



# Media Release

## GOVERNMENT COLLABORATES WITH NFM TO MITIGATE THE IMPACT OF THE INCREASE IN THE PRICE OF FLOUR

**December 30, 2021:-** The Ministry of Trade and Industry (MTI) notes the recent announcement by the National Flour Mills (NFM) to increase the wholesale price of flour.

The increase in prices has expectedly been attributed to increased supply chain costs and substantially soaring commodity prices. NFM has noted that the price of Spring Wheat has moved from as low as US\$5.00 per bushel in 2020, to as high as US\$10.91 per bushel this year (more than 100%). The company has indicated that the landed cost of spring wheat in its silos as at November 2021 is 46% higher than the cost as at January 1, 2021 translating to an increase in cost of TT\$47.5 million dollars using the cost of its last shipment and TT\$64.7 million using today's prices. NFM has also indicated to the MTI that the cost of enzymes, packaging and spare parts has also significantly increased during 2021. The cost of freight in this instance has also increased by more than 110% during 2021.

The increased prices of grain (which is the largest year-over-year jump in prices since the late 2000s) and the rise in supply chain costs are a global phenomenon which has been attributed to a range of factors including the impact of the COVID-19 pandemic on tighter availability and increased demand globally; adverse weather conditions which has resulted in low crop yields and harvesting; and increased costs of agricultural inputs including fertilizers. As a consequence, throughout the world (in both producing and non-producing wheat nations including those in the Caribbean such as Jamaica and Barbados) the price of flour has increased significantly during 2021.

In September 2021, the Food and Agriculture Organization's (FAO) Food Price Index revealed that since September 2020, global food prices shot up nearly 33% in September 2021 compared with the same period the year before (September 2020), reaching levels not seen since 2011.

During Fiscal 2021, the Government implemented several measures to mitigate the impact of rising food prices including:

- i. Zero-Rating of Basic Food Items;
- ii. The Suspension of the Common External Tariff (CET) on Basic Food Items;
- iii. Increased allocation of Foreign Exchange to the EXIMBANK;
- iv. Implementation of a \$500 Mn. Agriculture Stimulus Package;
- v. Strengthening Linkages between Industry and Agriculture to build sustainable food systems; and
- vi. Implementing the Import Substitution of a Selected List of Items.

It is to be noted that the CET (i.e. import duty) on wheat, enzymes and flour additives are already 0% and flour and several related products including bread, roti skins and crackers are currently zero-rated under the Value Added Tax Act. The Government therefore receives no direct revenue from the importation and sale of flour in Trinidad and Tobago. In addition, the Government is constrained by multilateral trading rules in not being able to provide subsidies to state trading enterprises.

It is to be noted that NFM is a publicly listed company on the Trinidad and Tobago Stock Exchange. While the majority of its shares (51%) is owned by the Government of Trinidad and Tobago through National Enterprises Limited (NEL), the other 49% is publicly held and is required to balance the interests of all its shareholders. The company commercially operates in the open market and is not subject to price controls. In addition, NFM operates in a competitive environment and is subject to significant local, regional and international pressures.

The Government urges the Board and Management of NFM to continue pursuing internal initiatives to improve operating efficiency and reduce processing costs in an attempt to further contain expenditure. It is expected that NFM will continue to aggressively pursue grain buying strategies including price options in order to reduce price risks to ensure the most reasonable price of flour which is a staple for most households in Trinidad and Tobago.

Based on discussions between the Ministry of Trade and Industry and NFM earlier today, NFM has reviewed the proposed price increase for Hibiscus Flour, the brand that is used by significant segments of the population, and agreed to reduce the increase of all sizes of this item from 19% to 10%. NFM has also agreed to limit the increase in the retail price of Ibis Flour, its flagship brand, to 17% down from 19%.

While this will affect the company's margins, the company has committed to exploring all possible avenues to see how and where it can eliminate other costs to maintain commercial viability. The MTI has also noted that the company has given a commitment that should the price of wheat fall, it will reduce prices to ensure that consumers benefit from the reduction and continue to get the best value for money.

While flour is the main ingredient in a range of food items, it is not the only one and it is expected that the increase in the wholesale price of flour should not concomitantly translate into a similar increase in the price of final products. In this regard, businesses utilizing flour as the main ingredient in their products as well as supermarkets are requested to constrain any increase in the mark-up of retail prices as far as possible.

The Consumer Affairs Division of the Ministry of Trade and Industry currently monitors the price of all-purpose flour and will continue to closely monitor the increase in the retail price of this item. This information will be published on all of its social media platforms to provide consumers with guidance on purchasing options. Additionally, consumers are urged to take note of the different prices attached to the various brands and packaging sizes of flour.

---

END

---