STANDING COMMITTEE ON ECONOMIC AFFAIRS

Consolidated Review Report of the Fiji Sugar Corporation 2020, 2021, 2022 and 2023 Annual Reports

Annexures

7.0 Annexure

Fiji Sugar Corporation 2020, 2021, 2022 and 2023 Annual Reports
Presentation to the Standing Committee on Economic Affairs
FSC
FIJI SUGAR CORPORATION
Bhan Pratap Singh
Chief Executive Officer
SUGARS OF FIJI
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Presentation Outline
01 Introduction
02 Trends and Analysis
• Cane Production Trends
• Production Figures (Last 10 Years)
• Market Outlook
03 Challenges
• Factory Challenges
• Cane Quality Issues
• Climate Impact
• Grower-Related Challenges
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05 Way Forward
• Strategic Roadmap
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Introduction –Current Status

- Cane production is below the desired level of **2.5M tonnes,** and THE TREND IS DECLINING.
- The factories installed have crushing capacity of 6,000tcd and can crush **1.0M TONNES CANE** each **DURING 6 MONTHS CRUSHING SEASON**.
- These factories are only crushing 0.5m tonnes of cane per mill on average every year.

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Current Status cont…

- The capital to operate and maintain these vast factories remains the same, but the drop in crop has reduced the sugar production, and hence the revenue
- We need to produce approximately 235,000 tonnes of sugar for enough revenue to break even.

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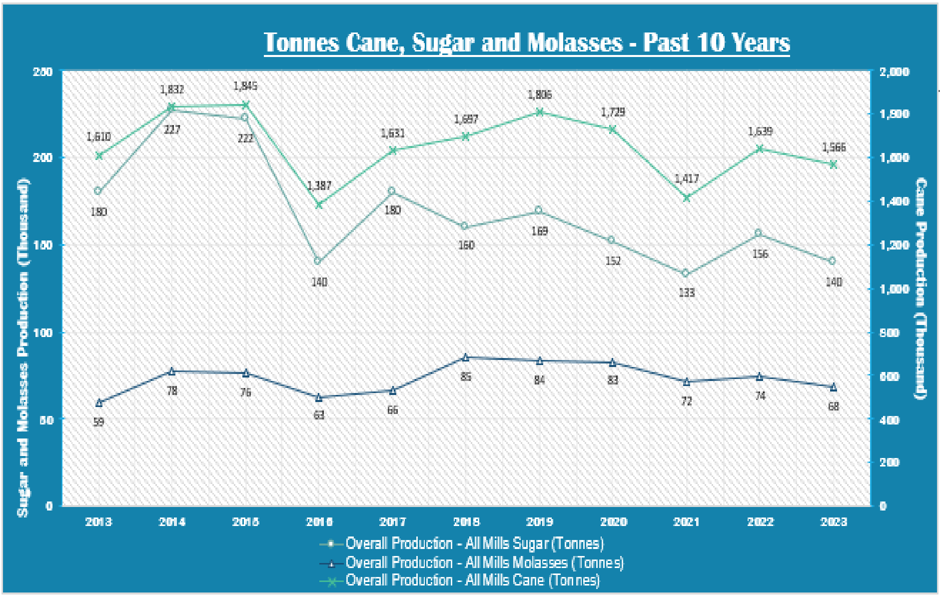
Production Figures – past 10 years



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Market Outlook – World Raw Sugar Price

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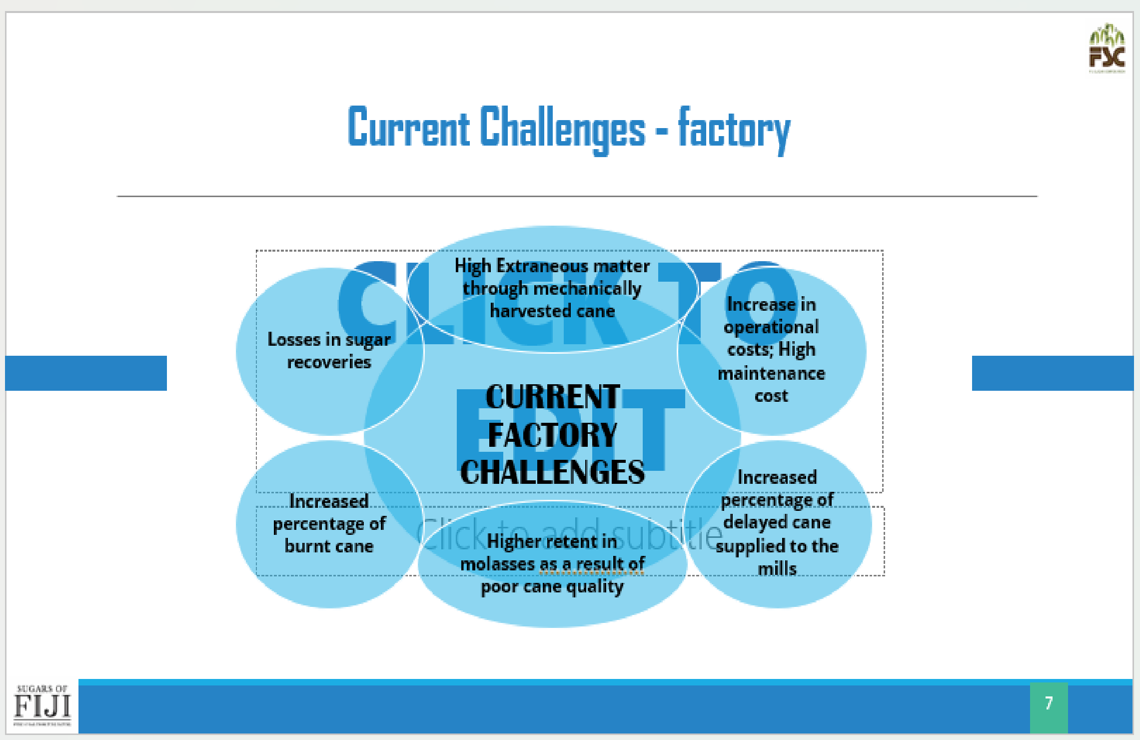

