NATIONAL FLOUR MILLS LIMITED

MEDIA RELEASE

NFM Responds to Customer Concerns; Adjusts Price Increase Downwards

Port-of-Spain, December 30, 2021. Further to our communication yesterday, NFM would like to provide additional details in support of the decision to increase flour prices.

The most important point to note is that wheat accounts for over 60% of our raw material imports and, during the past 18 months, the price of wheat has increased more than 100%. The price of Spring Wheat moved from as low as US$5.00 per bushel in 2020, to as high as US$10.91 per bushel this year. In fact the price today is US$10.06 per bushel. Additionally, the cost of freight has increased more than 110%.

The landed cost of spring wheat in our silos as at November 2021 is 46% higher than the cost in January 1, 2021. And if we had to buy the same wheat today, it would cost us 62% more. This translates into an increase in cost of TT$47.5 million dollars using the cost of the last shipment and TT$64.7 million using today's prices. In addition, the cost of packaging materials has increased by over 30% and the costs of other raw materials, including enzymes and other additives, have increased dramatically.

It should be noted that several internal initiatives were undertaken to improve operating efficiency and reduce processing costs in an attempt to contain costs and maintain the price of flour. These initiatives resulted in a reduction in labour cost per metric ton of 9%; a decline in administrative costs of 7%, and a reduction in finance costs of 58%.

Unfortunately, these cost savings have not been sufficient to offset the soaring prices of wheat and shipping. As a result, we expect to lose over fourteen million dollars ($14 million) from our flour division in 2021 compared to a profit of over six million dollars ($6 million) in 2020. And if prices are not increased we can expect this loss to grow exponentially. Operating a loss making business benefits no one and compromises the sustainability of the company and its ability to produce a quality product with the right nutritional content for our customers in Trinidad and Tobago and the Caribbean.

Despite this, we have taken another look at the proposed price increases and have decided to limit the increase in the list price for our retail brand, Hibiscus Flour, to 10%, down from 19%. We will also limit the increase in our other retail brand, Ibis Flour, to 17% down from 19%.

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This forces us to continue to find ways to improve the efficiency of our operations and to keep our milling and processing costs as low as possible. We will continue to monitor the supply chain and wheat prices and will adjust prices downward if at all possible. We would like to remind our customers that NFM has not increased the price of flour since 2008 and, while this was not an easy decision, it was necessary for the sustainability of the enterprise, and to maintain a reliable and affordable supply of quality flour to our customers.

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