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Inside the MSM Prai refinery. — Picture by Stephanie Augustin

# MSM targets sugar futures, MENA markets

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**PENANG** — Sugar giant MSM Malaysia Holdings Bhd's (MSM) is targeting sugar futures markets and potential Middle East and North Africa (MENA) region's export opportunities.

The company recently established a trading outpost in the United Arab Emirates (UAE) to facilitate that purpose.

Speaking to the press at its Seberang Prai refinery on Monday, MSM COO Jason Philip Hendroff said: "Currently we are buying raw sugar from a trader, so the new set-up would act as a trader to supply the group whilst looking for other business opportunities in the region."

On Oct 5, MSM announced the formation of wholly-owned subsidiary MSM Trading International DMCC (Dubai Multi Commodities Centre) with a paid-up capital of AED4 million (RM4.77 million) principally for sugar trading.

"Another reason is the more efficient time zone in the futures market," said Hendroff.

He said being based in the Middle East puts the company closer to other trade counters in London and New York, so it would be able to negotiate better pricing strategies

"Secondly, we will expand into the MENA market — not only trading raw sugar for our own Malaysian refineries, but also trading raw sugar with existing refiners in the MENA region," he said.

MSM currently exports a fifth of its annual 1.25 million metric tonnes (MT) capacity to almost 20 countries as far as Sri Lanka and India. This is set to change with the Dubai trading hub.

It would also be an access point for MSM's refined white sugars to enter the Middle East and African subcontinent.

This would increase the company's market share in MENA, which currently accounts for a marginal share of MSM's exports.

He noted, however, that any boost in exports will have to coincide with MSM's new refinery in Tanjung Langsat, Johor — its first major expansion in over 40 years — which would boost capacity to 3.25 million MT upon completion in the third quarter of 2017.

Hendroff said the refiner is taking advantage of the low price environment of raw sugar, which has helped with profit margins and allowed for more capital expenditure (capex).

"But if you notice, the raw sugar price is quite volatile and has moved up quite substantially in the span of two to three weeks."

MSM is spending RM100 million in capex this year to improve efficiencies and consistency in its existing plants in Prai and Chuping, Perlis.

It has budgeted another RM20 million in 2016 to double the Sungai Buloh warehouse capacity from 5,000 MT currently to 10,000 MT by 2017 to cater to growing demand from the central region.

Asked whether MSM could be seeing increased competition with the Trans-Pacific Partnership (TPP) agreement and resort to lowering prices, MSM Prai Bhd deputy general manager Zahari Ishak said: "Our main strength is our quality, which is very consistent. So we will defend our position by maintaining our quality."

Hendroff however said the agreement has not been signed, and even then, effects would be several years down the road.

"It is also not that easy for European and US sugar players to export here, what with the distance being cost-prohibitive."

Another potential TPP signatory is Indonesia, where MSM commands 20% of the market share and where 5.5 million tonnes of sugar are exported annually.

It is seeking to grow this by acquiring plantations and mills from local players, and is currently in the midst of negotiations.