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No sweet deal

MSM claims it is affected by increase in refined sugar imports

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KUALA LUMPUR: MSM Malaysia Holdings Bhd is crying foul over the state of refined sugar imports in Malaysia, claiming that there are an increasing number of players with import permits issued by the Government this year.

MSM, the country's largest sugar refiner, has already made a number of requests to the Government to limit the importation of refined sugar, in a move seen as a request for more protection.

MSM said its sales had been affected by the increasing sugar imports.

President and group chief executive officer Datuk Sheikh Awab Sheikh Abod said he was concerned with the expanded list of players that were allowed to import refined sugar. He said the number of importers had increased to 16 early this year from just 13 beverage companies when the Government removed the sugar subsidy in November last year.

The removal of the sugar subsidy also saw the domestic selling price of sugar rising to RM2,680 per tonne compared with RM2,300-RM2,340 per tonne previously.

Industry players which export about 80% of their products are also allowed to apply for import permits for refined sugar.

"Imports of refined sugar into Malaysia last year was 75,000 tonnes, but it has surged to 150,000 tonnes in the first five months this year following the increasing number of players with import permits," he told reporters after MSM's AGM yesterday.

"Malaysia is a unique country which allows flexible imports of refined sugar into the country where else South Korea, Japan and China imposes strict import duties on refined sugar going into their countries," said Awab.

The abolition of the 34 sen per kg sugar subsidy in Budget 2014 and permission for refined sugar imports at zero duty for other local companies had affected MSM's domestic sales.

MSM had so far held five meetings with the officials from the International Trade and Industry Ministry and the National Economic Action Council (NEAC) to discuss on the rise of cheaper imports of refined sugar into the country and potential measures to protect domestic sugar refiners, said Awab.

Even though the cheaper imports are putting pressure on the average selling price of domestic sugar and also eroding profit margins of sugar refiners in Malaysia, Awab is still positive on the performance of MSM this year with potential earnings rising from its new mergers and acquisitions (M&As).

"There is currently a large global surplus of raw sugar of about seven million tonnes, which has resulted in a sharp drop in prices. We are able to take advantage the lower sugar price to lock in our sugar costs for this year.

"This will also enable us to price

MSM eyes more M&As this year

our products more competitively should the world sugar price start to increase due to concerns over supply shortages due to El Nino affecting major sugar producing countries like Brazil," Awab said adding that the global sugar price is expected to increase 21 US cents to 22 US cents per pound in the second quarter of 2015 from about 18 US cents per pound currently.

For this year, MSM is also eyeing at least three M&As as well as new revenue streams, particularly into sugar-related downstream activities in trading and chartering businesses.

"Our focus is to strengthen the management of our supply chain via cost optimisation measures driven by strategic increases in our production volume. Our core market focus is the major food and beverage industries.

"We are also increasing efforts to target the hospitality and retail industries but maintaining our position in the household sector," said Awab.

MSM currently commands about 57% of Malaysia's total sugar market with about 80% of its production for domestic while the remaining 20% is exported to Australia, New Zealand, Singapore, Pakistan and South Korea.

Its four refineries have a total production capacity of 1.25 million tonnes per year. MSM last year produced a total of 934,050 tonnes of refined sugar products.

MSM posted a 6.6% drop in net profit to RM61.9mil for the first quarter ended March 31 on the back of RM514.95mil in revenue mainly due to weaker domestic sales volume following the rising importation of refined sugar.