Sweet era of cheap sugar may end with Kuok� s exit

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<p align="justify">�</p><p align="justify">KUALA LUMPUR, Nov 6 � The government has always been able to count on billionaire Robert Kuok to keep domestic sugar prices steady even in times of great volatility in world markets.</p><p align="justify">But the businessman�s surprise exit last week from the trade that his family has controlled since the 1940s is raising concern that the days of stable sugar prices in the country may be numbered. Sugar is a controlled commodity in Malaysia.
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�This is a highly complex business. Only a player like Kuok who is a big player in the world scene can absorb losses and keep prices stable when the international sugar market goes crazy,� said a Singapore-based sugar trader.</p> Kuok, well-known as the Sugar King, declared his intentions to exit the sector through a series of transactions valued at RM1.9 billion which were announced last Friday. <p align="justify">The group did not provide reasons for the asset sales to state-controlled agriculture agency Felda. But company executives cited growing hurdles in the domestic sugar business as one key reason.</p><p align="justify">�The group isn�t moving out from Malaysia. It is just that the sugar business (in Malaysia) has become more difficult,� said a company executive. He said the government�s reluctance to raise retail prices does not make the business financially viable.</p><p align="justify">Bankers said brickbats from business rivals that the tycoon was benefiting financially from a sweetheart deal with the government were another factor.</p><p align="justify">�All the talk that he is living off government largesse really got to him,� said the chief executive of a state-controlled bank who does a lot of work for Kuok.</p><p align="justify">The Kuok family�s interests in commodity distribution in Malaysia and many parts of Asia stretch back to the 1940s, through ventures with government agencies for the production and supply of flour, edible oils and sugar.</p><p align="justify">The country imports about one million tonnes of raw sugar annually, mainly from Australia, through government-set quotas, which make up roughly 90 per cent of the raw sugar needs of four Malaysian refiners.</p><p align="justify">Through several corporate vehicles, Kuok, South-east Asia�s richest man who resides in Hong Kong, controls about 70 per cent of the import quotas and has large equity holdings in three of the refiners.</p><p align="justify">Malaysian officials note that during the regional currency crisis that began in mid-1997, the quasi-monopoly that Kuok�s group held over the domestic sugar trade kept prices steady despite the sharp devaluation of the ringgit.</p><p align="justify">But Kuala Lumpur�s reluctance to allow increases in the retail price of sugar over the past decade on grounds that they could trigger public outcry has undermined the viability of the business, Kuok Group company executives said.</p><p align="justify">Over the last decade, Kuok has also faced intense competition from Tan Sri Syed Mokhtar Albukhary, a businessman who controls the remaining 30 per cent of the import quotas.</p><p align="justify">While relations between the two businessmen are cordial, corporate ties have become strained because of Syed Mokhtar�s manoeuvres in a public listed company called Tradewinds. The investment holding company controls the country�s main sugar refiner, Central Sugar Refinery.</p><p align="justify">Kuok, who owns a 20 per cent interest in Tradewinds through a private entity, has been unhappy with Syed Mokhtar�s recent deals, which have saddled the company with heavy debts.</p><p align="justify">Several bankers and industry executives said that Kuok�s decision to sell his holdings in the sugar business to a state agency underscored his belief that monopolies, particularly over key commodities, should be broken.</p><p align="justify">�He did the gentlemanly thing by selling it to a government agency so it would make it easier for the government to dismantle the monopoly,� said a Malaysian banker who knows Kuok. � The

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