

Malaysian Reserve

MSM campaigns for further increase in sugar

Ayisy Yusof Tuesday, May 16, 2017



MSM Malaysia Holdings Bhd is eyeing for an additional 29 sen increase in sugar price per kg to ensure optimal profitability this year, following the recent hike of 11 sen set by the federal government.

The refined sugar producer, which is also a 51% subsidiary of Felda Global Ventures Holdings Bhd (FGVH), recorded an 8.1% increase in production to 1.12 million tonnes of refined sugar last year.

Of the total, 135,160 tonnes are catered for the export market.

FGVH group president and CEO Datuk Zakaria Arshad said the company is in a difficult situation to maintain its profitability, as a result of the current scenario of the foreign-exchange (forex) movement and the volatility of raw sugar price, which is traded in US dollars.

“The government should increase the selling price of sugar of at least 40 sen per kg. We have to look at the market, on how to gain back the 29 sen that we are supposed to get,” he said at a press conference after MSM’s AGM in Kuala Lumpur yesterday.

Zakaria said Malaysia has the lowest sugar price in the Asean region and the company is expected to hold discussions with the government to explain its current situation.

“Even Thailand is selling much higher than us at about RM4 per kg. It’s very challenging situation for us as the government doesn’t increase the sugar price.

“At the moment, we are quite lucky as the raw sugar price has gone down from US\$20 (RM86.60) per pound to the current US\$15.50, which is an advantage for us,” he said.

MSM president and group CEO Mohamad Amri Sahari said the company will incur losses of over RM30 million for every 10 sen difference in forex movement for the purchase of raw sugar material.

“Our operational cost in the first-quarter of this year (1Q17) has also increased, due to higher raw sugar price and difference in the forex movement.

“However, we target to achieve around 1.15 million tonnes of refined sugar production this year,” he said.

Mohamad Amri said MSM will focus on the short-term period of hedging mechanism for the importation of its raw sugar material mainly from Australia, Brazil and Guatemala, with a combined capacity of 1.74 million tonnes.

“We will continue to work with the government to optimise retail prices. Given the recent global market conditions, the government has reviewed the pricing and as at March 1, 2017, the retail refined sugar price was increased from RM2.84 to RM2.95 per kg,” he said.

Based on the recent sugar price hike, consumption is expected to remain flat for the financial year of 2017 as Malaysia is among the cheapest for non-producing sugar countries in the region.

Meanwhile, MSM expects its new sugar refinery plant in Tanjung Langsat, Johor — currently under construction — to be completed by the 1Q18.

The plant is projected to contribute an additional one million tonnes of sugar annually.

“We spent about RM400 million so far, for a 45% completion of the plant. The overall cost is about RM1 billion.

“We target the plant in Johor to start operating in May next year for the export market-covering countries like Singapore, Indonesia, the Middle East and the African countries,” he said.

Mohamad Amri said the company will also form strategic alliances based on opportunities within South-East Asia, focusing on cost-effective and assets-light investment to yield synergistic benefits.

For the financial year ended Dec 31, 2016, MSM’s revenue increase by 15.2% to RM2.7 billion compared to RM2.3 billion in the same period in 2015.

On a full-year basis, MSM has announced a total dividend amounting to 14% per share, registering a total payout of RM98.4 million with a net dividend payout ratio of 82%.

<http://themalaysianreserve.com/new/story/msm-campaigns-further-increase-sugar>