Thailand says no backdown on rubber sales, prices plunge
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Thailand pledged today to go ahead with a plan to sell 200,000 tonnes of rubber from state stockpiles, shrugging off strong opposition from farmers and helping drive down global prices to near the lowest in more than four years.

Thailand, the world's largest rubber producer, had intended to sell rubber last month it had bought from farmers, but no sales were made amid threats from farmers to stage protests.

The efforts to prop up the market have proved expensive for Thailand and so far made little impression on weak prices. Thailand spent 22 billion baht (RM2.21 billion) buying rubber from farmers from October 2012 to May 2013.

"The rubber stocks have been kept for such a long time and they have deteriorated," agriculture minister Yukol Limlaemthong said.

"The longer we keep them, the bigger the losses will be. There's no point in holding them further. We welcome all buyers. Exporters, trading houses and tyre makers can offer to buy from us," he said.

A sale of 200,000 tonnes could be worth around US$390 million (RM1.26 billion) at current prices.

His comments were made before a Thai court found Prime Minister Yingluck Shinawatra guilty today of violating the constitution and said she had to step down, although Yukol is among ministers not implicated in the case so can remain in office.

Farmers say it is the wrong time to release rubber inventory, fearing the sale will add to the downward pressure on prices, which have failed to react to the tight supply during the dry season in Southeast Asia.

Benchmark Tokyo rubber futures sank almost 5% today as trading resumed after a two-day holiday. The most active October contract hit a low of 197 yen a kg, a fraction above a 4-1/2 year low of 196.7 yen struck in late April.

Tokyo futures have fallen more than a quarter this year on fears about falling demand from top consumer China.

Thai rubber farmers said they will gather in Bangkok today to protest against the sale plan.

Thailand is expected to produce four million tonnes of rubber in 2014, of which around 80 percent is for export, while its end-2013 stocks were estimated at about half-a-million tonnes.

The rubber market has been suffering from soft demand from top consumer China. Growth in the world's second-largest economy is likely to slow to 7.4% in 2014 from 7.7% last year due to the government's drive to curb credit risk and excessive factory capacity, the OECD said yesterday.

On Singapore's SICOM exchange, the TSR20 contract – which covers Thai, Indonesian and Malaysian grades – was stuck near its weakest since mid-2009.

As tyre grade prices languish near five-year low, some Thai dealers have refused to sell rubber, while in rival producers Malaysia and Indonesia, some tappers have stopped tapping, looking for other jobs.

"All the bad things seem to happen at the same time," said Edy Irwansyah, executive secretary of the North Sumatran branch of the Indonesian Rubber Association, which groups exporters in the world's second-largest producer.

"This is going to further weigh on prices. I would think that Thailand should find ways to boost domestic consumption.

The tyre-making industry makes up about 60 percent of global rubber consumption. Rubber is also used to make gloves, condoms and products in transport, construction, health and mining.

"I expect to see further erosion of the market," said a dealer in Singapore. "It is quite frightening to understand that these people run a country... in view of the fact that they bought the rubber to support the market."

There were no signs the International Rubber Consortium, which represents rubber producers in Thailand, Indonesia and Malaysia, will intervene to support price. – Reuters, May 7, 2014.