Current Challenges - factory
CURRENT FACTORY CHALLENGES
High Extraneous matter through mechanically harvested cane
Increase in operational costs; High maintenance cost
Increased percentage of delayed cane supplied to the mills
Higher retent in molasses as a result of poor cane quality
Increased percentage of burnt cane
Losses in sugar recoveries
Click to add subtitle
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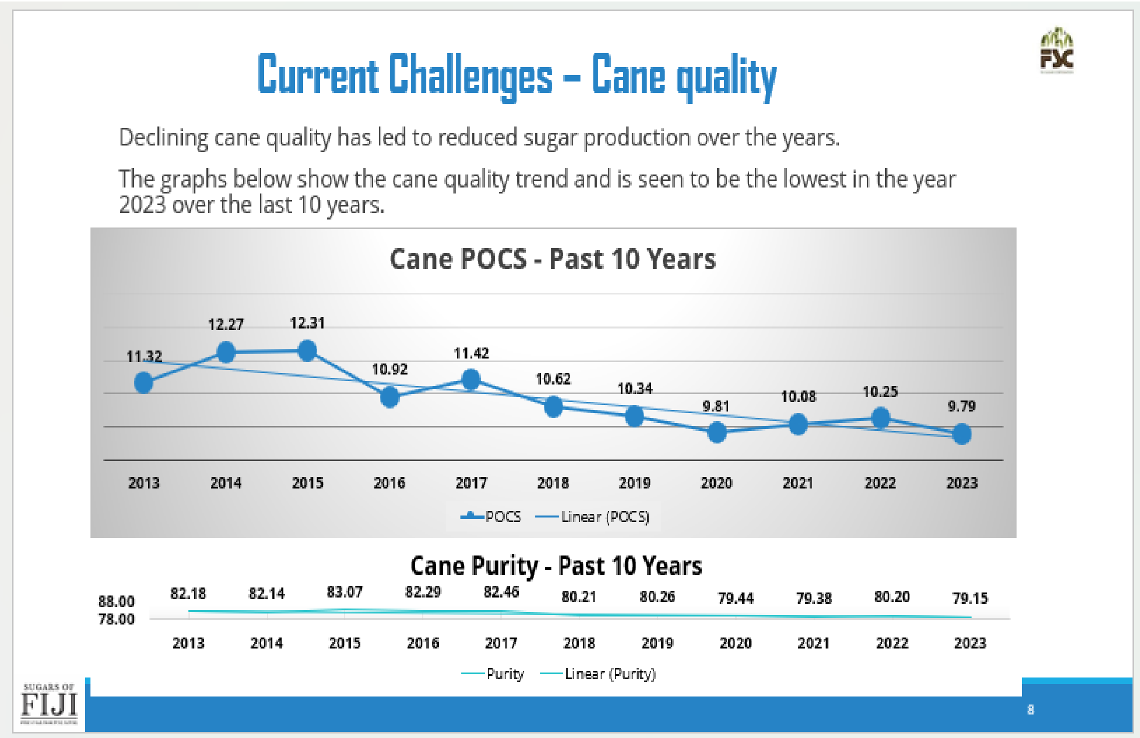

Current Challenges – Cane quality
Declining cane quality has led to reduced sugar production over the years.
The graphs below show the cane quality trend and is seen to be the lowest in the year 2023 over the last 10 years.
Cane POCS - Past 10 Years
11.32
12.27
12.31
10.92
11.42
10.62
10.34
9.81
10.08
10.25
9.79
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
POCS
Linear (POCS)
Cane Purity - Past 10 Years
88.00
78.00
82.18
82.14
83.07
82.29
82.46
80.21
80.26
79.44
79.38
80.20
79.15
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Purity
Linear (Purity)
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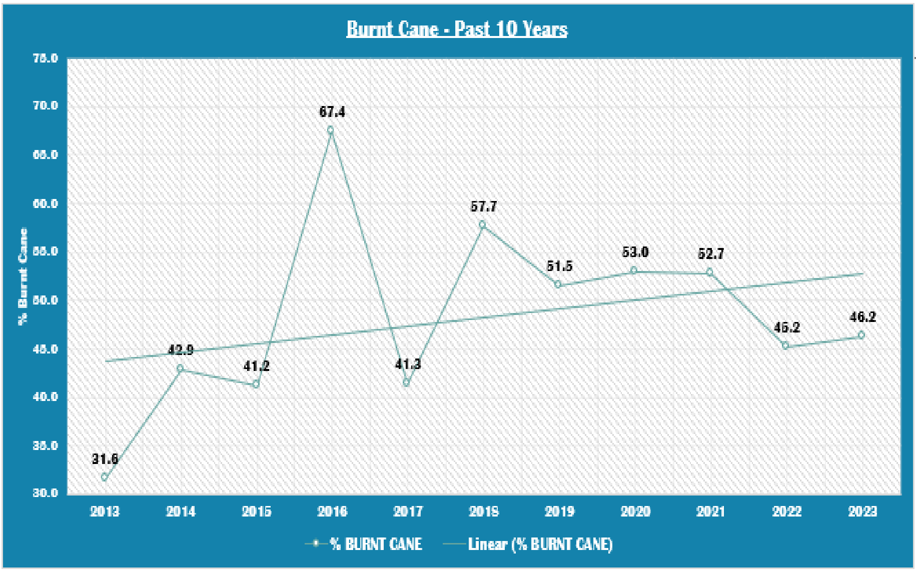
Burnt Cane Trend



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Effects of burnt cane

- Deterioration in Cane Quality
- Reduce sugar make
- Negative impact on soil health
- Detrimental effects on the environment
- Increase in operational and processing costs
- Loss of Revenue

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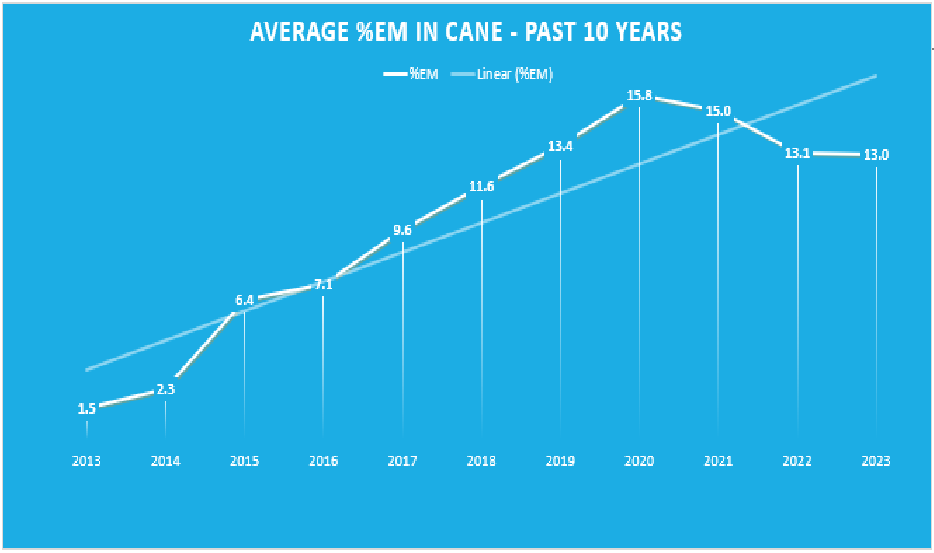
Effects of extraneous matter



Effects of extraneous matter

- There is dilution of juice due to non-sugar and high-water content components.
- Impurity content is also higher, which affects the material quality and increases losses.
- A large amount of money is paid for the non-sugar material, which is of no benefit and increases the cost.
- Loss of Sugar and revenue.

