

Reduced Demand Pushes NR Down Further, Growing Countries React

Even as Bloomberg News reports that growing inventory of rubber harvesters and falling demand from China are pushing natural rubber prices down, the International Tripartite Rubber Council, which represents the world's three largest natural rubber producing countries – Thailand, Indonesia and Malaysia – doesn't intend to sit back and accept the lower prices. Bloomberg said that bonded inventories at the Qingdao International Rubber Exchange Market “probably climbed to 250,000 metric tons by end-August from 240,000 tons last week.” NR reserves sat at 250,000 tons in January. Meanwhile, NR prices have fallen some 59% from their February 2011 highs, in part because of reduced global demand but primarily because of significant demand fall-off from China. China occupies some 33% of global NR demand, and 70% of that goes to tires, Bloomberg said. In response, Thailand, Indonesia and Malaysia, the top three shippers, cut NR shipments by 300,000 tons in an effort to prop up pricing. “We, the ministers under the International Tripartite Rubber Council, express concern on the recent drop in natural rubber prices, which has a direct effect on the income of rubber smallholders in our three countries,” read the statement, which was released by the ITRC Secretariat in Bangkok on Aug. 16. “This is despite the fact that the demand for NR remains strong with low stock level. The drop in NR price was mainly contributed by negative market sentiment caused by various other factors including uncertainties in global economic growth.” The ITRC Secretariat said that not only had the three countries agreed to withdraw 300,000 tons of NR exports, they plan to accelerate a replanting program that will remove mature trees from 100,000 hectares of land, a measure that will result in a further 150,000-ton reduction in exports. “With these two measures, a total of 450,000 tons of NR will be withdrawn from the market,” the Secretariat commented. “We are optimistic with joint implementation of these measures, the rubber price will recover and continue to be fair and remunerative to all smallholders and other stakeholders in the NR industry.” Prior to the ITRC announcement, the Association of Natural Rubber Producing Countries, which counts Thailand, Indonesia and Malaysia as members, reported that the three countries would respectively produce an estimated 3.61 million, 3.26 million and 1 million tons of natural rubber this year. The ITRC cuts reduce this combined output by some 5.7%, and represents about 4.4% of anticipated 2012 global production. Meanwhile, China is looking at its own NR future, with the Ministry of Agriculture implementing a series of measures to reduce that country's dependence on imported NR. Among the measures to increase China's NR production:

- Establishing a nursery to develop seedlings and cloned plants
- Improving yield via ecological methods
- Improving training and automation to improve tapping efficiency
- Reduce tapping frequency
- Use improved fertilization products and techniques