

**OIE TAKES ACTION TO SOLVE PARA RUBBER ISSUES
AND DETERMINES MEASURES TO INCREASE DEMAND AND THE PRICE OF RUBBER,
EXPECTING SUSTAINABLE GROWTH OF THE RUBBER INDUSTRY IN THAILAND**

The Office of Industrial Economics (OIE) revealed measures to reverse a price drop for para rubber and to establish long-term development goals for the sustainable growth of the rubber industry. Three measures were instituted to deal with a surplus of raw materials, production efficiency, and a system-wide improvement of the rubber industry in order to boost demand for rubber from the industrial sector and to create factors that can drive up rubber prices. Besides promoting sustainable growth and improvement of the rubber industry, these measures are meant to balance demand and the supply of rubber in the market, reduce fluctuations and stabilize rubber prices.

Mr. Udom Wongviwatchai, Director General of the OIE, stated that downstream rubber products in Thailand were needed to develop. Production efficiency in the rubber industry was low and the manufacturing technology used was outdated, including an oversupply of rubber but a low volume of processed rubber. The Ministry of Industry, as a major player in promoting and developing Thai manufacturing capacity, took part in advancing sustainable growth and strengthening the downstream sector of the rubber industry. The ministry has set up schemes to raise demand for rubber usage by industry in general and to lift market prices in a sustainable manner.

The principles should tackle three main areas of concern:

1) Oversupply of raw materials: The price of para rubber should drop in November 2014 – April 2015, a period when there is the highest volume of output in the market. The Ministry of Industry has arranged a 10 billion baht soft loan for working capital to be made available to rubber latex processing factories to buy rubber latex from farmers. The private sector would pay an interest rate of 2%, while the Government would subsidize 3%. The loan is projected to help absorb 200,000 tons of rubber latex, resulting in a price rise of 2-3 baht per kilogram. The scheme is aimed to increase the price of rubber to 66 baht per kilogram in the expectation of helping rubber farmers.

2) Production efficiency: A 15 billion baht loan would be used to improve the production process and update machinery in the rubber processing factories in order to increase

domestic demand for rubber. The Government Savings Bank (GSB) primarily would evaluate the qualification of prospective rubber manufacturers. The Department of Industrial Works, Ministry of Industry, would provide information on machinery to the GSB for consideration when granting loans. It is estimated that the scheme will absorb 300,000 tons of rubber latex.

3) Development of the entire rubber industry: Thailand's rubber products needed improvement to meet international standards. Non-tariff barriers to trade were imposed, such as product standards or regulations concerning the environment and sanitation; therefore, Thai manufacturers had to prioritize on improving quality, benchmarks, and efficiency to gain competitive capabilities, as well as upgrading product testing to meet international criteria.

Rubber City: Establishing a rubber-processing industrial estate to promote upstream, mid-stream, and downstream sectors is envisioned. The Industrial Estate Authority of Thailand (IEAT) was authorized by the Ministry of Industry to launch a "Rubber City" in the Southern Region Industrial Estate (SRIE) in Songkhla province, covering 1,197 rai. Currently, the feasibility study and design of the property are being conducted and expected to be done in May 2015.

Promoting research and development (R&D): A cooperative network between entrepreneurs and research centers was created and initiated a project in 2013 to develop rubber and rubber wood products. The network brings about collaboration amongst the industrial sector, academic institutes, research centers, and financial units to study and to support the rubber product manufacturers to meet market needs and to enhance commercial use of rubber. Currently, 173 members have joined the network, consisting of entrepreneurs, researchers, and academicians.

The implemented projects have affected all sectors of the rubber industry, including upstream, intermediate, and downstream and are expected to drive the country's entire rubber industry. Many measures and projects have been carried out to increase the global competitiveness of Thai downstream rubber products, build up domestic demand for processed natural rubber (thereby leading to a supply-demand balance in the market), lower fluctuations and greater stabilization of rubber prices. These schemes should promote the utilization of about 500,000 tons of rubber and improve the manufacture of rubber products, such as gloves, tires, and elastics.