

## Soaring Wheat prices and shipping costs push NFM to increase the price of flour

The Company can no longer maintain prices in the face of rising international price increases.

**Port-of-Spain [29<sup>th</sup>December 2021]:** With the increasing cost of wheat and freight globally, National Flour Mills today announced its decision to increase the wholesale price of flour by between 15% and 22%, with a suggested increase averaging 19% on the retail price of flour to the consumer.

This decision, the company said, follows several internal initiatives to improve operating efficiency and reduce processing costs in an attempt to contain expenditure and maintain the price of flour, in the face of increased supply chain costs and soaring commodity prices. Flour prices have not been adjusted since 2008.

Commenting on the decision, NFM CEO Ian Mitchell said: “This was by no means an easy decision, as we did everything within our control to try to hold our prices; but with the staggering increases in raw material and shipping costs, we were left with no choice but to make the adjustment. We are acutely aware of the knock-on effect that an increase in the price of flour could have in the market, but we cannot sell a product for less than it costs to produce.”

NFM noted that the price of Spring Wheat moved from as low as USD5.00 per bushel in 2020, to as high as USD10.91 per bushel this year, additionally, the cost of freight has increased more than 110%. The following graph illustrates the increases in the price of wheat.



Source: [Spring Wheat Mar '22 Futures Interactive Chart - Barchart.com](https://www.barchart.com/futures/price-chart/MWH22)

During the past 18 months, NFM sought to offset the increasing external costs by focussing on productivity measures to optimise the levels of efficiency throughout its operations. Some of these measures ultimately resulted in the company being able to reduce indirect manufacturing cost per tonne by 4% despite a reduction in work hours necessitated by the Covid 19 pandemic curfew.

The increased prices of grain and the rise in supply chain costs are affecting markets worldwide.

Generally adverse weather conditions have affected crop yields, supply chain issues have increased the cost of agricultural inputs, like fertilizers; and the overall impact of Covid-19 has caused shipping costs to skyrocket.

NFM chairman Nigel Romano said: “It’s an unfortunate analogy, especially given the realities of climate change, but we have been confronted by the perfect storm — 2020 witnessed the lowest wheat yields since 2007, and the supply chain disruptions caused by the pandemic have increased freight costs significantly, further impacting the landed cost of all grain and other material inputs. NFM is a price taker. We have no control over the landed costs of our imported raw materials, which now account for 64% of our production costs. I think the team is doing a good job improving our internal processing and driving other costs down, especially during these trying times, and we will continue to find ways to continually improve.”

The price increase will take effect on January 3, 2021.

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