

# The supplies of sugar in malaysia



**ASSIGN  
BUSTER**

Sugar is necessary for the people. A sugar shortage will immediately influence the local hypermarket to impose a 2 kilogram- per-customer ration. Supplies of the sugar are scarce in Malaysia because of a global shortage and a decades-old government price cap that encourages people to smuggle the sugar across the border into Thailand, where it fetches double the price. The government needs to more flexible price controls. Raw sugar futures have doubled this year to a 28-year high, with the biggest consumer, (World Shortage)World demand for sugar will exceed supply by as much as 5 million tons over the next 12 months, the International Sugar Organization estimates. Malaysia introduced price controls on essential items in 1974 to ensure food security and cushion volatility in the commodities markets. To prevent a run on sugar in the shops during the month long peak demand period of Ramadan, retailers are rationing supplies. Under the 1967 Customs Act, sugar smugglers face up to three years in jail or a fine of at least 100,000 ringgit, or both. Foods stores across the country are rationing sugar supplies of have run out. The government would step up efforts to stop the smuggling, including handing out leaflets to people crossing the border, informing them that it is an offence to take out large amounts of controlled price items.

## **Introduction**

To start with, presently, the sugar industry is grouped by gradually increasing domestic consumption by the people in Malaysia and all over the world. And the consumption of sugar is enhanced by industries that produce food materials. Like this, the demand for sugar is high. The supply side is

probably not expandable due to the small production based sugar companies around.

## **Shortage of Supplies**

The term of supply refers to the entire relationship between the price of a product and the quantity supplied when all other influence on producer's planned sales remains the same. The term of demand refers to the entire relationship between the price of the product and quantity demanded of the product. When demanded curve intersects with supply curve, the point of the intersection is equilibrium point. If quantity supplied more than quantity demanded, it will be surplus. On the other hand, if quantity demanded more than quantity supplied, it will be shortage.

## **Quantity of Sugar**

### **Price of Sugar (RM)**

#### **Figure 1. 1**

Based on Figure 1. 1, RM 2 is equilibrium price and equilibrium quantity is 7 KG. If the price is RM 1. 50, the quantity demanded exceeds the quantity supplied. There is a shortage of 6 KG (10 KG-4 KG). Sugar shortage of supply occurs because of global shortage and a decades-old government price cap makes people smuggle sugar to other country. Because of this situation, country will face with the shortage.

## **Price Ceiling**

Price ceilings affect market outcomes mean by two outcomes is possible when the government imposes a price ceiling. The price ceiling is not binding if set above the equilibrium price. In the other hand, price ceiling is binding if

set below the equilibrium price, leading to a shortage. If binding price ceiling was set below the free market equilibrium, it may cause the shortage of good or products being supplied in the market as the quantity in demands (QD) more than the quantity in supply (QS). The excess in demand will make a market become none price rationing in which will form a market as black market.

## **Price of Sugar**

**(RM)**

2

1. 50

## **Quantity of Sugar (KG)**

### **Figure 1. 2**

When demand curve intersects with supply curve, price equilibrium is RM2 and quantity equilibrium is 100 KG. If government set a maximum price below than equilibrium point, it shows a new price at RM1. 50. It means that the price of sugar will sell on RM1. 50. Between, it will appeal shortage of 50 KG (125 KG - 75 KG) because quantity of demand is more than quantity of supply. (Shown as Figure 1. 2)

## **Government intervention**

Sugar subsidy

undoubtedly, the government was worried about this subsidy and trying to decide whether to continue to subsidize the price of sugar and other important items or otherwise. While fighting out the irresponsible smugglers, in fact the

government has to pay the sugar producers in order to subsidize the price of sugar in the domestic market. More often, the shortage hit the subsidize sugar whereby this sugar is actually produced for the domestic consumers and not for traders like the hawkers and delicacies sellers, what more for the operators of the small and medium-scale enterprises (SMEs). The government has allocated RM 674 million worth of subsidize for daily used products like sugar, bread and wheat flour which have been put in the Mini Budget in house of representative or the government executive council . The present market retail price for sugar is RM 1. 50/kg, under the lay down price by the government over important item. Without the government subsidy, the price of sugar will turn out to be RM2. 00/kg.

### **Price elasticity of demand**

A units-free measure of the responsiveness of the quantity demanded of a product to a change in its price, when all other influences on buyer's plans remain the same. If there are any sugars lovers out there should not be worry as in everywhere sugar prices are fixed to protect consumers. In addition, even if prices were not fixed, demand is unlikely to change for sugar as it is a small proportion of a person's income. Even if the price were to increase substantially, people still need to buy it because sugar cannot be substitution. A lot of thing cannot produce without sugar.

### **Price elasticity of supply**

A units-free measure the responsiveness of the quantity supplied to a change in the price of a product when all other influences on selling plans remain the same. One of the key factors that affect the price elasticity of supply of a good is the availability of “ stockpiles”. Stockpiles defined as a

large supply of something that is kept to be used in the future if necessary. So, government and food companies have stockpiles that could be touch or change. Therefore supply should be more elastic than you would expect of a sugar that takes a long time to produce. If some sugar product place happens to be disaster, then that place cannot continue the production of sugar. The consumer still can get same price from sugar supplier.

## **Conclusion**

The shortage of sugar is very tiresome. Sugar is necessary for everyone no wonder for house use, for business use, and others. During festival period, demand of sugar will increase. If the price of sugar increases, many industries will be influence. Products relevant to sugar might increase their price. Therefore, Malaysia government should control the price of sugar to avoid sugar smuggle happen again.