

Tradewinds eyes larger sugar mart share

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Comparison in refined sugar prices

Kuala Lumpur	RM1.40	
Singapore	RM2.56	
Bangkok	RM1.76	outskirts RM2.50
Jakarta	RM2.47	outskirts RM3.50
Manila	RM2.49	
Hong Kong	RM1.88	
Taipei	RM2.93	
Australia	RM4.11	
Auckland	RM2.98	

Source: Tradewinds



TRADEWINDS (Malaysia) Bhd expects to increase its domestic market share of refined sugar to 42 per cent from the current 26 per cent with the acquisition of Gula Padang Terap Sdn Bhd.

"With a total melting capacity of 2,300 tonnes per day, that will allow us room to face the challenges in respect of centralising our management and bargaining power in respect of raw sugar," said its chief executive officer Bakry Hamzah after the company's annual general meeting in Kuala Lumpur yesterday.

Its subsidiary Central Sugars Refinery Sdn Bhd currently supplies 250,000 tonnes for the domestic market, supported by Gula Padang Terap's 150,000 tonnes.

"We are looking at an extra 200-tonne capacity, which we intend to utilise once we have control over the new refinery," he said.

On the recent shortage of refined

sugar supply in the industry, Tradewinds chairman Datuk Dr Mohd Noor Ismail said the company had done its part in apportioning its quota for the domestic market.

He said despite increasing its supply by 25 per cent over the past six months to address the shortfall

in supply suffered by a refinery in Kedah, there is still a shortage in the country.

The price of refined sugar in Malaysia is still the second cheapest in the world next to Zimbabwe, he stressed.

The increase in world raw sugar prices had resulted in the rise in

refined sugar prices for the export market and attracted higher demand for refined sugar from the local food producers.

"The shortage was compounded further by these producers who turned to wholesalers and supermarkets to get their supply," said Mohd Noor

He added that the increase in world raw sugar prices was mainly due to the high demand for raw sugar in producing ethanol to blend with crude petroleum. In Brazil, which is one of countries it imports raw sugar from, 70 per cent of the cane sugar goes into ethanol.

Describing the challenges on the horizon, he said demand of ethanol can increase if the world sugar prices drop while demand in the US is also expected to increase for its motor vehicle industry.

The company exports 50 per cent of its refined sugar to Indonesia, Pakistan and Australia.

Although profit margins have been squeezed due to the low

prices of refined sugar, Mohd Noor is confident that the company will continue to enjoy healthy revenue growth, expecting it to touch RM1 billion for the financial year ending December 31 2006.

The sugar business currently contributes 60 per cent of the company's revenue, with the rest coming from its plantations.

On market talks of an impending price increase in sugar come July 1, Bakry said it is not going to take place.

"Market forces are trying to push it higher as prices in our neighbouring countries are higher. Ideally, we would want something like the price in Singapore, but it looks like RM1.80 is the maximum revised price the Government can give us if there were to be a hike.

"Our price is RM1,301 or RM1.30 per kg to wholesalers who in turn sell to retailers at RM1,345 and the retail price to consumers is RM1.40 per kg," Bakry said.