

Pua: 'Smart' sugar move will result in RM491 mil loss
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Despite the government's assertion that the country's sugar supply deal was a "smart" move, the DAP insists that Malaysia will lose millions of ringgit if the global price of the essential item drops further.

As such, the government is headed for losses of up to RM64 million to RM491 million annually, said DAP national publicity secretary Tony Pua (left).

He argued that the government had locked down on the price of the commodity at a "high price" when it was trending downwards.

"It now looks like the government has been completely foolish in its attempt to be smart and it's costing the tax-payers hundreds of millions of ringgit more than necessary," said Pua, in a statement today.

On Feb 3, Domestic Trade, Cooperatives and Consumer Affairs Minister Ismail Sabri Yaacob said the government had renewed its three contracts in January and locked in on sugar import prices at US\$0.26 per pound.

Ismail Sabri (right) explained that the price was higher than it cost in 2009-2011 when the price of sugar was fixed at US\$0.179 per pound, resulting in an increase in its subsidy from 20 sen to 54 sen a kg in order to maintain the price of sugar at RM2.30.

Pua, who had earlier accused Ismail Sabri of trying to "fool" the public in claiming that the global sugar prices had skyrocketed in 2009-2011, asked: "Why did the government sign a three-year contract to purchase sugar at US\$26 per hundred pounds when the last traded price of sugar as at Dec, 2011, was on US\$23.42 per hundred pounds or a significant 10 percent below the government's purchase price?"

Price of sugar seen falling to US\$0.18

The Petaling Jaya Utara MP pointed out that Malaysia "overpaid by RM64 million" as the government imports approximately 1.24 million tonnes (2.73 billion pounds) of sugar annually.

Citing a Bloomberg report on Feb 5, Pua said international commodities analyst, the Macquarie Group Ltd, predicted that sugar might fall to as low as US\$0.18 per pound projecting a surplus in 2011-2012.

Quoting Macquarie Brasil Participacoes Ltda managing director Carlos Murilo Barros de Mello, Pua said: "Sugar supplies are set to outpace demand by 9 million metric tonnes in the 2011-2012 season that began in October, according to trader Olam International Ltd.

"The estimated surplus has started to reach the market and will increase throughout the year.

"After hitting a peak of US\$29.47 per hundred pounds in July 2011, the price of sugar has fallen consistently every month - US\$28.88 (Aug), US\$26.64 (Sept), US\$26.30 (Oct), US\$24.52 (Nov) to US\$23.42 (Dec) per hundred pounds."

In the event the sugar price deflates to US\$0.18 per pound, Malaysia will suffer losses of up to RM491 million every year, he said.

Pua also sought for an explanation on why the government "has to commit and pay for raw sugar imports" when the commodity is monopolised by Malaysian Sugar Manufacturing Bhd and Tradewinds Bhd.

According to Pua, the companies should be the ones importing the raw sugar at the lowest possible

prices.

“Shouldn’t these companies be forced to compete and not be sheltered by the government from market risks?”

He also demanded to know how the government came to fixing the price of sugar at US\$0.26 per pound.

“Had we bought at lower prices, instead of having to increase subsidies, Malaysia could have further reduced sugar subsidies without having to increase the price of refined sugar.

“It is now looking like the government is being completely foolish in its attempt to be smart and it’s costing the tax-payers hundreds of millions of ringgit more than necessary,” said Pua, hitting out at Ismail for “arrogantly” claiming that the government had made a “smart” decision.

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