

M'sia pushes rubber bloc to manage global prices
Malaysiakini.com
June 18, 2010

Malaysia on Friday proposed setting up a regional bloc with Indonesia and Thailand to control global rubber prices and keep production steady as the cost of the commodity rises.

Deputy plantation and commodities minister Hamzah Zainudin said the International Rubber Market, which would be based in Kuala Lumpur, would bring together the three top producers and Vietnam.

"At the moment we have already come out with not a formal kind of relationship but with an understanding, we meet at least twice a year, we are doing it at the moment with Thailand and Indonesia," he told reporters.

"We don't want to say it is a cartel but what we want to see is (that) the price is stable and good for everybody... when we see the price going down, we will hold (back the supply of rubber)."

Hamzah said he was confident demand would remain high.

"I'm very bullish and we are trying to maintain a stable price of 8.0-9.0 ringgit (244-275 cents) a kilo," he said, with a target price of 300 cents a kilo for the next five years.

Natural rubber prices dropped more than 66 percent to 110 cents a kilo between July and December 2008 during the global downturn, which hammered demand. However, it soared to 287 cents a kilo in December 2009.

The Malaysian Rubber Board's (MRB) benchmark rubber was at 291.10 cents a kilo at midday on Friday.

More than 93 percent of Malaysia's natural rubber comes from its 265,000 smallholders, who tap less if prices are low and more if prices are high.

"With this kind of a mechanism, we can keep the prices high enough to keep the smallholders tapping and the industry is also pleased as they have a guaranteed supply of rubber," MRB Director General Salmiah Ahmad told AFP.

Malaysia, Indonesia, Thailand and Vietnam produce 76 percent of the world's natural rubber and account for 93 percent of global exports.

However, Indian Rubber Board chairman Sajen Peter said there was no need for the new market.

"You cannot control the prices, it all depends on demand and supply and as long as there is a mismatch between demand and supply, prices are going to be comfortable at least in the coming few years," he told AFP.

Last year, Malaysia produced 857,018 tonnes of natural rubber with exports exceeding 25 billion ringgit, or 4.52 percent of national exports.

India is the world's fourth largest rubber producer.

- AFP

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Source : <http://www.malaysiakini.com/news/134927>