

Indonesia mulls introducing support price for rubber

Might go for pact with Thailand, Malaysia; weak global demand hits prices

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Indonesia, the world's second-largest natural rubber producer, is considering introducing a minimum price under an agreement with other major Southeast Asian producers Thailand and Malaysia, to avert a further decline in the commodity's price in the crisis-hit global markets.

Weakening global demand amid the ongoing economic crisis has recently hit rubber prices badly. The Bangkok price tag for the RSS-3 grade dropped to ₹183 per kg today, compared to ₹190 per kg three weeks ago.

"Setting a minimum price is one of the alternatives we're considering now," Indonesian Trade Minister Gita Wirjawan was quoted as saying in a release posted on the Association of Natural Rubber Producing Countries' (ANRPC) website.

"The measure would likely help stabilise the commodity's price amid slowing demand during the current global economic crisis," he added. The Indonesian government would soon meet officials from Thailand and Malaysia to discuss the issue, but a time frame for such talks is yet to be determined.

The three countries, whose natural rubber production accounts for 70 per cent of global output, might jointly limit exports and set an export quota for natural rubber, Thailand Deputy Minister of Agriculture and



Farmers sit near their latex at a rubber plantation in Indonesia's East Java province.

PHOTO: REUTERS

Cooperatives Nuttawut Saikua said, according to the ANRPC website.

Thailand, the world's largest producer of natural rubber, produced 3.5 million tonnes (mt) in 2011 against Indonesia's three mt and Malaysia's 996,000 tonnes.

A joint effort to cut sales through a tripartite agreement in 2009 by the Southeast Asian producers proved effective in maintaining prices at that time.

Rubber futures have slid 28 per cent this quarter, the worst since 2008. It is down 10 per cent so far this year, as the economic slowdown weakens global demand.

Asril Sutan Amir, chairman of the Indonesian Rubber Association (Gapkindo), said the minimum price should be set at about \$4 per kg. The three producers also need to plan supply management, agree on export quantities and reduce tapping frequency. The three countries should apply all of these measures instead of just a single measure to make the joint efforts more effective, Amir was quoted as saying on the ANRPC website.

Indonesian farmers have reduced tapping, which will cut the nation's rubber output by 9.7 per cent to 2.8 mt, lower than the previous estimate of up to three mt.

Domestic output was already down by six per cent to 700,000 tonnes in the first quarter this year from the year-ago period. The association's data shows exports might tumble by up to eight per cent to 2.3 mt this year from last year.

During the first quarter, Indonesia exported 564,320 tonnes of rubber, down 10 per cent from the same period last year, according to Gapkindo.