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Breaking News: Thailand Limits Exports of Concentrated Latex Rubbers for the First Time, Stakeholders Fear that Vietnam Could Take Over the Market



Thai Latex Association (TLA) outcries, limiting concentrated rubber latex production for 4 months may lead to double adverse impacts. Losing the market to Vietnam and business partners turning to synthetic rubber are possible. Oversupplied domestic rubber is expected. Rubber planters will be hard hit in the upcoming rubber tapping season. Rubber sheet producers, in turn, see the benefits of the measures as it would cause only a slight effect. One of the largest Thai natural rubber suppliers, Von Bundit Co., Ltd. positively responds to the action as cooperation among the International Tripartite Rubber Council (ITRC) will be strengthened.

Rubber Authority of Thailand (RAOT) held the 6th meeting on Agreed Export Tonnage Scheme (AETS) on May 16, 2019 to continue natural rubber export control measures during May 20 – September 19, 2019. Rubber products involved are smoked rubber sheets, block rubber, vulcanized rubber, concentrated rubber latex and compounded rubber. Supplies from Thailand will be accounted for 126,260 tons.

When calculated based on the export statistics collected by Department of Customs, during the period of May 20 – September 19, 2019 any export amount over 3,000 tons will be decreased by 10%. If an exporter does not meet its monthly export quota, the leftover can be rolled over to the following months but not exceeding the overall quota during the designed period. Exporting of 3,000 tons or less will not be affected as such.

Results of the International Rubber Consortium Limited (IRCo) meeting participated by Thailand, Indonesia and Malaysia concluded that the total export volume for the 3 countries shall be cut to 240,000 tons. Exports from Indonesia and Malaysia will be limited to 98,000 and 16,000 tons respectively.

Mr. Chaipot Ruangrunwattana, the President of TLA informed Thansettakij that this is the first time the export of concentrated latex rubber is restricted along with other rubber products.

He was not happy with the measure as Thailand is the sole manufacturer and exporter of this rubber product in the world. This will open up market opportunity for other countries. Last year alone, Vietnam expanded its rubber production by 3 folds. Furthermore, buyers could turn to synthetic rubber.

“I have been trying to point out that concentrated latex rubber was not involved and should not be dragged into the scene. It has a shelf life of less than 3 months while the measure will last for 4 months. Storage capacities are also limited, especially between May and July which is the peak season. Rubber planters will be adversely affected if there is out of quota by then.” Said Mr. Chaipot.

The world rubber price is believed to increase because of concentrate latex rubber shortage. However, domestic prices will go down as the rubber farmers are able to sell less latex rubber. ROAT is well aware of the Association’s concern. Nevertheless, members are already given their allocated quotas.

A media source revealed that rubber exporters thought it was reasonable to share the quota restriction with concentrated latex rubber. This will help reduce the negative impact. They are sharing the pain which will not hurt the total export figures. The volume cut this time is not so large as in the previous measure.

Dr. Phongsak Kerdvonbandit (DMD), Managing Director of Von Bundit Co., Ltd, one of the largest exporters of natural rubber of Thailand saw this as a great opportunity. This time Indonesia has requested for Thailand’s collaboration to limit natural rubber export. In the future, our request should also be well accommodated. This will promote the positive image of the tri-parties. Future rubber prices stability is foreseen. The past rubber price falls have already hit the bottom. Natural rubber prices are believed to recover and continuously improve from now on.

ROAT reported the situation of rubber prices on May 17, 2019. Smoked rubber sheets were sold at 53.25 baht/kg. There were no raw rubber sheets available for sale at the central market, while the average price for smoked rubber sheets at the auction market was 53.40 baht/kg. Natural rubber prices depended largely on foreign market future prices. Thai exporters are having a higher demand as less natural rubber is entering the market and they are low in stocks.

The US economy is continuously growing with rapid expansion in the construction sector. This would complement to the US’s achieving its economy stability. Construction needs a large amount of materials as well as labors leading to greater future employments. As a result, the US national GDP will significantly increase.

Nevertheless, natural rubber prices are adversely affected by the world’s economic slowdown. High unemployment rates in Europe and gradually increased inflation rates, despite the low interest rates in the region, are also added factors causing the price slumps. The Thai currency (Baht) appreciation against US dollars is encountered due to the capital flow into the country, even though the export sector is dropping.

Source: Thansettakij (<http://www.thansettakij.com/content/401421>)

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