

Syed Mokhtar, the 'pagar' to our 'padi'

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That man Syed Mokhtar Albukhary gave Putrajaya a letter in which he promised to safeguard the country's national interests of rice. But Tiger is doubtful about this promise because the man himself stands against those interests with his monopoly over rice. How can he keep his promise?

Yesterday Parliament was told that businessman Syed Mokhtar Albukhary, who took sole national rice importer Padiberas Nasional Bhd (Bernas) private earlier this year, promised via a letter to take care of national interest with regards to rice in Malaysia.

Yet the paradox, in Tiger's opinion, is that Bernas' monopoly over rice in the country is not in the nation's best interests at all. So how does one take care of national interests while at the same time being detrimental to those same interests?

Reminds Tiger of this old Malay proverb 'Harapkan pagar, pagar makan padi' which in English is loosely translated as 'Counted on the fence, but the fence ate the paddy'. Which is a rather strange saying, by the way — how many paddy fields in Malaysia actually have fences?

Maybe the lack of actual fencing around our paddy fields is because of people taking said proverb a little too literally...but Tiger digresses.

(Tiger is aware that some say the correct version is 'pegar' as the bird makes more sense than a fence in context of the proverb. But Tiger stands by Dewan Bahasa dan Pustaka (DBP)'s comment on the matter saying that the 'pegar' version has not been verified: look here.)

Conflicting priorities

Coming back to the issue, it is dangerous, counter-intuitive and detrimental to give one man, whose interests lie in making profits, a stranglehold over something as basic as rice, Malaysia's staple food.

What results is the normal conflict of interest between buyers and sellers not regulated by the mechanism of competition.

To be clear, what everyone who eats rice wants is the best quality rice for the lowest price possible. Also, security of supply. But that won't fully come from a businessman's good intentions — after all, a businessman is in business to make profits. Otherwise he goes out of business.

What would have ensured that people gets the best rice for the lowest price possible is if Bernas had a competitor or three, each competing to woo buyers with promise of quality and attractive pricing.

In the case of rice, Bernas has sole national rice importer status until 2021 with the renewal of the concession in 2011. That means no one else can import rice. It has no competitors. No one to put pressure on its pricing to minimise margins.

So without competition in the rice sector, Malaysians have no way of being sure they are getting the lowest price possible for the best quality rice they can get. How is the national interests in terms of rice guaranteed again?

Rice is a matter of security

The way forward here is to diversify our risks — don't put all our rice grains into Syed Mokhtar's basket.

At the heart of it rice is a matter of national security. People need to eat to survive and our people eat rice. It's that simple. There are two facets to maintaining rice security: ensure there will always be internal rice production by ensuring farmers get a good enough price to keep farming. This the government can do by directly subsidising rice farmers.

The second facet is to ensure there is enough rice coming into the country to supplement locally produced rice by allowing multiple channels of imports in place. That way should one importer fail, we won't be scrambling for alternatives.

So why risk it by giving only one man the exclusive right to feed us all? Why should one man be enriched exclusively by providing something as basic to our survival as rice?

For the financial year ended December 2013, Bernas posted RM231.64 million in pre-tax earnings from RM3.69 billion in revenue. That translates into RM145.97 million in net profits for the full financial year, about 32% higher than RM109.94 million in FY12. The margins are what they are, arguably, because Bernas lacks competition.

It does not make sense to Tiger. Instead we should do away with this monopoly status nonsense and let anyone who wants to bring in rice and sell it do so.

In that scenario, there are several benefits.

One, competition for market share would freeze prices growth for a while at least. That's good news for the average man on the street in this day and age when prices of everything seems to go up and up every other month. National interest safeguarded? Check.

Second, our food supply is more secure. Instead of one single man responsible for our entire supply of rice, we'll have many supply chains to fall back on if one or two runs into problems. In this day and age of shortages seemingly for everything — from water to quarry stones — rice shortage is the last thing we need to worry about. National interest safeguarded? Check.

Third, with more players competing with each other then profit margins will be kept in check. Morally this is only right as rice, so essential to Malaysians, should not be an avenue for excessive profit-making. National interest safeguarded? Check.

Now the big question now, to Tiger, is this: if Syed Mokhtar is promising to look after Malaysia's national rice interests, will he give up his monopoly to uphold his promise?

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