

Indonesia: Rubber industry calls for strict enforcement of reduced exports

Stakeholders in Indonesia's rubber industry called on fellow producers in Southeast Asia to implement a recent deal to reduce rubber shipments in a bid to prop up the commodity's price on the international market. "We hope that our fellow producers will not deliver rubber illegally to buyer countries. Otherwise, this measure will be useless," Indonesian Rubber Council chairman Aziz Pane said in Jakarta. Once the supply cut takes effect, rubber prices are expected to gain in September or October, hovering at around US\$3.50 per kilogram, and further climb to around \$4 per kilogram in the first quarter of next year, according to Aziz. 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, according to Bloomberg. Rubber for January delivery fell by as much as 1.8 percent to ¥217 (\$2.73) per kilogram before settling at ¥219.40 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. "These are the steps that we have taken to stabilize the world's supply and demand of natural rubber produced by these three countries, so that farmers will get a more balanced compensation between production cost and selling price," Trade Minister Gita Wirjawan said in a statement last week following the new arrangement. The measure would be implemented soon, Gita said after a press conference on the 2013 draft state budget last week, but declined to specify exact time frame. Earlier, local rubber exporters called on the 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.