

Thailand to buy rubber at above-market rates

BANGKOK: Thailand, the world's largest rubber producer and exporter, agreed to buy supplies at above-market rates to boost local prices and end protests by farmers, according to [Agriculture Minister Theera Wongsamut](#).

The government would spend 10 billion baht (US\$315mil) to buy 200,000 tonnes of rubber and provide incentives to encourage growers to cut down aging trees to increase the local cash price to 120 baht per kg, Theera said.

"The government will use the market mechanism, cutting supply, to shore up rubber prices," he said at a briefing. "We intend to make it happen, hopefully in two months."

Theera brokered the agreement with representatives of plantation owners and workers who demonstrated in the southern province of Songkhla on Tuesday to urge the government to stem a 29% slide in local prices last year. Thailand's southern provinces account for about 80% of total rubber output.

Rubber futures have gained 5% this year to settle at 276.8 yen per kg on the Tokyo Commodity Exchange yesterday, after falling 37% last year amid concern that the worsening European debt crisis may threaten demand. The Thai cash price gained 0.9% to 106.75 baht a kg yesterday, according to the Rubber Research Institute of Thailand.

The government would give interest-free funds to grower cooperatives and the Rubber Estate Organisation, a state agency that oversees the industry, to allow them to buy rubber at above-market prices and stockpile the added supply, Theera said, adding that the plan required Cabinet approval. Reuters