Indonesia Rubber Council seeks sharp export cuts

JAKARTA : Major rubber producer Indonesia's Rubber Council urged fellow Southeast Asia producers to reduce exports to prop up global price of the commodity. According to Indonesian Rubber Council,once the supply cut takes effect, rubber prices are expected to gain in September or October, hovering at around $3.50 per kilogram, and further climb to around $4 per kilogram in the first quarter of next year. Earlier, rubber exporters called on the Indonesian government to take a series of measures to help push up prices by establishing a minimum price, managing supply and agreed export tonnage in addition to reducing local farmers' tapping frequency. Local farmers in Indonesia, the world's second-largest rubber producer, have reduced tapping, which will decrease the nation's rubber output by 9.7 percent to 2.8 million tons, according to Indonesian Rubber Association (Gapkindo). In the first half of this year, rubber exports dropped to 1.2 million tons, down from the past year by 8 percent on depressed demand from Europe, Gapkindo recently said. According to the association's estimation, rubber exports will likely fall by 6.25 percent to 2.4 million tons from 2.55 million tons last year. The price of rubber plunged 40 percent in the past year, falling to its lowest level since 2009 as growth slowed in China, the world's largest auto market and home to 33 percent of global rubber demand, while Europe struggled to cope with financial crisis. Rubber for January delivery fell by as much as 1.8 percent to 217 yen ($2.73) per kilogram before settling at 219.40 yen on Monday at the Tokyo Commodity Exchange. At a meeting of the International Tripartite Rubber Council (ITRC) in Bangkok, Thailand, earlier this month, Indonesia, Thailand and Malaysia, which together provide 70 percent of the world's natural rubber supply, agreed to cut exports by 300,000 tons. The largest cut will come from Thailand, which aims to reduce supply by 150,000 tons, with the rest coming from Indonesia and Malaysia. In addition, the three countries also worked out a plan aimed at cutting down aging trees over a total of 100,000 hectares, which, along with the export reductions, would divert a total of 450,000 tons from the market.