

MEDIA RELEASE

1 August 2018

FSC BOARD CHAIRMAN MR VISHNU MOHAN PRESENTATION

FSC hosted a Media Conference today after its August Board Meeting. In attendance at the Media Conference was FSC Board Chairman Mr Vishnu Mohan, Permanent Secretary for the Office of the Prime Minister and the Sugar Industry Mr Yogesh Karan and FSC CEO Mr Graham Clark (seen below).



Presented here is FSC Board Chairman's speech at today's Media Conference:

Good afternoon Everyone

As we conclude the first six weeks of crushing for our three mills, I am pleased to comment on our performance, operationally and financially as well as providing a marketing update.

Our factory start-up's this season were characterised initially by factory stoppages in the first two weeks, to stabilise factory equipment, offset by improved cane supply, such that total mill stoppages have reduced by 12% to date in comparison to the 2017 season. The three sugar mills have settled and are well into their crushing programs, having crushed in total 281,477 tonnes of cane by 31st July 2018, compared to 276,315 tonnes of cane in the same period last season.

This year, to help alleviate concerns in regard to mill breakdowns from cane growers and lorry operators, FSC introduced a mill breakdown penalty, applicable for factory breakdowns lasting more than six hours; these being defined as unplanned breakdowns, and not scheduled maintenance stops or factory stops caused by low cane supply. The objective was to assist with cost implications, and this has been well received, with affected growers being entitled to \$3 per tonne of affected cane and lorry operators \$2 per tonne of cane.

It is pleasing to note that all the major repairs and upgrades to our sugar mills that were carried out in the off season are now paying dividends and operational efficiencies resulting from these improvements are materialising. Sugar recoveries are improving steadily and as at 31st July 2018, 26,608 tonnes of sugar had been made, compared to 26,341 tonnes in the same period in 2017.

Sugar recoveries are steadily improving and to date TCTS (tonnes cane per tonne sugar) is approximately 10.5 - similar to 2017, but on track to reduce below the 2017 seasonal average of 9.1.

Benefits to cane farmers are being realised from the distribution of the new FSC tractors and implements launched in March this year. These tractors are now operating in our various sectors in Viti Levu and Vanua Levu, and feedback has been positive. Our twenty water tankers

are also operating in all sectors and have provided some relief to the irrigational needs for our growers as they increase planting efforts.

FSC recently took delivery of six new Case III mechanical harvesters which have been distributed to sectors and are now in full operation. We note that this year, the use of mechanical harvesters has increased from forty-three (43) last year to an expected fifty-eight (58) this season.

I make special mention of the good progress that has been made financially in 2018. FSC will report a further reduction in its net loss for the 2018 financial year. In addition, positive earnings before interest and depreciation will be reported, compared to the negative results reported in previous years. Key to this achievement has been the month-on-month improvements in cost control throughout the company, and better working capital management.

In terms of bulk sugar exports, I am pleased to advise that planning for the 2018 bulk sugar export program is well advanced. The first cargo for 2018 is expected to start loading in mid-August 2018. This will be destined for UK/Europe and is to be followed in early September by the loading and shipment of Fiji's US Quota entitlement.

A third cargo is planned for September 2018 destined for China, being the first of the newly negotiated sales from Fiji to China. Thereafter the next cargo will be loaded in November 2018, again likely destined for China. Depending on the final volume of sugar manufactured, a fifth and final cargo is being scheduled for the first quarter of 2019, possibly destined for Japan or China.

I am very pleased to advise that the first Fairtrade accredited sugar sale for 2018 has been secured for the benefit of our Fairtrade Associations and grower members. This sale will be for 15,000 tonnes of raw sugar, which will be co-loaded as part of our first sugar shipment for 2018, expected to be completed and shipped by the end of August 2018.

The Fairtrade sale is destined for Europe, and will earn a premium of nearly \$2 million, which will be paid equally and directly by the buyer to our three Fairtrade Associations in Fiji. Further opportunities are being evaluated by FSC for the benefit of our growers, and with assistance from the EU, a Fairtrade market survey is underway to help in identifying new Fairtrade opportunities. FSC will continue to pursue this unique benefit for Fiji.

The crop forecast for this year is showing signs of improvement, with cane yields to date some 7% above estimate. Should this trend be maintained, then 1.75 million tonnes of cane could be harvested in 2018. This revised cane estimate would be 7% higher than 2017 actual cane production.

FSC will continue efforts towards building a robust sugar industry and is set for a strong 2018 crushing season.

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