

Rubber prices to remain weak in 2012-13 on weak demand: Rubber Country

Fundamentals are not supportive of rubber as global production has risen in recent years while demand has fallen in major consuming countries. This is the reason why Thailand, Indonesia and Malaysia who account for 70% of global output have taken drastic measures in 2012 to stem the fall in prices. KOCHI, INDIA (Commodity Online): Rubber prices in India have fallen steeply from a high of Rs 240 per kg for RSS 4 grade in 2011 to below Rs 170 per kg in August 2012 while rubber futures at Tokyo Commodity Exchange (TOCOM) have fallen to a 3-year low in early August to 209 Yen per kg before rebounding again. Rubber prices are expected to remain weak for most of 2012-2013 on cyclical weakness, Eurozone debt crisis and slow down in China demand. But market could respond to stimulus measures and sustain above the lows set in 2012, according to Sreekumar Raghavan, Chief Commodity Strategist at Rubber Country (www.rubbercountry.com) a new portal from the Commodity Online Group. Fundamentals are not supportive of rubber as global production has risen in recent years while demand has fallen in major consuming countries. This is the reason why Thailand, Indonesia and Malaysia who account for 70% of global output have taken drastic measures in 2012 to stem the fall in prices. It included procurement of rubber at prices above market levels and the recent decision to cut exports by 300,000 tonnes and cut aging trees to curtail 4,50,000 tonnes of production. Global natural rubber production has risen from 6.6 mn tonnes in 1998 to 10.1 mn tonnes in 2008, 11 mn tonnes in 2011. Production may rise further to 12.5 mn tonnes in 2013 and, 14.9 mn tonnes in 2014. “High prices in recent years had prompted rubber producing countries to ramp up production and this is not unusual for cyclical crops like Rubber. Every 7-10 years rubber prices crash in response to higher production and rebounds again as demand picks up at lower levels,” Sreekumar Raghavan said. In recent years, the boom-bust cycle has shortened due to certain global developments. In late 2008 rubber prices plummeted following the financial crisis but rebounded again in 2010 as drought conditions in Asia Pacific region resulted in lower production and sharp rise in prices. The prices of natural rubber hit a record high of ¥528 a kilogram in February 2011 but crashed again in August 2012 to a low of 209 Yen as global manufacturing growth has weakened. Rubber prices will continue to gain support from Asia-Pacific demand mainly from China’s booming automotive, medical, heavy equipment and other industries. Higher crude oil prices are also supportive of natural rubber in the coming months. However, with global economic growth forecast for 2012 forecast at 3.5%, and 3.9% for 2013, rubber will have a challenging time ahead unless stimulus measures are in place to boost demand. India Rubber Futures At India’s National Multi Commodity Exchange (NMCE), October 2012 contract may rise to Rs 18100 per kg if prices don’t fall below Rs 15,900 in the near term. However, if prices go below that level, the resulting crash could see prices falling to Rs 12,000 levels, according to Rubber Country analysts. In spot market, rubber traders can start accumulating stock if in future prices are moving above Rs. 17250 per 100 kg, the analysts added. “Rubber Country (www.rubbercountry.com), the newest portal from Commodity Online Group caters to the long felt need of the

rubber traders and investors for reliable price information, latest news and analysis on the rubber industry worldwide,” George Iype, Managing Director, Commodity Online said.