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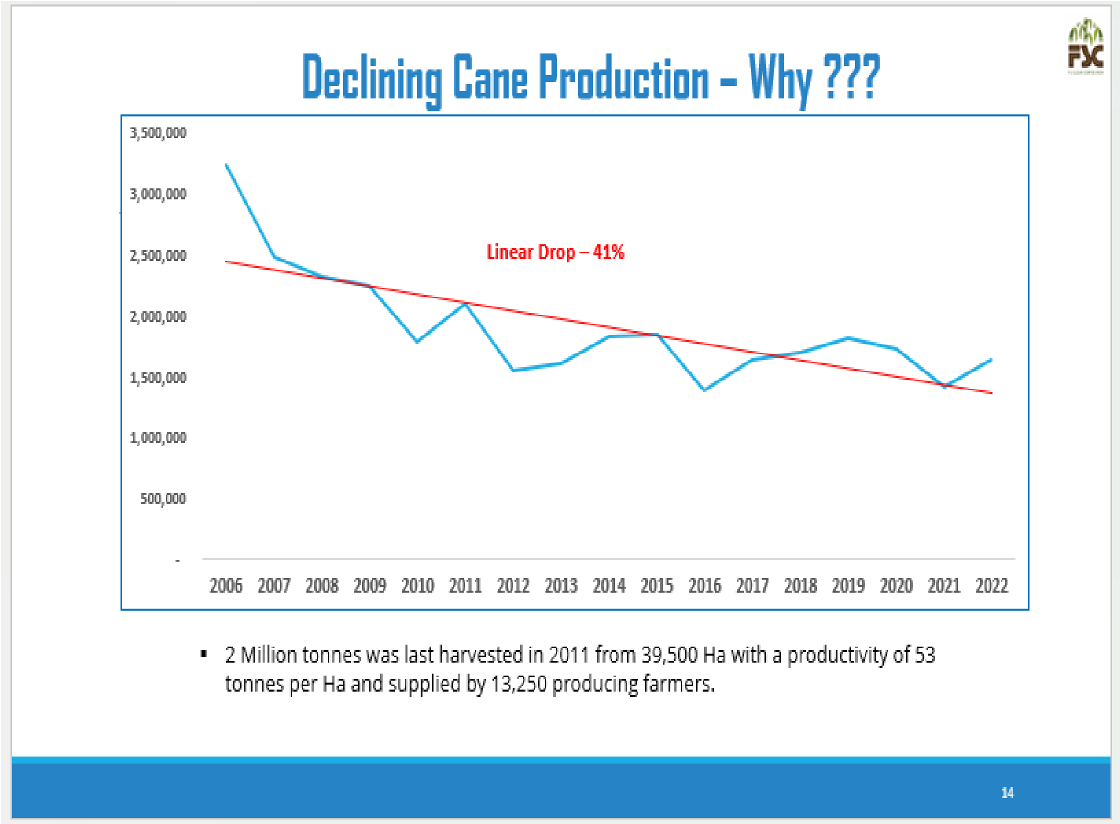
Declining Cane Production – Why ???
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
Linear Drop – 41%
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022
▪ 2 Million tonnes was last harvested in 2011 from 39,500 Ha with a productivity of 53 tonnes per Ha and supplied by 13,250 producing farmers.
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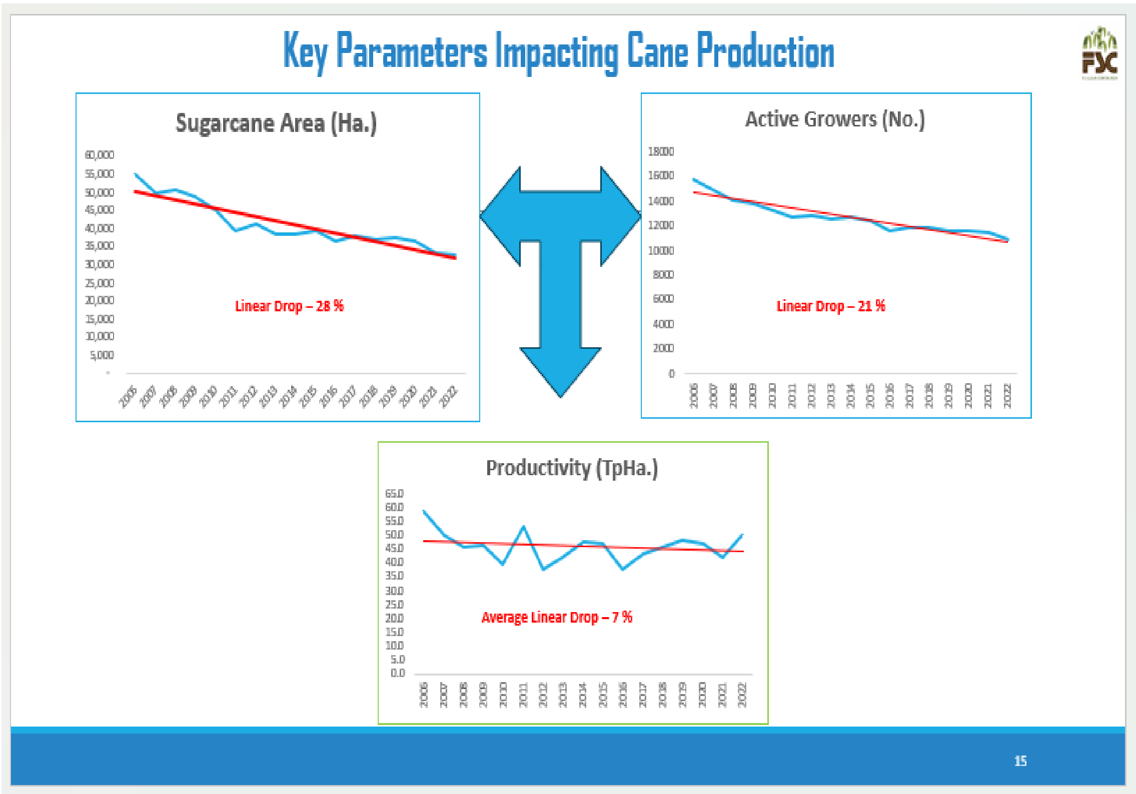
Key Parameters Impacting Cane Production
Sugarcane Area (Ha.)
Linear Drop – 28 %
Active Growers (No.)
Linear Drop – 21 %
Productivity (TpHa.)
Average Linear Drop – 7 %
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AREA DISPOSITION - 2024

