

UTCC: Rubber prices won't bounce back

Domestic rubber prices are likely to stay below 120 baht a kilogramme over the next five years due to the sluggish world economic outlook that has sapped demand. The lingering euro-zone debt crisis, weak growth in rubber-using countries and rising production in Asean will continue to affect the market. Global rubber plantation areas have increased by 14.26% from 2003, or an average of 2.71% per year, noted a study by University of the Thai Chamber of Commerce's Center for International Trade Studies on the future of the Thai rubber industry in the Asean Economic Community (AEC). Asean is the world's largest supplier of rubber, with three countries producing 70% of global production. Global output is expected to reach 11.3 million tonnes in 2013 and 13.77 million tonnes in 2020. Within Asean, Indonesia leads in plantation areas with 21.93 million rai in 2011, followed by Thailand (11.76 million rai), Malaysia (6.58 million rai), Laos (1.69 million rai), Cambodia (1.29 million rai) and Myanmar (880,000 rai). Aat Pisanwanich, dean of economics and the centre's director, said the main factors pressuring global rubber prices are the euro-zone debt crisis and the economic situations in the US, China and India. He projects domestic rubber prices will stay at 77-90 baht a kg on average over the next four to five years. The centre believes it will be difficult for the government to shore up prices to 120 baht a kg. Earlier this month, Thailand, Indonesia and Malaysia agreed to cut production and fell aging trees to shore up world prices. Prior to this, Thailand set a budget to buy rubber futures for the same purpose. But the centre said the Thai government's 30-billion-baht budget was too small to increase prices when compared to the country's total export value of 600 billion baht, or 3.5 million tonnes a year. It suggested the government explain the situation and risks to farmers so they can adjust and refrain from expanding plantation areas. Dr Aat said the government should also abandon the price intervention scheme and promote rubber processing investments to push up the domestic price. The centre's projection showed it would be impossible for the price to skyrocket to 180 baht as in the glory days of last year. Rubber reached its record high of 189.74 baht a kg on Feb 21, 2011, and has since slid to 81.18 baht last Friday. Major export markets for Thai rubber are China, accounting for 32.23% of total exports, followed by the EU (10.85%), the US (9.10%), Japan (7.17%) and India (8.90%).