



شركة المطاحن العمانية (س.م.ع.ع)  
Oman Flour Mills Company (S.A.O.G)

# Oman Flour Mills Group

A leading group serving the nation since 1977.



## Investor Report

# Content

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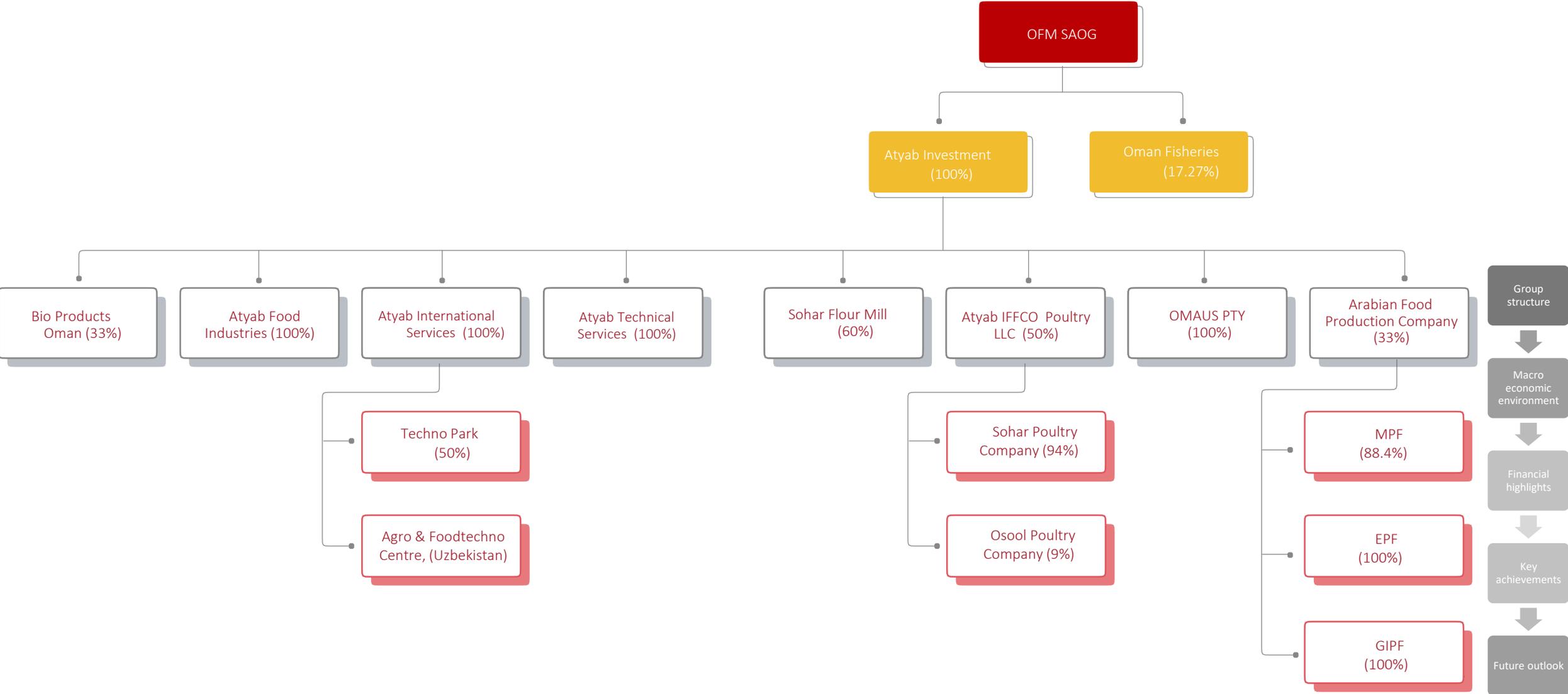
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# Group Structure



- Group structure
- Macro economic environment
- Financial highlights
- Key achievements
- Future outlook

# Macro Economic



## News Flash

- The price of cereals and edible oils fell, as they retreated from the highs prompted by the Russian-Ukraine war. However, overall prices remain 23% higher than June 2021.
- "The factors that drove global prices high in the first place are still at play," said Food and Agriculture Organization chief economist Maximo Torero Cullen.

Ukraine war disrupts global market for grains  
-Financial Times

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August 3, 2022 11:53 AM GMT+4 Last updated a month ago

### Commodities

## Analysis: As wheat prices soar, the world's consumers vote with their feet

By Naveen Thukral and Bernadette Christina

5 minute read

1/2 A detail view of a wheat field in Perwez, Belgium, July 28, 2022. REUTERS/Yves Herman/File Photo

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#### Summary

- Wheat use seen declining as buyers shift to cheaper products
- Rice, corn to replace wheat for human, animal consumption
- Price-sensitive consumers in Asia, Middle East, Africa struggle
- World wheat consumption seen dropping more than USDA forecast

SINGAPORE/JAKARTA, Aug 3 (Reuters) - Global wheat consumption is headed for its biggest annual decline in decades as record inflation forces consumers and companies to use less and replace the grain with cheaper alternatives, amid growing food insecurity.