Mill	REGD AREA (Ha.)	TOTAL AVAILABLE AREA (Ha.)	AREA UNDER CANE (Ha.)	FALLOW LAND (Ha.)	PLANT CROP (Ha.& %)
Lautoka mill	23,229	13,939	7,685	6,253	347 (4.5%)
Rarawai Mill	30,886	20,484	11,948	8,536	727 (6%)
Labasa mill	20,071	14,798	12,182	2,616	793 (6.5%)
National Summary	**74,186**	**49,221**	**31,815**	**17,405**	**1,866 (6%)**
% to Regd area/ Available area		**66**	**65**	**35**	

- 24,965 Ha. is out of cane cultivation over more than 3 years and there is no possibility of cultivation by these growers.
- The total area available for cane cultivation is only 49,000 Ha. which can sustain cane production of only 2.0 to 2.4 Million tonnes even if the entire area is tapped for cane potential and productivity is increased to 60 Tonnes / Ha.

NIL PRODUCING GROWERS - 2023

	Native Leased Growers			State Land Growers			Free Hold Growers			Grand total		
Mills	Nil Producing Growers	Total No of Growers	% Nil Producing Growers	Nil Producing Growers	Total No of Growers	% Nil Producing Growers	Nil Producing Growers	Total No of Growers	% Nil Producing Growers	Nil Producing Growers	Total No of Growers	% Nil Producing Growers
Lautoka Mill	1620	3451	**47**	274	540	**51**	274	540	**51**	2168	4531	**48**
Rarawai Mill	1331	3925	**34**	561	2059	**27**	468	980	**48**	2360	6964	**34**
Labasa Mill	719	3299	**22**	247	683	**36**	61	171	**36**	1027	4153	**25**
National Summary	**3670**	**10675**	**34**	**1082**	**3282**	**33**	**803**	**1691**	**47**	**5555**	**15648**	**35**

- 4-5% increase in nil producers YoY since 2016

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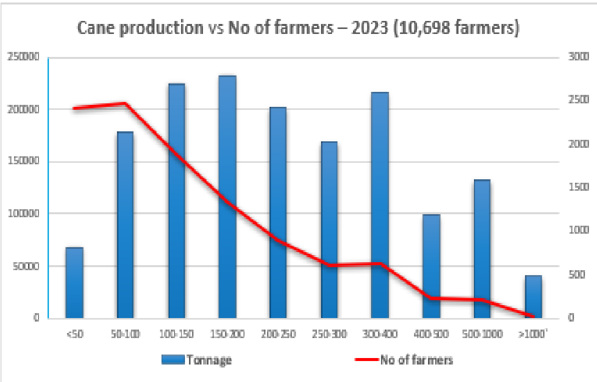
FSC CANE SUPPLY - ECONOMIES OF SCALE



2023 Production (Tonnes)	No of farmers	% to Total no. of farmers	% to Total cane production
<50	2410	23	4
50-100	2466	23	11
100-150	1877	18	14
150-200	1339	13	15
200-250	901	8	13
250-300	613	6	11
300-400	634	6	14
400-500	224	2	6
500-1000	214	2	8
>1000`	20	0.2	3

- 46% of total farmers with less than 100 tonnes of production contribute to only 15 % of total cane production
- 76% of farmers with less than 200 tonnes of production contribute to only 44% of total cane production
- **Balance 24% of farmers above 200 tonnes production account for 56% of cane supplied to FSC.**

