

MSM respects gov't decision not to further hike sugar price

Sulhi Azman / theedgemarkets.com
May 24, 2017 17:16 pm MYT



KUALA LUMPUR (May 24): Sugar manufacturer MSM Malaysia Holdings Bhd will respect the government's decision not to increase refined sugar price, despite its previous attempt to do so.

"As sugar is gazetted under the Price Control and Anti-Profiteering Act 2011 (Determination of Maximum Price – No.2, Order 2017), rest assured that MSM is committed to provide a steady and sufficient sugar supply for the nation, particularly with the upcoming festive period," the company, which control 60% of the country's refined sugar supply, said in a media statement today.

"While there is a late gradual decline of international raw sugar prices, the global sugar commodity is heavily operating at a volatile market environment. We continue to engage with the government and update them on the global sugar market and [are] hopeful for a favourable outcome," added MSM, which produced 1.12 million tonnes of refined sugar in 2016.

MSM's statement came after Domestic Trade, Cooperatives and Consumerism Minister Datuk Seri Hamzah Zainudin told reporters yesterday that the government will not increase the price of sugar.

"The sugar company that wanted an increase in the price of sugar sent their CEO, their board members, their officers to see me. I told them, no way! Unless (the current situation) is affecting their factories and mills, I think it is only fair to maintain the current price," Hamzah was quoted as saying.

He also said global raw sugar price has dropped, and currently stood at US\$0.17 per pound. "Why should there be a price increase when the price of global [raw sugar] has decreased?"

Hamzah was responding to reports that MSM wanted to increase the local sugar price by another 29 sen per kg to ensure profitability.

In financial year ended Dec 31, 2016, MSM saw its net profit declined by 56.15% to RM120.72 million from RM275.3 million a year ago.

In the firm's Annual Report 2016, MSM's president and chief executive officer Mohamad Amri Sahari @ Khuzari blamed the sharp drop in earnings on two factors: the weakening of the ringgit and the increasing cost of raw sugar, which accounts for 80% of the company's total operating cost.

Mohamad Amri noted in the annual report that sugar price peaked at 25 US cents per pound in 2016, which was a significant 77% increase from 13 US cents per pound – the lowest sugar price – recorded in 2015.

"It is expected that the raw sugar price will hike further in 2017 due to the current world sugar deficit," he said in the annual report.

On March 1 this year, Hamzah signed an executive order to approve the increase in price of coarse refined sugar by 11 sen. This resulted in retail sugar price jumping to RM2.95 per kilogram (kg) from RM2.84 per kg previously.

Under Control of Supplies Act 1961, sugar is listed as one of the 22 items classified as controlled goods.

MSM shares were trading at RM4.50 at 4:30pm, giving it a market capitalisation of RM3.16 billion.