PRESS STATEMENT
FOR IMMEDIATE DISSEMINATION

MID TO LONG TERM FOOD SECURITY NEEDS TO BE SAFEGUARDED

Local Sugar Refiners Urge Government To Reconsider White Sugar Import Decision

KUALA LUMPUR, 12 JUNE 2019: Local sugar refiners, MSM Malaysia Holdings Bhd (MSM) and Central Sugars Refinery Sdn Bhd (CSR) regret the recent announcement by the Deputy Minister of Domestic Trade and Consumer Affairs (KPDNHEP) to approve the import permits (APs) for the eight food and beverage (F&B) manufacturers in Sarawak. The decision was made without fully understanding the background, current responsibilities of the local sugar industry and the mid to long-term impact on the sugar supply and food security of the nation.

Malaysia Sugar Price

Today, at RM2.85/kg, the retail price of refined sugar in Malaysia is amongst the cheapest in the world. The sugar price is even cheaper than raw sugar producing countries like Thailand, Indonesia and Philippines and lower than countries that have a lower per capita income like Cambodia, Vietnam and many more.

It is also important to clarify the inaccuracy of the recent media reports regarding the price of sugar for F&B manufacturers in Sarawak. The local sugar refiners sell sugar at a cost lower than the reported RM2.70/kg to industry customers in Sarawak, despite higher logistics cost.

Sugar is a controlled item in Malaysia, with the ceiling price of refined sugar determined by the Government under the Price Control and Anti-Profiteering Act 2011 (Determination of Maximum Price – No. 2, Order 2017). The sugar industry is a cyclical business and the current low prices of raw sugar in the global market is only due to the temporary surplus in the global market. It is important to note that like all commodities, prices are bound to rise over a period of time. In fact, the global raw sugar price is at an average of USD 331.35/mt (RM 1,325.42/mt price at the port of origin) over the last three years, and it is expected to continue to rise in the future.

Local sugar refiners have been absorbing the volatility and price differences between the world market and the local ceiling prices including foreign exchange factor (Fx) for many years and this is the main cause of losses suffered by some factories and not inefficiencies as commented by the Deputy Minister.

The recent move to import sugar at a lower price is a result of “dumping” by the exporting market. Dumping occurs when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's own domestic market. This situation is then exploited by opportunists without the responsibilities that the local sugar refiners are saddled with.

We doubt the accuracy of the reported 10% to 30% savings due to the sugar component by the F&B players.

National Food Security

Sugar is a strategic commodity in almost all countries globally, acting as a critical ingredient in many manufacturers. The local sugar refiners have seen how shortage of sugar can be detrimental to a country’s economy and how Governments around the world deliberately ensure adequate sugar supply.

In this regard, sugar refiners in Malaysia hold stocks of two to three months valued at between RM180mil and RM210mil to ensure adequate supply to the nation at a cost of between RM7mil and RM20mil a year. This becomes part of the cost borne by the sugar refiners.

Today, there are many opportunistic parties who operate without the overheads and responsibilities that local refiners have. Many of these commodity traders are merely middle men profiting from the current global low prices which may not last very long. These traders may cease operations when they can no longer profit from low global sugar prices. It will then be left to the responsibility of the local refiners to absorb the fluctuations and ensure stable supply and prices in the country. Regretfully, this critical point has been missed out by the Deputy Minister.

Quality Assurance and Certification

A key component of ensuring quality sugar for consumers is the high standards of manufacturing required in the production of sugar including “HALAL” certification, which is a critical requirement for the Malaysian market.

As such, from a consumer standpoint, the sugar brought in by companies granted the APs may not have the necessary “HALAL” certification and even if they have, it remains doubtful whether they are legitimate. Consumers are advised to be vigilant when buying and consuming products manufactured by these F&B companies.

Efficiency and Thin Margins

In addition, to ensure a consistent supply, local refiners have invested heavily into the five sugar refinery plants, which are capable of producing a total capacity of 3 million metric tonnes per year. This far exceeds the current domestic demand of 1.5 million metric tonnes per year.

Over the years, local refiners have been operating on thin margins and have absorbed most price impact to consumers in order to ensure the stable supply of sugar to the nation. This key component was also missing from the recent decision made by the Deputy Minister. The situation is becoming less and less sustainable in the long-term as the costs of doing business is rising, including the introduction of minimum wage, and increasing gas and electricity tariffs. This is on top of the responsibility of local refiners to balance between government's price control measure, cost of holding stocks (for national food security) and other socio-economic obligations (employment opportunities, corporate social responsibility and other economic spill-over effects). On top of that, the local refiners are also responsible corporate citizens paying tax & zakat to the government without fail every year.

MSM and CSR would like to invite the Deputy Minister of Domestic Trade and Consumer Affairs to visit the plants to understand the efficiency and productivity of these facilities which have been instrumental over the last 55 years in ensuring the stability of domestic price of sugar, backed by adequate supply for local consumption. We look forward to input from the Deputy Minister as to the details of efficiency improvement that he has suggested we look into.

Long-term Interest of The Nation

The local sugar refiners would strongly urge the government to reconsider its decision and engage the industry for a longer-term solution to the industry's predicament. The short-term, populist move to allow sugar imports will only force the industry to cut costs to survive. This includes reducing the security stock cover for the nation and closing the loss making factories to reduce costs and capacity. This will inevitably have a negative impact to the country in the mid to long term, especially when the global sugar price increase. This is a risk that our nation cannot afford to take.

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