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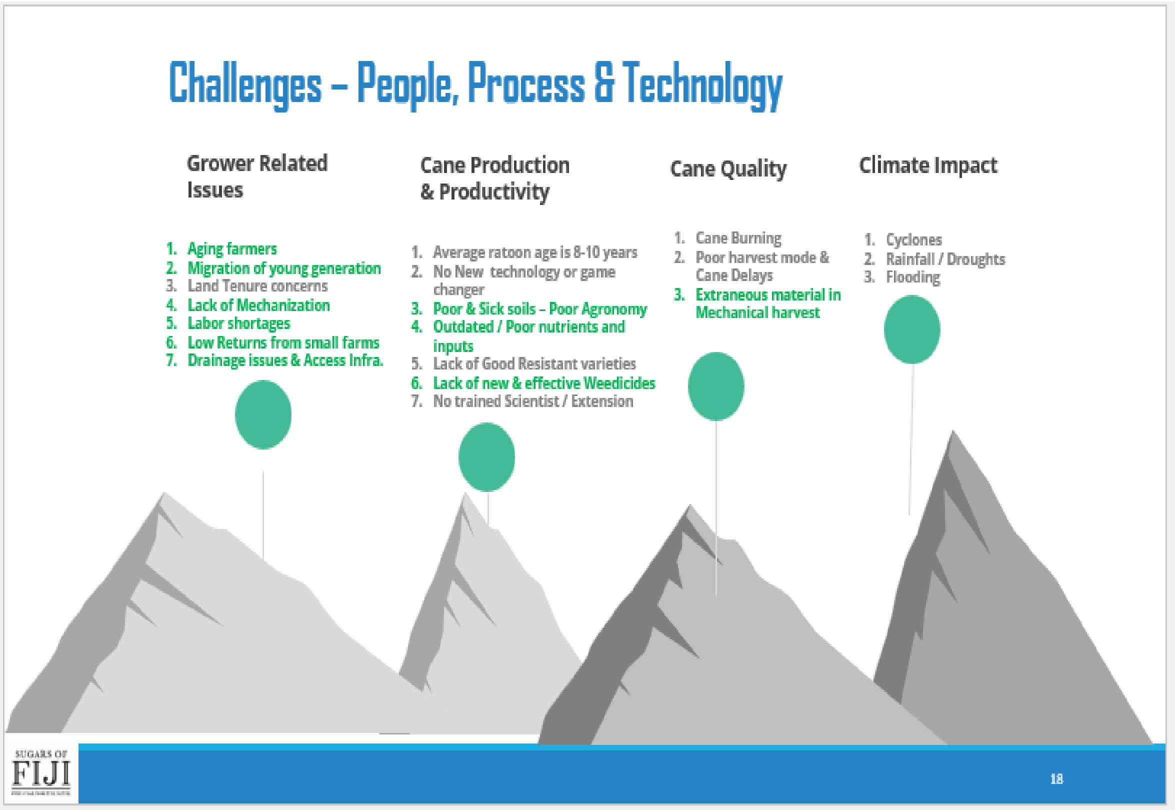
Challenges – People, Process & Technology
Grower Related Issues
1. Aging farmers
2. Migration of young generation
3. Land Tenure concerns
4. Lack of Mechanization
5. Labor shortages
6. Low Returns from small farms
7. Drainage issues & Access Infra.
Cane Production & Productivity
1. Average ratoon age is 8-10 years
2. No New technology or game changer
3. Poor & Sick soils – Poor Agronomy
4. Outdated / Poor nutrients and inputs
5. Lack of Good Resistant varieties
6. Lack of new & effective Weedicides
7. No trained Scientist / Extension
Cane Quality
1. Cane Burning
2. Poor harvest mode & Cane Delays
3. Extraneous material in Mechanical harvest
Climate Impact
1. Cyclones
2. Rainfall / Droughts
3. Flooding
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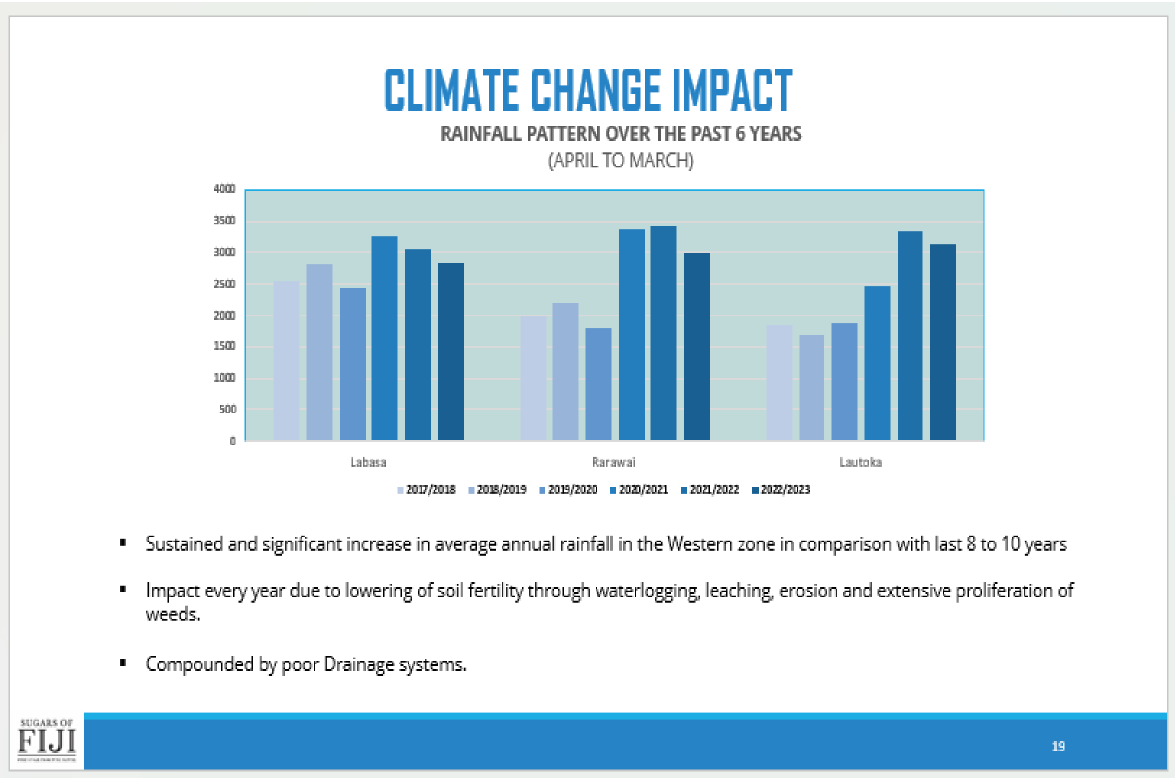
CLIMATE CHANGE IMPACT
RAINFALL PATTERN OVER THE PAST 6 YEARS
(APRIL TO MARCH)
4000
3500
3000
2500
2000
1500
1000
500
0
Labasa
Rarawai
Lautoka
2017/2018
2018/2019
2019/2020
2020/2021
2021/2022
2022/2023
Sustained and significant increase in average annual rainfall in the Western zone in comparison with last 8 to 10 years
Impact every year due to lowering of soil fertility through waterlogging, leaching, erosion and extensive proliferation of weeds.
Compounded by poor Drainage systems.
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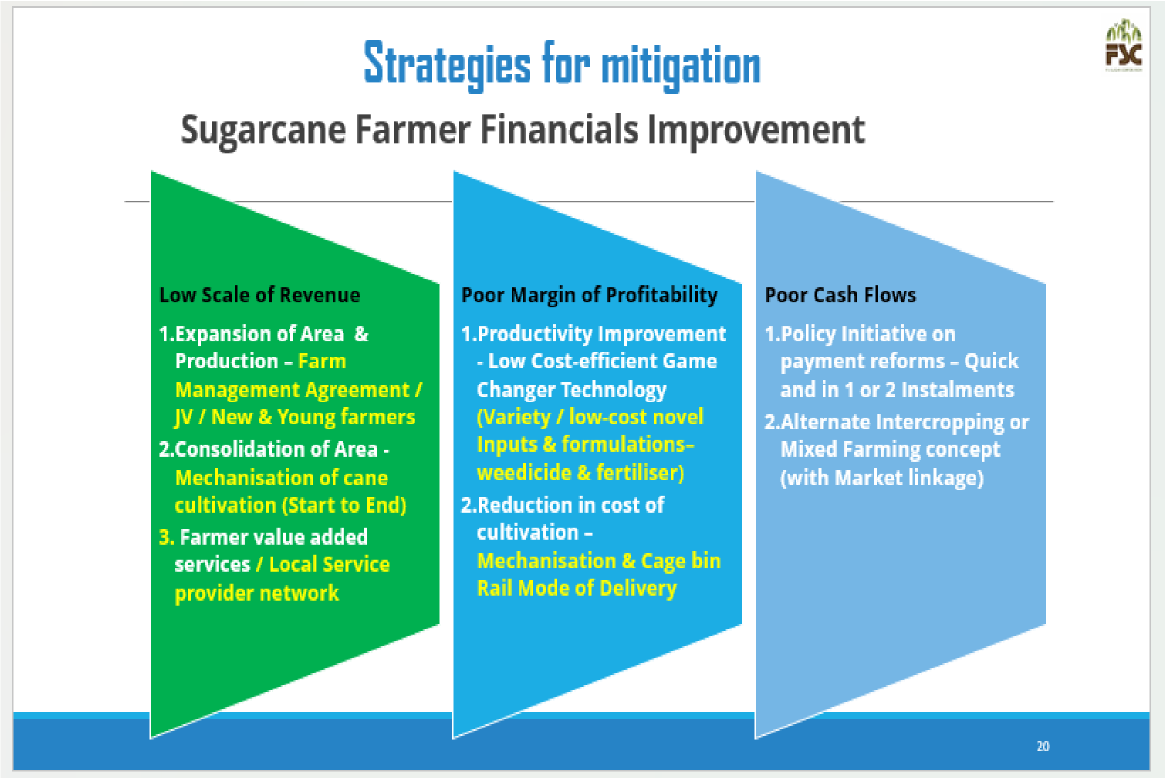
Strategies for mitigation
Sugarcane Farmer Financials Improvement
Low Scale of Revenue
