

Sugar deal will raise subsidy burden, says Pua
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KUALA LUMPUR, Feb 15 — A long-term deal to import raw sugar at above market prices will cause “massive losses” and increase the burden of subsidies , DAP’s Tony Pua said today.

In demanding Putrajaya explain why it decided to import sugar at US\$0.26 per 100lbs this year when global sugar prices have been declining, Pua noted that the last traded price of sugar as at December 2011 was US\$23.42 per 100lbs or a significant 10 per cent below the government’s purchase price.

“The government would now have to pay RM567 million for sugar subsidy this year compared to RM262.4 million last year. Based on the fact that Malaysia imports approximately 1.24 million tonnes, or 2.73 billion pounds, of sugar per annum, Malaysia would have overpaid by RM64 million,” said the DAP national publicity secretary in a statement.

He said a February 5 Bloomberg report had cited Macquarie Group Ltd as forecasting that “sugar prices may fall to as low as 18 cents a pound this year as a forecast surplus for the 2011-12 season becomes available”.

“If sugar prices does indeed hit US\$18 per 100lbs, then Malaysia stands to lose approximately RM491 million per annum. 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,” added Pua, who said that Domestic Trade, Co-operatives and Consumerism Minister Datuk Seri Ismail Sabri Yaakob owed Malaysians an explanation on how the US\$26 per 100lbs transaction was arrived at.

The minister had said the sugar deal would benefit Malaysians should market prices increase in the future.

“The minister must also explain why is it that it is the government who has to commit and pay for raw sugar import when it should be the Malaysian sugar duopoly — Malaysian Sugar Manufacturing Bhd and Tradewinds Bhd — which should 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?” said the Petaling Jaya Utara MP.

burden-says-pua/