THE ROLE OF THE INTERNATIONAL TRIPARTITE RUBBER COUNCIL (ITRC) IN STABILIZING NR PRICES

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Abstract

In 2001, three major producers of Natural Rubber (NR) namely Thailand, Indonesia and Malaysia signed a Declaration to establish a rubber tripartite cooperation under the framework of the International Tripartite Rubber Council (ITRC). The objectives of this cooperation are aimed towards sustainable NR production and implement relevant measures in achieving remunerative NR prices for the wellbeing of rubber smallholders. To assist ITRC, International Rubber Consortium (IRCo) was established in 2004 with the 3 members Governments from ITRC as its shareholders.

To achieve a sustainable industry and stabilised NR prices, 3 mechanisms have been established under ITRC and IRCo i.e. Supply Management Scheme (SMS) as a long-term planting programme to ensure sustainable supply, Agreed Export Tonnage Scheme (AETS) and Strategic Market Operation (SMO) which will be implemented whenever the need arises.

On top of the above 3 existing mechanisms, various programmes are also currently being implemented as part of the 10-Plan of ITRC/IRCo. These include rubberised road under Demand Promotion Scheme (DPS) and establishment of Regional Rubber Market; providing an alternative rubber futures trading with hedging facilities.

ITRC is committed in helping millions of rubber smallholders who are the backbone of this industry. The sustainability of this industry is very crucial as NR is an important raw material in plethora of industries ranging from tyres, latex-based and other industrial and general goods. In the next decade, ITRC will play a greater role to ensure sustainability, remunerative NR prices for smallholders as well as providing fair and less volatile NR prices for our consumers. With Viet Nam on board as a Full Partner of ITRC, our mission and aims look more promising than ever.
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SCOPE OF PRESENTATION:

- Establishment of ITRC/IRCo (Objectives, Structure, Mechanisms and Functions).
- Progress of ITRC/IRCo (Committees: SMS, AETS, DPS and RRM).
- Ministerial Committee Meeting 2017 (Cooperation with Viet Nam)
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**ESTABLISHMENT OF ITRC & IRCo**

- ITRC was established in Bali, Indonesia to:
  i. ensure sustainable NR production; and
  ii. implement measures in achieving remunerative NR prices for wellbeing of NR smallholders.

- Signing Memorandum of Understanding (MoU) of the establishment of International Rubber Consortium Limited (IRCo) in Bali, Indonesia.

- IRCo was incorporated in Bangkok. Its roles are:
  i. to carry out strategic market operations; and
  ii. to provide secretarial services to ITRC.

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**ESTABLISHMENT OF IRCo**

The pioneer 3 leaders of Malaysia, Indonesia and Thailand witnessed the signing MoU of the establishment of International Rubber Consortium Limited (IRCo) on 8 August 2002 in Bali, Indonesia.
OBJECTIVES OF IRCo

i. To achieve a long term price trend that is stabilized, sustainable and remunerative to the farmers.

ii. To maintain a supply-demand balance to ensure adequate supply of natural rubber in the market at fair prices.

STRUCTURE OF ITRC/IRC0

* EGERRM means the Expert Group of Establishment of a Regional Rubber Market
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SHAREHOLDERS, BOARD OF DIRECTORS
AND COMMITTEE UNDER IRCo

SHAREHOLDERS
- Thailand
- Indonesia
- Malaysia

Ministry of Finance
Ministry of Trade
Ministry of Finance

BOARD OF DIRECTORS
(BoD)
- 9 BoD members from TIM (4:3:2)
- responsible for the management,
direction and control of IRCo.

COMMITTEE ON
STRATEGIC MARKET
OPERATION (CSMO)
- analyse NR market situation and
outlook.
- recommend measures to be
implemented to improve NR price.

MECHANISMS OF ITRC/IRCo

Supply Management
Scheme (SMS)
(Long Term under ITRC)
- SMS is a long-term measure to
achieve a healthy balance
between the supply of NR and its
demand in the market

Agreed Export Tonnage
Scheme (AETS)
(Short Term under ITRC)
- AETS is a short-term measure
(≤ 1 year) to address the transient
imbalance in global NR in order
to smallholders to get
remunerative NR prices.

Strategic Market
Operation (SMO)
(Short Term under IRCo)
- SMO is a marketing measure for
IRCo to improve weak NR
prices through
agreed strategic
programs which for
time being was
implemented by
individual member
countries whenever
the need arises.
FUNCTIONS OF COMMITTEES UNDER ITRC

- **Statistical Committee**
  - formulate Supply Management Scheme (SMS).
  - monitor the planned expansion programme allocated to TIM under SMS.

- **AETS Monitoring and Surveillance Committee**
  - ensure compliance in TIM when the AETS is in operation.

- **Demand Promotion Scheme Committee (DPSC)**
  - recommend measures for TIM's Governments to implement to increase the consumption of NR both domestically and internationally.

- **Cost of Production Committee (CoP)**
  - analyse the NR production cost in TIM.
  - arrive at an average CoP for ITRC.

- **Expert Group on Establishment of a Regional Rubber Market (EGERRM)**
  - coordinate the efforts towards establishing TIM's Regional Rubber Market (RRM).

PROGRESS OF COMMITTEES UNDER ITRC/IRC0

- **Statistical Committee**
  - Analyze, evaluate and monitor the SMS programs in TIM (Phase 1: 2007 - 2016 and Phase 2: 2017 - 2025).

- **AETS Monitoring and Surveillance Committee**
  - Analyze, evaluate and monitor the implementation of the future AETS in TIM, when necessary.

- **Demand Promotion Scheme Committee (DPSC)**
  - Recommend related activities and efforts to increase NR domestic consumption domestically in TIM e.g. Rubberized Road.

- **Cost of Production Committee (CoP)**
  - Calculate and update the CoP for each ITRC member country and an average CoP for ITRC.

- **Expert Group on Establishment of a Regional Rubber Market (EGERRM)**
  - Coordinate the efforts towards establishing TIM RRM e.g. feasibility study, harmonization of trading rules & bye-laws, arbitration etc.
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LATEST PROGRESS OF TIM RRM

A. TIM RRM Futures Market
   - **Indonesia**: exploring TSR20 futures contract (ICDX, COFTRA & GAPKINDO).
   - **Thailand**: exploring RSS3 futures contract (RAOT & TFEX).
   - **Malaysia**: exploring Concentrate Latex futures contract (MRB & BMD).

B. TIM Arbitration Centre
   - IRCo Arbitration Centre shall be established upon completion of administrative procedures and training process.
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COOPERATION WITH VIET NAM

- The ITRC Ministers welcomed Viet Nam as a Full Member under the framework of ITRC.
- The participation of Viet Nam will further enhance ITRC’s role in ensuring sustainability of rubber industry.
- With Viet Nam in ITRC, the market share (figure 2016) will increase in term of production from 64% to 74% and in term of export from 72% to 84%.
- We are finalising the MoU which will be signed upon receiving confirmation from relevant Agencies in the four Countries (TIM+V).