1.Expansion of Area & Production – Farm Management Agreement / JV / New & Young farmers
2.Consolidation of Area - Mechanisation of cane cultivation (Start to End)
3. Farmer value added services / Local Service provider network
Poor Margin of Profitability
1.Productivity Improvement - Low Cost-efficient Game Changer Technology (Variety / low-cost novel Inputs & formulations- weedicide & fertiliser)
2.Reduction in cost of cultivation – Mechanisation & Cage bin Rail Mode of Delivery
Poor Cash Flows
1.Policy Initiative on payment reforms – Quick and in 1 or 2 Instalments
2.Alternate Intercropping or Mixed Farming concept (with Market linkage)
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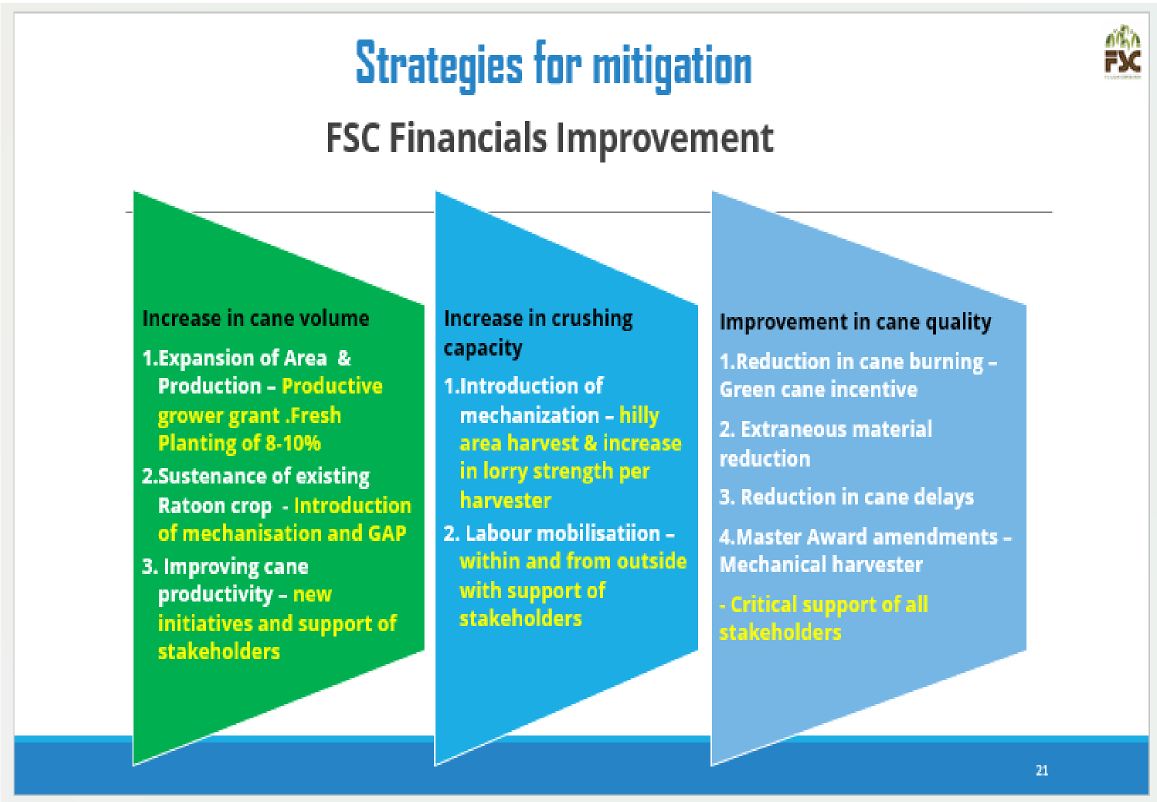
Strategies for mitigation
FSC Financials Improvement
Increase in cane volume
1.Expansion of Area & Production – Productive grower grant .Fresh Planting of 8-10%
2.Sustenance of existing Ratoon crop - Introduction of mechanisation and GAP
3. Improving cane productivity – new initiatives and support of stakeholders
Increase in crushing capacity
1.Introduction of mechanization – hilly area harvest & increase in lorry strength per harvester
2. Labour mobilisatiion – within and from outside with support of stakeholders
Improvement in cane quality
1.Reduction in cane burning – Green cane incentive
2. Extraneous material reduction
3. Reduction in cane delays
4.Master Award amendments – Mechanical harvester
- Critical support of all stakeholders
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Initiatives undertaken currently or completed by FSC in 2023

