

Thailand stop rubber purchase plan, the tire industry significantly benefit

Event February 19, Thai Deputy Minister of Agriculture, said rubber prices have rebounded, the Thai government to stop the implementation of its rubber-purchase mechanism. Affected by this news, Monday through Wednesday, Thailand 20 plastic STR20 fell 10% to \$ 3,085 / ton, of our Shanghai spot the Yunnan state-run standard Jiaojia fell 10 percent to 25,700 yuan / ton. Comment Thailand plans to continue to fund the purchase rubber, the short term is difficult to launch a new intervention policy. Thailand is the world's largest natural rubber producer and exporter, ANRPC one-third of production, natural rubber exports is an important industry. In August last year, the Jiaojia once less than \$ 2,700 / ton, breaking the psychological bottom line that can be tolerated by the Government, triggered a series of intervention policies, such as Thailand, Malaysia and Indonesia combined with limited production price of government funding to the rubber farmers Share rubber. The halt purchase plastic plan far has been spent in the Thai government about 22 billion baht (\$ 740 million), the acquisition of more than 200,000 tons of natural rubber, bring greater burden on Government finances, but also to the inventory planted foreshadowing. The program is stopped, that the price of \$ 3,000 / ton for the government to accept the new policy is less likely to be launched shortly. The ANRPC natural rubber production growth of about 3% in 2012, the IRSG expected global natural rubber production in 2013 increased by 3.2%, the oversupply will continue. The Association of Natural Rubber Producing Countries (ANRPC, control more than 90% of the world's natural rubber production capacity) data show a general increase in natural rubber production in 2012 member countries excluding Thailand, or the top four: Cambodia (19.6%), Vietnam (9.5%), China (9.4%), Indonesia (7.7%). The Thailand data is not yet the ANRPC at that, but the data released in January by the Thai Rubber Association, Thailand in 2012 from 350 to 355 tons of annual production of rubber. Accordingly expected ANRPC production was 10.627 million tons in 2012, representing an increase of 3% over 2011. According to the International Rubber Study Group (IRSG) expects 2013 global natural rubber consumption growth over the previous year by 5.9% to 11.6 million tons, the supply for the whole year will reach 11.8 million tons, representing an increase of 3.2% over 2012, the oversupply will continue. Three cut policy expires in the end of March and into the open cut in the period in mid-April of Southeast Asian natural rubber, rubber prices are expected to further decline: Indonesia, Malaysia, Thailand, jointly implemented by the reduction of 30 million tons of natural rubber exports plan will expire at the end of March this year. In mid-April, in northern Thailand, and Vietnam gum trees into the open cut in the period, the Southeast Asian countries, including Thailand, Malaysia and Indonesia, including full access to the open cut in the period in early May, was finally able to stop cutting until the end of the year. The yield cut open period focused on the release will Jiaojia form a larger downward pressure expected a repeat of the 2012 Jiaojia years have fallen sharply scene. Maintain the 2013 judgment of the natural rubber prices will remain low of 25,000 yuan / ton, the tire industry profitability is expected to be substantial growth: It is expected that this year, rubber prices will be around 25,000 yuan / ton central oscillate up

and down, compared with last year, the average price of 26,800 yuan / ton about 6.7% of the decline in space. Accounting for the cost of rubber (natural rubber + synthetic rubber) tires 60% tire gross margin of 15%, Jiaojia reduce 6.7% can enhance the tire industry sales of about 2.6% of the net profit margin, the profitability of the industry will grow substantially.