

## Spotlight on Thailand's rubber industry

Later this month rubber growers in Thailand plan to march on Bangkok to highlight the plummeting prices of rubber despite government effort to shore them up. To make their point they plan to dump 60,000 tons of state-supplied fertiliser which they say was of such low quality it could almost be considered a fake product. In contrast, in Phuket recently, big traders met at the three-day Asean Rubber Conference held at the Hilton Phuket Arcadia Resort and Spa, at which Thailand launched a bid to become the world centre of the rubber industry. The meeting also heard some controversial proposals for the future of the rubber industry when the Asean Economic Community (AEC) comes into being in 2015. If the proposals can be made to work, however, they might shore up prices. The conference brought together delegates from the 10 Asean member-countries and the world's main rubber buyers – China, Japan, and India. Thailand's claim to be the hub of the industry is backed up by the fact that it is the world's number one rubber producer, with an annual output of 3.1 million tons, of which as much as 78 per cent is exported. Less than 12 per cent is used for value-added production in Thailand, while 10 per cent goes into a government stockpile. At the opening of the conference, Yuttapong Charasatien, deputy minister of Agriculture and Cooperatives told delegates, "We are encouraging government departments to use more products made from rubber, and we will ask for cooperation among Asean rubber producers to study the likely effects of the creation of the AEC, the benefits, and any adjustments that need to be made." "This year, we expect that the price of rubber will rise continuously, thanks to the government's First-Car policy and the improvement in the world economy generally, added to which, the government has a policy to support domestic rubber and to add value to raw rubber." Dr Pongsak Kerdvongbudit, honorary president of the Thai Rubber Association and director of Thailand's biggest rubber trader, Von Bundit Co – which is based in Phuket – called for closer cooperation between rubber producing countries over prices. "This conference has received support from rubber producers in Asean countries as well as world producers and buyers," he noted. There are two reasons for this, he said. "First, users expect to pay a suitable price [without major fluctuations]. Second, Asean countries at the moment are all competing on price. "For example, the price of [similar qualities] of rubber grown in Thailand is about B10 different from the Indonesian price. It is unnecessary to sell rubber at different prices." He also noted that tyre-maker Bridgestone plans to build an aircraft tyre plant in Thailand and that "other companies will begin producing premium car tyres in Thailand." However, the manager of another major Phuket rubber company, told The Phuket News that any attempt to fix prices across Southeast Asia would fail. "Thailand, Malaysia and Indonesia have been doing this since last October. The main factor in rubber prices is the world economy. Turnover has dropped, because the Chinese economy is slowing. "If the demand is not there, we can't sell. How can we set prices so that they are similar in every country [in Asean]? The currencies are different, the production costs are different, the costs of living are different, and the quality of the rubber varies from one country to another. What he would like to see, to make Thai rubber more competitive, is

lower taxes. The Thai government currently levies a sliding-rate tax on exports of rubber. Currently, with rubber export prices low, the rate is B0.9 per kilo. But when the sale price rises above B100 a kilo, the government takes B5 a kilo. The manager says this is too high, especially when compared with neighbouring Malaysia, where the maximum rate is equivalent to B1.4 per kilo – which used to be the maximum rate in Thailand until the government bumped up rates in October 2010. He also argues that the higher the rate of tax, the more vulnerable the system is to corruption. In an attempt to shore up rubber prices, the government buys 10 per cent of all rubber produced in Thailand and stockpiles it. Yet despite this, world rubber prices are now about B70 a kilo for rubber sheet, less than half the price it fetched in February 2011. The manager said he felt the government should, instead, be concentrating on reducing exports of raw rubber by promoting the making of value-added products in Thailand, such as tyres, rubber gloves, hoses, condoms and so on. He believes that 30 to 40 per cent of rubber produced in Thailand should be used to this end, compared with the current 12 per cent.