



## MSM continues with hedging strategies to manage cost and market swings

Hayatun Razak

06-06-2024 09:00 PM



Syed Feizal (left) and MSM Malaysia Holdings chairman Datuk Syed Hisham Syed Wazir at the post-AGM press conference.

**KUALA LUMPUR:** MSM Malaysia Holdings Bhd, the producer of national refined sugar brand "Gula Prai", will continue its hedging strategies to manage cost fluctuations and volatile market conditions until the government decides on a new pricing mechanism.

CEO Syed Feizal Syed Mohammad said MSM is employing forward purchasing and market average hedging, as well as sugar industry incentives provided by the government, to manage.

"The ceiling price of sugar doesn't make sense anymore. We have to manage in the sense that we have to buy forward quite often whether it's for the wholesale segment or the industry segment. And we do market average hedging at best," he told a press conference after the company's annual general meeting today.

Meanwhile, for the non-consumer side, he said the industry operates on a “back-to-back” basis, passing on costs to the industry. “Similarly for the exports, we do about 20 to 25% of exports. So exports also is a kind of a cost pass through to the customers,” he added.

Syed Feizal pointed out the challenges posed by the raw sugar cost, which constitutes a major portion of MSM’s input expenses. has nearly doubled between 2021 and 2023.

“The raw sugar cost itself is our main input cost. So raw sugar can be tracked by the New York 11 contracts on the ice market, representing about 75% to 80% of our input cost. It was high last year and also in 2022. Simply put, from 2021 to 2022 and 2023, it almost doubled,” he said.

The current retail price of sugar is RM2.85 per kg. If the government approves the recommended price float mechanism, the selling price of sugar could increase from RM0.80 to RM1.50, according to Syed Feizal.

“At RM2.85 on the retail shelves, this is an anomaly in the sense that it’s the cheapest retail price in the region, and possibly even across the world,” he said.

MSM stated that the sugar industry continues to face high input costs of raw sugar, with freight rates remaining volatile, further exacerbated by the Red Sea crisis since then first quarter of the year.

Natural gas costs also remain elevated, and raw sugar imports are impacted by the stronger US dollar against the ringgit, it said.

Looking ahead, MSM aims to explore upstream integration, with plans to secure raw sugar sustainably to meet long-term operational demands.

MSM said it is also focused on downstream value-added products such as liquid sugar and premix, aiming to capitalise on market demand and enhance revenue streams.

In 2023, MSM exported to the top five markets – the Philippines, China, Singapore, Indonesia, and Vietnam. Beyond these, MSM maintained export relationships with markets such as South Korea, Hong Kong, New Zealand, Taiwan and Pakistan, among others.

The refined sugar producer aims to expand its market reach beyond Asia-Pacific and South Asia into Africa, aligning with its vision of greater global market penetration and diversification

\*\*\*

HEADLINE	MSM continues with hedging strategies to manage cost and market swings
MEDIA	The Sun - Online
DATE	06 June 2024 , 9:00pm
BY	Hayatun Razak
LINK	<a href="https://thesun.my/business-news/msm-continues-with-hedging-strategies-to-manage-cost-and-market-swings-FC12542241">https://thesun.my/business-news/msm-continues-with-hedging-strategies-to-manage-cost-and-market-swings-FC12542241</a>