

**Putrajaya: Refiners to get subsidy despite buying cheaper raw sugar**  
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**By Shannon Teoh**

KUALA LUMPUR, March 22 — The government revealed today “subsidies will be maintained” even if sugar refiners buy cheaper raw sugar instead of using sugar supplied under Putrajaya’s long-term contracts (LTC) with exporters.

Deputy International Trade and Industry Minister Datuk Mukhriz Mahathir told Parliament the LTC to buy raw sugar at US\$0.26 per pound for the next three years “will not supply 100 per cent” of sugar needs and refiners “have leeway to purchase from the open market.

File photo of a labourer unloading sacks of sugar from a truck at a wholesale food market in the Indian city of Ahmedabad. — Reuters pic  
“The subsidy will remain,” he said when asked by Petaling Jaya Utara MP Tony Pua if the refiners “can profit” from the RM0.54 per kg subsidy even if they bought at a lower price from the open market.

DAP publicity chief Pua had questioned in January if the government was handing over RM198 million this year to two politically-connected companies which monopolise the market after nearly tripling sugar subsidies despite global prices diving over the second half of 2011.

Malayan Sugar Manufacturing Holdings is a 71 per cent subsidiary of FELDA-related entities while Tradewinds Corporation is 43 per cent controlled by logistics tycoon Tan Sri Syed Mokhtar Al-Bukhary with another 20 per cent held by FELDA Global Ventures Holdings.

Domestic Trade, Co-operatives and Consumerism Minister Datuk Seri Ismail Sabri Yaakob had said Putrajaya has increased subsidies from 20 sen to 54 sen per kg for sugar to maintain the price at RM2.30 because the “global price of sugar is skyrocketing.”

Ismail said the government would pay RM567 million for sugar subsidy this year compared with RM262.4 million last year.

Sugar futures fell by 27 per cent last year, the most in a decade, after a glut emerged following three consecutive annual shortages.

Pua also said today a February 5 Bloomberg report had cited Macquarie Group Ltd as forecasting that sugar prices may fall to as low as US\$0.18 a pound this year due to a surplus in supply.

But Mukhriz said that despite raw sugar selling for US\$0.24 a pound as of December last year, the government still expected the average price over the next three years to be higher than US\$0.26.

“We saved RM2 billion in the LTC from 2009-2011 even though the price sometimes dipped below our fixed price,” the Jerlun MP said.

He added that the Cabinet decided in January that 13 large-scale food and beverage companies would no longer receive subsidised sugar.

The government last increased the price of sugar by 20 sen in May 2011 in a series of price hikes to basic necessities it said were necessary to keep a subsidy bill from ballooning.

Since the Najib administration began cutting subsidies in January 2010, the price of sugar has increased by 58.6 per cent from RM1.45 per kg.

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