exports and refrain from selling at below \$1.35 a kg following a drop of 60% in prices—the toughest action by members of IRCo to date.

Price in India to reach record: Analyst

Apr 13: Rubber prices in India, the second-fastest-growing automobile market after China, may advance to a record as demand outstrips supplies and high global rates deter imports, according to TransGraph Consulting. Immediate-delivery price for ribbed smoked sheet, used to make tires, may jump as much as 13% to ₹270 a kg by end of this month, Ravi Chandra, vice-president for research at TransGraph, said on Wednesday. The commodity has surged 50% in the past year at Kottayam, Kerala, the nation's benchmark.

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