# Rubber producers to support regional plan

Rubber producers in Indonesia, the world's second-largest supplier of natural rubber, are to support a proposal by the International Tripartite Rubber Council (ITRC) to set up a regional market for rubber contract spots and futures, a business association says.

Asril Sutan Amir, a member of the Indonesian Rubber Association (Gapkindo) advisory council, predicted that the regional market could be established as soon as next year, engaging other Southeast Asian countries besides the two top producers, Thailand and Malaysia.

"The existence of the regional market will increase price transparency and form benchmark prices that can be accepted internationally," he told The Jakarta Post.

Such a market could also significantly help to push up prices of the commodity according to supply and demand rules, Asril added.

The proposal to form the regional rubber market came up on Wednesday as ministers from three ITRC members — Indonesia, Malaysia and Thailand — concluded its annual meeting in Phuket, Thailand, where they reaffirmed their commitment to slash exports by 300,000 tons over a six-month period, starting from October, in a move to increase international prices.

The recent policy to reduce supplies has so far succeeded in raising prices in the three countries, which currently represent 86 percent of global exports, with daily composite prices surging to US$2.90 per kilogram in early December from $2.54 per kilogram before the policy took effect, according the council.

Trade Minister Gita Wirjawan, who represented Indonesia at the meeting, said the establishment of the regional market aimed to curb price fluctuations and strengthen the position of natural rubber producers.

"The regional rubber market is expected to bolster existing commodity and futures markets, pricing the commodity's discovery and functioning as hedging instruments. The ITRC has agreed to carry out a comprehensive study and harmonize policies [in member countries] to implement the plan," he said.

Indonesia will soon launch physical contracts as well as futures for rubber by early next year, either through the Jakarta Futures Exchange (JFX) or the Indonesia Commodity and Derivatives Exchange (ICDX) as an initial step toward the formation of the regional rubber market, according to Gita.

At present, the ICDX sells contracts of various commodities, such as palm oil and tin, while the JFX trades in cocoa and gold.

At present, Thailand's Agricultural Futures Exchange is the only market among ITRC members that already serves as one of the major global rubber futures markets, while Singapore's Commodity Exchange is another market in ASEAN.

Indonesia Commodity and Derivatives Exchange president director Megain Widjaja said that his exchange would be ready to launch the contract spots sometime next year.

“We are still waiting for the developments of the consensus by the ITRC,” he told the Post.

The contract spots traded would be Standard Indonesian Rubber (SIR)-20 in US dollars with possible delivery from Belawan Port in Medan, North Sumatra or Boom Baru Port in Palembang, South Sumatra, Megain said. All transactions should be made through the bourse to guarantee transparency, he added.

Bloomberg reported on Thursday that rubber retreated from a 10-week high in a volatile trading market after the ITRC issued no new measures to boost prices and as commodities fell due to concerns about a United States’ budget deadlock.

The contract for May deliveries dipped by 0.2 percent to settle at ¥271.5 per kilogram ($3,247 per ton) on the Tokyo Commodity Exchange. Futures earlier surged to ¥274.8, the highest level since Oct. 5, and have gained 3.1 percent overall this year.

Rubber for delivery in May fell 0.9 percent to close at 24,675 yuan ($3,956) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board added 0.3 percent to 93.6 baht ($3.05) a kilogram on Thursday, according to the Rubber Research Institute of Thailand, Bloomberg reported.