

Source :

BANGKOK POST

59435456

Date : 22 SEP 2016

Page :

B3

No :

COMMODITIES

China backs consolidation of sugar firms

PAWEE SIRIMAI

B3

NANNING: The Chinese government is pushing mergers and acquisitions in the sugar industry to strengthen the sector and secure better income for cane farmers.

Jarueg Greetawee, managing director for China business at Mitr Phol Group, Thailand's biggest sugar producer, said the Chinese government is encouraging 28 sugar companies in the Guangxi region to merge into six major groups to help improve the lot of farmers.

He said China's Guangxi Zhuang Autonomous Region, the biggest sugar production area in the country, is home to 105 sugar factories owned by these 28 companies, which last year produced 5 million tonnes of sugar or 70% of all sugar production in China.

"In the past two or three years, the Chinese sugar industry has suffered losses," Mr Jarueg said. "As a result, these sugar companies have failed to pay for the sugar cane bought from farmers."

The prosperity of the farmers is the Chinese government's priority, so officials have stepped in to solve the problem.

Mr Jarueg said the Chinese government has already named the six groups and will decide which companies merge with which.

The six major groups include two state enterprises of the central government, two state enterprises of local government and two private companies — one of which is Guangxi Nanning East Asia Sugar Group, a subsidiary of Mitr Phol Group.

Merging these fragmented sugar companies into bigger groups is meant to strengthen the industry at a time when global sugar prices are falling.

"Grouping these companies together will help them to have better business management and enhance their economies of scale," Mr Jarueg said.

The plan has already been launched and is expected to conclude in 2020, he said.

The Chinese government expects each group to produce between 1.5 million and 2 million tonnes of sugar.

The Guangxi Nanning East Asia Sugar Group has five sugar factories in the Guangxi region, with total crushing capacity of 87,500 tonnes a day or 1.3 million tonnes a year.