

Thai govt rubber stocks jump to 200,000 tonnes

BANGKOK: Rubber stocks held by the Thai government have doubled to 200,000 tonnes since mid-September, the deputy agriculture minister said on Thursday, adding the rubber would be kept for domestic use, not sold on the world market.

The stocks jumped after the government approved an extra 30 billion baht (\$976 million) to fund purchases when an initial budget of 15 billion baht ran out. Its intervention is aimed at boosting prices to help farmers.

“We will urge domestic industries to use more rubber. We aim to consume more rubber at home, so less will be left for export and prices should go up,” Nattawut Saikuar told Reuters.

Thailand, the world’s biggest rubber exporter, has also agreed with Indonesia and Malaysia to cut back on exports to support prices.

The intervention was prompted by a collapse in the price of unsmoked rubber sheet (USS3), which farmers sell to factories, to 88-90 baht in May from a record high of 180 baht in February 2011. A fall in demand due to the European debt crisis and the global economic slowdown was to blame.

At the same time benchmark smoked rubber sheet (RSS3) fell to \$2.75 per kg in August from a record high of \$6.40 in February 2011.

RSS3 has recovered a little and was quoted at \$3.20 per kg on Thursday.

However, the price paid to farmers for the raw unsmoked material has barely budged in the open market.

USS3 was quoted at 89 baht per kg, even though Nattawut said the government had been consistently buying at prices 10 percent above the market. It was offering 99 baht on Thursday.

Traders said the intervention in the domestic market had had limited impact and prices were influenced more by Tokyo rubber futures, which in turn tended to react as much to the global demand situation as export policies in the producing countries.

Tokyo rubber futures have recovered a little in reaction to the US Federal Reserve’s latest economic stimulus plan in mid-September, supported by better US economic data, higher oil prices, easing fears about the euro zone debt crisis and concern about supplies because of the Asian export cuts.

The benchmark March contract settled at 266.0 yen per kg on Thursday, which is up about 4 percent since mid-September but still only half the record of 535.7 yen hit in February 2011.