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## **Wee Tiong hits the sweet spot**

The rice and sugar dealer emphasises the importance of trust between client and company as this is what keeps customers coming back.

Wed, Nov 26, 2008  
The Business Times

**By SERENE CHEONG**

At Wee Tiong, upholding a high level of corporate integrity is the main guiding principle the firm abides by in the tricky game of commodities trading.

But apart from playing it fair, the rice and sugar dealer also emphasises the importance of trust between client and company as it keeps customers coming back.

'We tell our customers that we run a clean and established business in Singapore, and our doors are always open,' says its 31-year-old director Tan Wee Beng.

Even in times of market turbulence, Wee Tiong strives to maintain a sense of business accountability. In fact, the firm would go as far as to honour its word at the expense of a bigger profit when prices surge between paying suppliers and receiving payment from buyers, he adds.

Founded in 1993 by his father Tan Siong Kern, the privately-held firm specialises in the import, export and trading of rice and sugar, while occasionally taking on small cargoes of salt, groundnuts and cooking oil.

And it was on the basis of its good track record that the firm successfully expanded its customer base throughout Asia. Wee Tiong currently markets its end-products under its trademarked Golden Royal Jewel brand of rice and the TRR brand of refined white sugar at supermarkets and retail shops in Indonesia, Malaysia, China, Taiwan and Korea.

Under the guidance of the elder Mr Tan, Wee Tiong grew rapidly from strength to strength from its humble beginnings as a local wholesaler and importer to one of Asia's top soft commodities trading firms.

Visitors to its 10-storey office building along Kallang Pudding Road are encouraged to remove their footwear upon entering.

The mood is informal and relaxed, hardly what one would expect at an international firm competing with big names like Olam, Cargill and Noble.

### **Flexibility**

Over a cup of Chinese tea, Mr Tan Wee Beng explains that keeping the business within a close-knit family has allowed Wee Tiong to manoeuvre effectively in volatile market situations as it lacks the bureaucracy usually present in larger firms.

'Employees of listed trading companies have the obligation to remain accountable to shareholders and follow strict consultation procedures when making trading decisions, but such rules do not apply in a small business like Wee Tiong,' he says.

On top of that, the locally-based firm has an added advantage over its regional competitors as Singapore's clean reputation has helped assure customers that Wee Tiong is not a fly-by-night business.

In fact, this is the fourth consecutive year that the company is being nominated for the Enterprise 50 award. To add to those credentials, Wee Tiong is also the proud holder of the Global Trading Programme (GTP) status which recognises well-established international trading firms based in Singapore.

In financial year 2007, the firm posted a full-year turnover of S\$238 million, almost double that of the previous year. It currently has an employee strength of 25, of which more than one in four employees are involved in logistics and administrative work.

This strong support team works closely with outsourced shipping brokers to ensure that goods arrive at their destinations on time. In a typical transaction, the firm would strike a deal to deliver a cargo at a specific price and time, obtain supplies on a contract basis or from the spot market, and coordinate the necessary logistics support.

Its trading team, on the other hand, keeps a close eye on supply and inventory trends in order to pre-empt possible price volatility.

'We speak to our foreign producers, suppliers and buyers on the phone daily to get a feel of the situation on the ground,' Mr Tan says.

It is based on this real-time market information - coupled with years of experience and foresight - that Wee Tiong conducts speculative trades or hedging activities in the commodities market, he adds.

And this acute business acumen seems to run in the blood of the Tan family as both sons, Wee Beng and his elder brother Wee Tiong, 36, have since taken over every aspect of the business from options and spot trading to hedging and financing.

The advent of the Internet has brought with it greater market transparency and connectivity, thus allowing producers and buyers to forgo the middleman and work directly with each other.

As a result, the role of the middleman has become increasingly redundant and profit margins from such back-to-back transactions have been on the decline.

'As a middleman, we usually have to fork out about US\$500,000 to purchase supplies from producers, and it's only upon delivery that we receive payments from end-users,' Mr Tan Wee Beng explains.

'The weakening credit climate has not significantly impacted the company's state of liquidity and ability to source for funding as Wee Tiong uses its numerous properties as collateral,' he added.

### **Vertical integration**

Moving forward, the firm plans to vertically integrate its business in order to increase its bargaining power in the agricultural supply chain. It is currently in the process of opening a sugar refinery in Indonesia with the help of local customers.

According to the terms of the joint venture, Wee Tiong would share its expertise in the fields of hedging and options trading.

On top of that, it would also link the Indonesian facility with suppliers of raw sugar from Thailand, South America and Brazil, thus deriving a steady flow of income from facilitating the import activities.

For the future, the firm hopes to set up post-harvesting units in untapped markets in Asia to leverage on the vast amount of fertile agricultural land and secure cheap supplies for its export business.

In the next five years, it intends to value-add its services by constructing a rice mill in Cambodia which would process grains for immediate export to neighbouring countries.

'Reinventing Wee Tiong and diversifying our business portfolio is the way to go in ensuring that we are not phased out,' Mr Tan says.

'We will continue to build on our strong network of regional contacts and sound reputation in the coming years and we are confident that our new initiatives will propel Wee Tiong to greater heights,' he adds.

*This article was first published in [The Business Times](#) on 24 November, 2008.*

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