

**Thailand to raise local rubber consumption to support prices**  
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The Thai military government plans to shore up falling rubber prices by increasing domestic consumption instead of intervening in the market via a costly buying scheme, a senior government official said today.

The move was the latest effort to stabilise physical rubber prices, which have fallen more than 10% this year due largely to weak demand in China, the world's biggest rubber consumer.

"We would not rely much on exports. We want to increase rubber consumption at home to help offset falls in export demand," said Chanachai Plengsiriwat, head of the Rubber Estate Organisation.

Under the plan, rubber will be used in the construction of infrastructure such as roads, pavements and reservoirs.

"The costs of using more rubber as a material to build roads would be slightly higher, but it is worth investing as it would help farmers indirectly," Chanachai said.

The move aims to raise domestic consumption to 20% annually, up from around 14% currently, Chanachai said.

Thailand, the world's biggest rubber producer and exporter, was forecast to produce 4.0 million tonnes of rubber this year, up from 3.8 million tonnes in 2013.

Chanachai said the plan would be submitted for approval by the National Council for Peace and Order in the next few weeks.

"As it is the first priority set by the military government to support investments that promote the use of local-made raw materials. We expected the government to approve the plan as fast as it can," he said.

However, the plan does not include 200,000 tonnes of rubber stocks in state warehouses and bought from farmers during an intervention scheme from October 2012 to May 2013.

The junta said it would postpone a plan to sell the 200,000 tonnes and focus on price stability.

Tokyo rubber futures prices are also under pressure due to weak demand from the Chinese tyre industry. Tokyo rubber futures have fallen nearly 30% so far to this year, to a low of 190.3 yen (RM6) per kg in early June.

The price of benchmark Thai RSS3 also dropped in the same direction, being offered at US\$2.15 (RM6.91) per kg today, down from US\$2.40 per kg in January. – Reuters, June 24, 2014.

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