



สำนักงานที่ปรึกษาการเกษตรต่างประเทศ ประจำกรุงแคนเบอร์รา

กระทรวงเกษตรและสหกรณ์

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TO A NEW NORMAL OF RUBBER SYSTEM IN THAILAND



The Ministry of Agriculture and Cooperatives (MOAC) prepares to go ahead with the 6 measures of rubber reform to increase revenue, focus on investment in processing, create new products, expand the “Rubber City” project, gain access into every province of China, promptly set up the “Thai Com” rubber market, reduce 2 million Rai of rubber plantation area, and increase domestic demand of rubber.

The Follow-up and Propose Measures to Solve Problem and Maintain Price Stability of Rubber Committee was informed by the Rubber Authority of Thailand (RAOT) that world rubber production is likely to increase 3 - 4 % per year due to the new plantations gradually entering the market in 2004 - 2012, especially Chinese output in the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). The world rubber demand is expected to grow 4 - 5 % per year, resulting in the surplus of 3.5 - 4.5 hundred thousand tons per annual of rubber production. This will result in the world rubber stock forecasts higher than 4 million tons during the year 2019 – 2020, which will pressure the prices of rubber in the world market to remain

stable at low level from the end of 2018. Besides, the COVID-19 pandemic since the beginning of 2020 affected production markets and prices of rubber around the world.

Mr Alongkorn Ponlaboot, advisor to the Minister of Agriculture and Cooperatives, revealed that the Committee considered the opportunity and potential of rubber trade situation as Thailand is the world's No. 1 rubber exporter with a value of over 120 billion baht, the fourth tire exporter in the world, the second rubber glove exporter in the world. Then the Committee decided 6 measures of the first rubber reform in response to the "new normal" era post the impact of COVID-19 with a view to increasing revenue for rubber tree growers and rubber institutions and to expanding the competitiveness and resolving the price problems to stabilize the rubber prices both in short and long term, in accordance with the policy of Dr Chalermchai Sreeon, Minister of Agriculture and Cooperatives as follows:

1. Market and Prices Measures

Generally, the future market influences the reference price in the real market, especially the 4 main buyers in futures market, namely Shanghai, Tokyo, Singapore and Malaysia. Even Thailand is the world's largest producer and No. 1 world exporter, Thailand has a limited role in determining rubber price. Therefore, it is expedient to study for the conclusion of physical forward market of rubber establishment called "ThaiCom Market" which is a hybrid market between spot market and future market, operated under the cooperation among RAOT, MOAC, Ministry of Commerce (MOC), Krung Thai Bank and EXIM Bank. A particular working group consisting of experts in education is formed to prepare a report within 90 days. During this time, RAOT propose a concept paper to the Minister of Agriculture and Cooperatives to acknowledge the policy guidelines. If approved in principle, the working group shall prepare a final report to the Committee for consideration before submitting to the Committee of RAOT for further consideration.

2. Supply Side Management Measures

This requires the reduction of 2 million Rai of rubber plantation area by reducing rubber production at 0.2 million Rai per year for 10 years to create a balance between demand and supply. This process will involve the support of 10,000 baths per Rai from the government. Besides, the government has urged Departments to increase the use of rubber in the country and assigns RAOT to grow investment in research and development for rubber products in accordance with the needs of government, domestic and international markets.

3. Demand Side Management Measures

This is to drive the expansion of market in China by expanding the rubber trade to cover all provinces. The expansion of other key markets and initiation of new markets is to increase the sales channels of rubber that were clustered in some areas. A working group to drive the rubber trade with China and the primary market has been established to determine the marketing approaches and proactive sales both online and offline, including the standardization of production and rubber products as well as creating the right image of Thai rubber industry to build up customer confidence. Further, a resolution was made for RAOT to organize “Rubber Expo on Virtual Platform” to increase trade channels and international business matching.

4. Facilitate Value-added Processing Measures

This is to drive investments in rubber glove factory production and other products to meet future changing demand arising from the new normal era due to the impact of COVID-19. MOAC is urging the investment in the Rubber City and areas near the production of rubber, as well as expediting the study of the Rubber Complex project in Nakhonsithammarat. Moreover, RAOT organizes an innovation contest for rubber processing by linking with the Agritech and Innovation Center (AIC) to promote rubber products and to add value along with income to rubber tree growers and rubber institutions.

5. Reduce Rubber Stockpiles Measures

This aims for RAOT to propose guidelines for managing rubber stock outstanding over 100,000 tons and submit them to the Committee at the next meeting on 9 July 2020. Moreover, this managing must not affect the rubber price.

6. Increasing Income Measures

RAOT is assigned to expand integrated agriculture encouragement to increase revenue for rubber tree growers and rubber institutes which are relying on only one source of income from rubber. Furthermore, marketing crops and economical plant are going to be promoted as a replacement in rubber plantations that are due and must be eliminated according to policy.

“The 6 structural and system reform measures are the first set of actions accommodated the new normal era by focusing on the creation of new mechanisms and strategies to maintain price stability and increase income for rubber farmers. RAOT is implementing crisis management in response to the COVID-19 situation that affects markets and rubber prices around the world in short and long term. While RAOT is looking after rubber

tree growers to receive financial remission under the government’s policies and to hasten the second phase of Rubber Income Insurance Project after the Rubber Policy Committee approves” Mr Alongkorn said.

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