OPERATIONS REVIEW

PLANTATION & SUGAR MILLING

This segment comprises oil palm plantation and sugar milling activities, which include the cultivation and milling of palm oil and sugarcane, as well as the production of compound fertilisers.

As at 31 December 2022, our total planted area for oil palm stands at 231,697 hectares (ha). Through joint ventures, we own plantations in Uganda and West Africa totalling approximately 54,000 ha. Wilmar also directly manages 36,390 ha under smallholder schemes in Indonesia and Africa, and another 167,999 ha under smallholder schemes through associates in Africa.

In recent years, we stepped up our re-planting programme and thus maintaining the average age of our plantations at a relatively young 13 years. This will support the medium to long-term growth of our plantation operations. Around 60% of the plantations are at the prime production age of seven to 18 years and 24% are at age six years and below.

We operate sugar cane and sugar beet mills in Australia, India, Myanmar, China and Morocco. We are Australia's largest raw sugar producer accounting for more than half of Australia's raw sugar. Each year we crush about 15 million tonnes of sugarcane to make more than two million tonnes of raw sugar. About 80% of the raw sugar we produce is shipped to overseas markets.

We own 62% of Shree Renuka Sugars Limited (SRSL), the leading sugar company in India. SRSL has a cane crushing capacity of 8.5 million MT per annum and ethanol distillery capacity of 1,250 kilolitres per day.

Our associate in Morocco, Cosumar S.A., operates sugar cane/ sugar beet mills and a sugar refinery. Cosumar is the sole sugar producer in Morocco and the third largest in the African continent. In Myanmar, we have a total sugar production capacity of 1.4 million MT and a bioethanol plant. In China, we process sugar beet in Inner Mongolia.

Our Performance

In FY2022, the Plantation and Sugar Milling segment's pre-tax profit improved 1% to US$569.3 million on the back of higher palm oil prices and better performance by the sugar milling operations in India for the first half of the year.

In palm plantations, favourable weather conditions and a better crop profile resulted in higher fresh fruit bunches production across all the Group's plantation regions, with total production growing by 11% to 4.4 million MT and production yield improving 7% to 21.0 MT per hectare in FY2022.

Oil palm plantation in Sabah, Malaysia.

Although sales volume for sugar milling operations decreased by 2% to 3.2 million MT in FY2022, revenue for the business increased by 7% to US$1.30 billion as a result of higher sugar prices. The international sugar price rally as well as our integrated global intelligence and pricing platform enabled us to maximise margins and capture higher sugar prices and record Far-East premium.

Outlook & Strategy

Palm oil production for the industry is expected to be impacted in 2023 due to a reduction in fertiliser application as a result of high fertiliser prices in recent years. With demand projected to recover from further easing of Covid-19 restrictions, higher Indonesia palm oil biodiesel blending and lower raw material prices, palm oil prices are expected to stay elevated.

In India, the ethanol programme which is projected to reach 20% blend by 2025 will continue to reduce sucrose availability. As sugar consumption is forecasted to grow, India is expected to have less sugar available for export to the international market.