

New APs for sugar will create volatility in supply, price, warns MSM

Manirajan Ramasamy - June 19, 2019 4:28 PM



The completion of its new refinery in Tanjung Langsat, Johor, has made MSM the second largest sugar player in Southeast Asia and eighth biggest in the world. (Facebook pic)

KUALA LUMPUR: MSM Malaysia Holdings Bhd's (MSM) performance for 2019 may be severely impacted by the issuance of more approved permits (APs) for sugar.

MSM is Malaysia's leading refined sugar producer and a subsidiary of FGV Holdings Bhd, formerly Felda Global Ventures Holdings Bhd.

FGV Holdings Bhd chairman Azhar Abdul Hamid said together with the weakening ringgit, the liberalisation of the local sugar market would directly impact the group's margins.

Both MSM and Central Sugar Refinery Sdn Bhd (CSR) have written a letter to the government, asking for a review of the issuance of new APs, he said at a press conference after MSM's AGM here today.

Present was MSM's group CEO Khairil Anuar Aziz.

"We have invested billions in the domestic market and are producing 2.25 million tonnes of sugar annually. But our domestic demand is only 1.6 million tonnes per annum.

"We have adequate capacity to cater for the whole Malaysian domestic market.

"Therefore, we are not burdening the government or asking them to subsidise our business. We are seeking some understanding on the issuance of APs and support from our own domestic market," he said.



Azhar Abdul Hamid.

Azhar said in a liberalised environment, Malaysian consumers would be subject to volatile world sugar supplies and prices.

"For years, local refiners have served as a stabilising buffer between Malaysian consumers and the volatile world sugar market, where exchange rates, prices and supplies often result in sharp swings in cost to buyers such as MSM."

Azhar said Malaysian refiners have for years absorbed much of these shocks and maintained steady supplies for the local market at a stable price.

"Although, we are committed to providing quality sugar at stable prices for the country's needs, we may be forced to review our commercial position in view of the issuance of new APs and the liberalisation of the local market."

Azhar also said the planned imposition of excise duties (soda tax) on sugared beverages at RM0.40 sen per litre, beginning on July 1, may also affect MSM's bottom-line negatively.

Despite the risks, MSM will remain focused on sustaining its turnaround plan, by focusing on key strategies to diversify products, explore opportunities for commercial collaboration, dispose of non-core assets and implement cost saving measures.

The issuance of APs and heightened competition in the export market, due to a global sugar surplus, has resulted in MSM's performance in the first quarter of 2019 (1Q19) being significantly affected by the lower average selling price.

MSM recorded a 12% decline in 1Q19 revenue to RM485.62 million compared with RM549.06 million in the previous corresponding period.

The group's financial performance was also affected by the decline in the ringgit to RM4.1209 against the greenback, compared to RM4.0008 in the previous quarter.

AGENCY: Free Malaysia Today

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