- ✓GPS mapping and GIS application
- ✓Tractor service providers development
- ✓New weedicide molecules & organic products
- ✓Planter and fertiliser applicator's introduction
- ✓Laser levellers and power harrow's introduction
- ✓Farmer mobile connect app
- ✓Online soil test result module
- ✓Yield maximisation farms in sectors
- ✓ Low-cost drip irrigation system introduction
- ✓Estates as model farms and expansion with JV's
- ✓Semi-track rubber attachment for CASE harvester
- ✓Introduction of infielders
- ✓Addition of more cage bins
- ✓Labour mobilisation from localities & outside
- ✓Cane Access road and Cane planting grant monitoring module

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Financial Analysis

Financial Statistics										
Financial Year		2016	2017	2018	2019	2020	2021	2022	2023	2024(P)
Turnover	($m)	199.8	144.9	182.1	132.8	144.9	147.7	135.9	211.5	240.3
FSC's share of proceeds (30%)	($m)	58.7	43.0	54.2	38.8	41.9	42.8	38.3	64.3	70.5
Operating Cost	($m)	(99.1)	(68.7)	(66.0)	(77.4)	(68.3)	(61.0)	(56.0)	(60.6)	(64.8)
EBITDA	**($m)**	**(27.1)**	**(22.6)**	**0.6**	**(25.1)**	**37.4**	**4.2**	**(8.4)**	**17.9**	**22.2**
Depreciation	($m)	(20.0)	(19.0)	(18.6)	(18.6)	(21.0)	(23.5)	(23.5)	(22.9)	(23.0)
Interest	($m)	(6.3)	(3.5)	(6.6)	(11.2)	(16.3)	(13.7)	(14.1)	(18.0)	(17.0)
Guaranteed Cane Price	($m)				(48.1)	(4.2)				
Property Sale	($m)				23.0	26.0	0.3	1.7	-	
Net Profit/Loss	**($m)**	**(53.4)**	**(45.0)**	**(24.6)**	**(80.1)**	**21.9**	**(32.8)**	**(44.3)**	**(23.0)**	**(17.8)**
Net Equity (Insolvent)	($m)	(117.4)	(217.1)	(241.8)	(321.8)	(300.0)	(332.8)	(377.1)	(400.0)	(417.8)
Cane Price per tonne	($)	76.7	82.0	85.0	82.5	85.0	85.0	85.0	91.4	101.1
Production Statistics										
Season		2015	2016	2017	2018	2019	2020	2021	2022	2023
Cane Crushed	(000t)	1,845	1,387	1,631	1,696	1,806	1,729	1,417	1,639	1,566
Sugar Produced	(000t)	222	140	180	160	169	152	133	156	140
Molasses Produced	(000t)	76	63	66	85	84	83	72	74	68
Tonnes Cane/Tonnes Sugar		8.3	9.9	9.0	10.6	10.7	11.4	10.6	10.5	11.2

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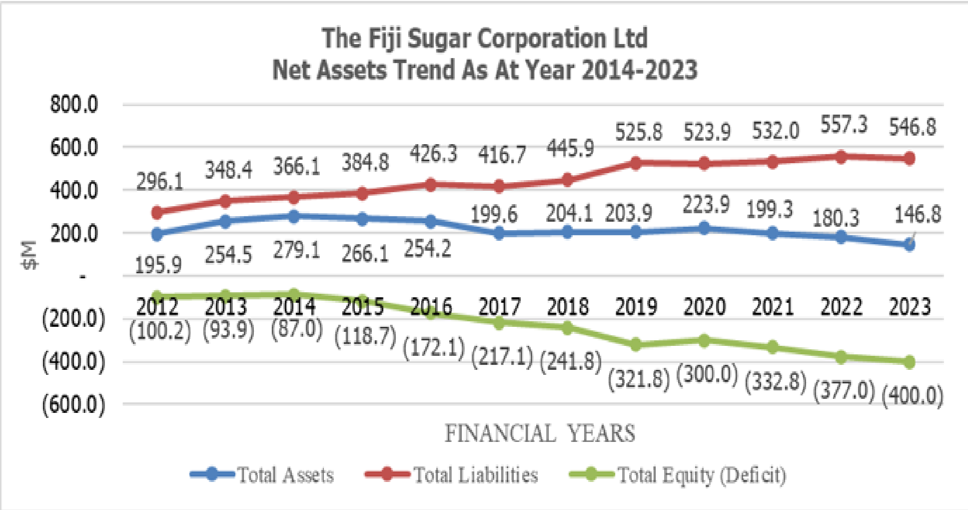
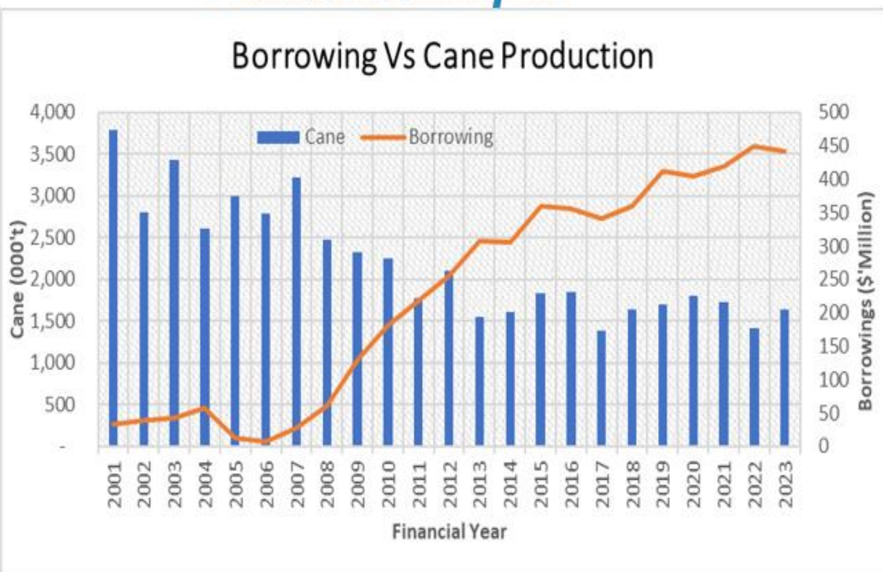
Financial Analysis



Financial Analysis



Financial Outlook for FY2025

2024 Production Targets

- Crop Production – 1.62m tonnes
- Sugar – 151,402 tonnes
- Molasses – 72,900 tonnes
- TCTS – 10.7

Financial Projections

- Total Revenue - $226.7 million
- FSC Share of Revenue - $66.4 million
- Total Operating Cost - $63.3 million
- EBITDA – $19.7 million
- Net Loss - $20.3 million
- **Cashflow shortfall as at 31/05/25 - $124.1 million**

Debt Commitments FY2025

- BSP Loan $50.0 million due in August 2024
- HFC temporary loan of $25.0 million due in September 2024
- Other Loans $23.1 million (FNPF, Bred Bank, FDB and others)

Continued Government Guarantee will be required

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Way Forward

- Increase Area under cane
- Focus on farm productivity
- Effective Ratoon Management Program.
- Joint Ventures, Share Farming, establishment of FSC State Farms,
- Review of Sugar Industry Regulations, i.e., Sugar Industry Act and Master Award;
- Introduce Incentive Programs to motivate farmers to increase cane production.

- FSC is working towards restructuring its current debt

- Targeted investments in sugar mills to increase reliability and improve throughput.
- Efficient Milling Operations to reduce mill breakdowns, improve sugar recovery, implement Good Manufacturing and Hygiene Practices, and enhance sugar quality;
- Implement a Structured Capital Works and Preventative Maintenance Program.

- A robust L&D plan to improve bench strength.
- Competency-based training
- Performance Management Framework.
- Sound HR Practices are in place to ensure FSC remains employer of choice.
- A payroll optimization exercise has been instituted, with specific focus on non-core operational areas.

