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Rubber Advances to Record as Thai Supply Concern Spurs Purchases  
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By Aya Takada

Jan. 19 (Bloomberg) -- Rubber advanced to a record in Tokyo and Shanghai as investors increased purchases amid concern that a supply shortage may worsen after the low-production period starts next month in top exporter Thailand.

The June-delivery contract climbed as much as 2.9 percent to 466.3 yen a kilogram (\$5,668 a metric ton) before trading at 466.1 yen on the Tokyo Commodity Exchange at 1:41 p.m. The May-delivery contract in Shanghai gained as much as 3.6 percent to 39,495 yuan (\$5,999) a ton at 11:30 a.m. local-time break.

Rubber has advanced 12 percent this month, extending last year's 50 percent rally, as demand has grown on rising car sales led by China and India. Supply may lag behind demand as Thai production, hurt by heavy rain last year, drops further as growers cut tapping during the leaf-shedding season that begins in February, reducing latex output.

"Bullish fundamentals keep supporting rubber prices," Kazunori Kokubo, general manager at Tokyo-based broker Yutaka Shoji Co., said today by phone. "Futures in Tokyo still look undervalued when compared with the physical rubber market."

The Thai cash price remained at a record 169.30 baht (\$5.53) per kilogram, supported by strong demand amid tight supplies and lower stockpiles in China, the Rubber Research Institute of Thailand said today.

Natural-rubber inventories in China declined 175 tons to 68,675 tons, based on a survey of 10 warehouses, the Shanghai Futures Exchange said on Jan. 14. That's 55 percent lower than last year's peak of 151,832 tons.

Rubber production in Thailand during the leaf-shedding season, which runs until May, shrinks by 45 percent to 60 percent from peak production, the Association of Natural Rubber Producing Countries has said. The low-production period also occurs at the same time in northern Indonesia and Malaysia, lowering output, the group said.

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