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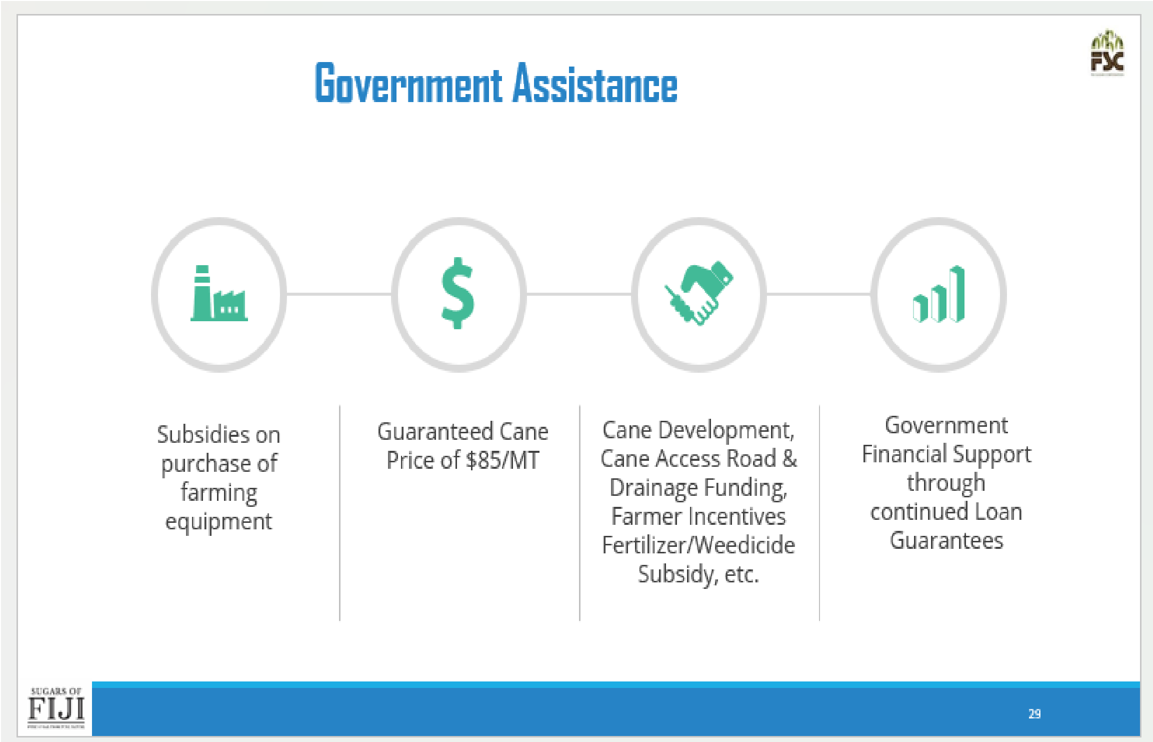
Government Assistance
Subsidies on purchase of farming equipment
Guaranteed Cane Price of $85/MT
Cane Development, Cane Access Road & Drainage Funding, Farmer Incentives Fertilizer/Weedicide Subsidy, etc.
Government Financial Support through continued Loan Guarantees
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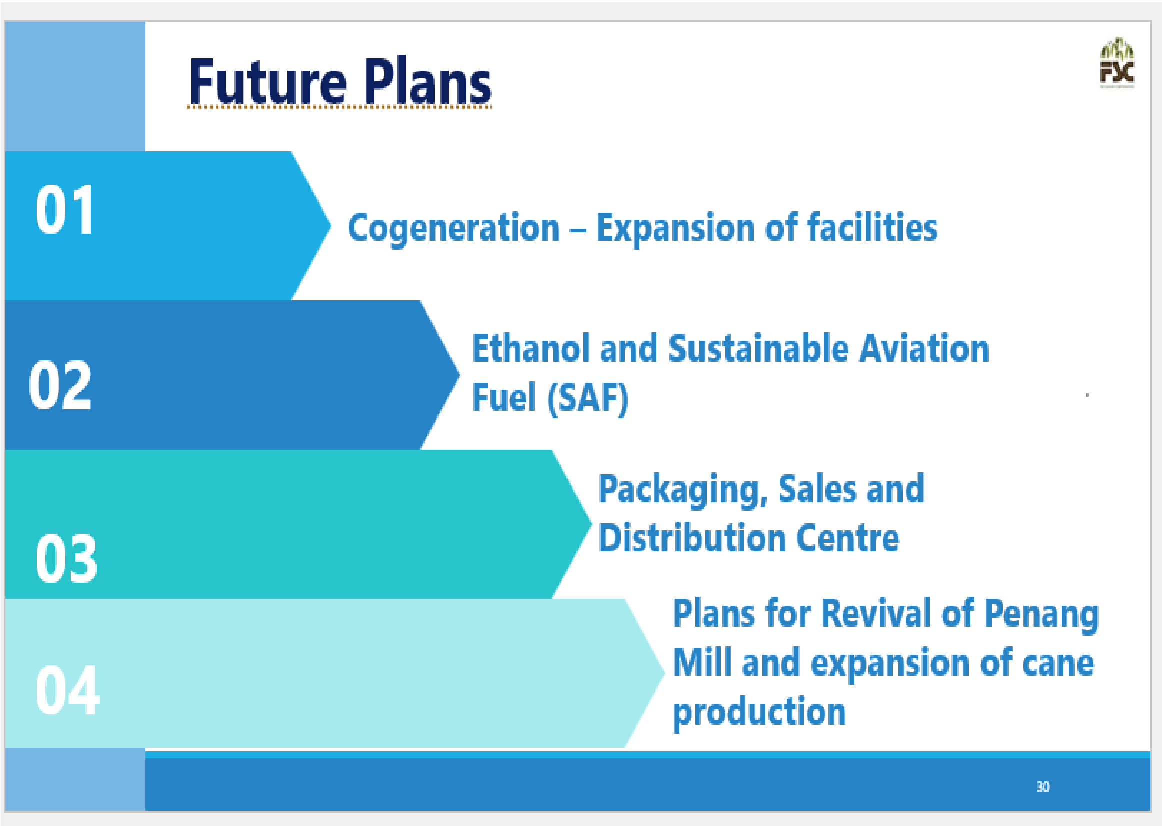
Future Plans
01
Cogeneration – Expansion of facilities
02
Ethanol and Sustainable Aviation Fuel (SAF)
03
Packaging, Sales and Distribution Centre
04
Plans for Revival of Penang Mill and expansion of cane production
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Sugar Industry's Importance
▪More than **200,000 people** estimated to be associated with and dependent on the sugar industry
▪**Largest Manufacturing Organization**
▪Foreign Revenue Source – approximately **$200-250M**
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