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### Ukraine and Russia sign 'beacon of hope' food crisis deal

#### Summary

- Ukraine and Russia agree deal to resume grain exports through Ukraine's Black Sea ports
- Russia's blockade of the ports reduced global grain supplies and increased prices
- Food prices on commodity markets fell after news of the deal emerged
- The deal was signed in Turkey, whose government brokered the deal alongside the UN
- UN Secretary General Antonio Guterres calls it an "agreement for the world" and a "beacon of hope"
- He also tells the BBC it's probably the most important thing he's done as head of UN
- Ukraine ruled out signing a direct deal with Russia - both sides signed "mirror" deals

#### Live Reporting

Edited by Owen Amos

21:07 22 Jul

#### Goodbye - and thanks for joining us

We're pausing our live coverage now, so here's a recap of today's main developments:

- Ukraine and Russia have signed what the UN is calling a landmark deal to end the blockage of million of tonnes of grain exports from Ukraine's Black Sea ports
- The deal, brokered by the UN and Turkey, includes a pledge by Russia not to attack cargo ships carrying grain, or the ports they set sail from - while Ukraine in return has agreed to allow the ships to be inspected, to check they're not carrying weapons
- Speaking from Istanbul, UN Secretary General Antonio Guterres said the deal would help ease the global food crisis, while Turkey's President Recep Tayyip Erdogan said it would "hopefully revive the path to



# Macro Economic

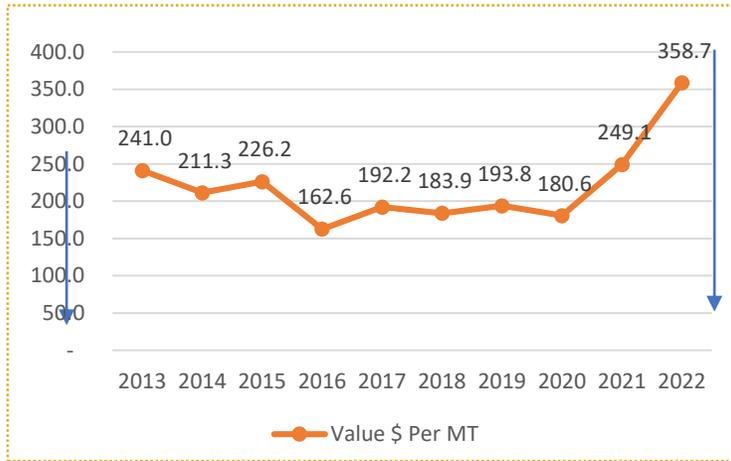


- Impact on OFM's operations
- OFM grain baskets average price moved closed to 24% compared to 2021.

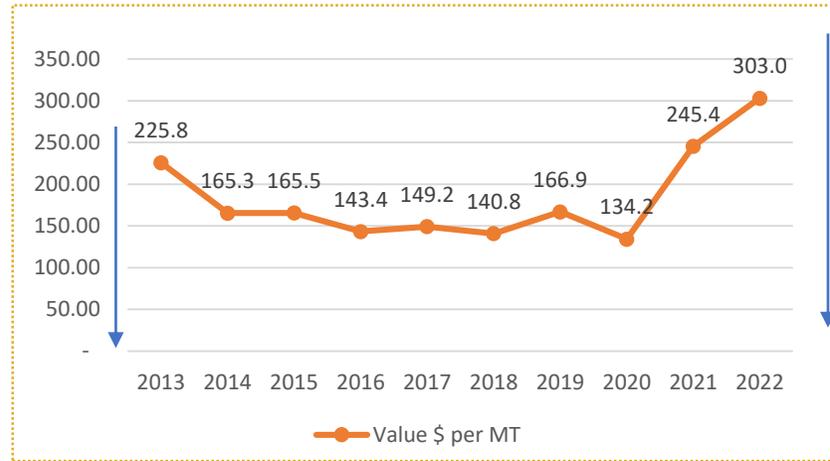
Commodity	Variance	Impact
	%	USD,000
CWRS	41%	12,172
APW	30%	10,454
Milling Wheat	21%	24,712
Corn	34%	29,281
Barley	33%	22,711
SBM	-21%	(9,506)
WBC/P	30%	11,048
<b>Total</b>	<b>24%</b>	<b>100,872</b>



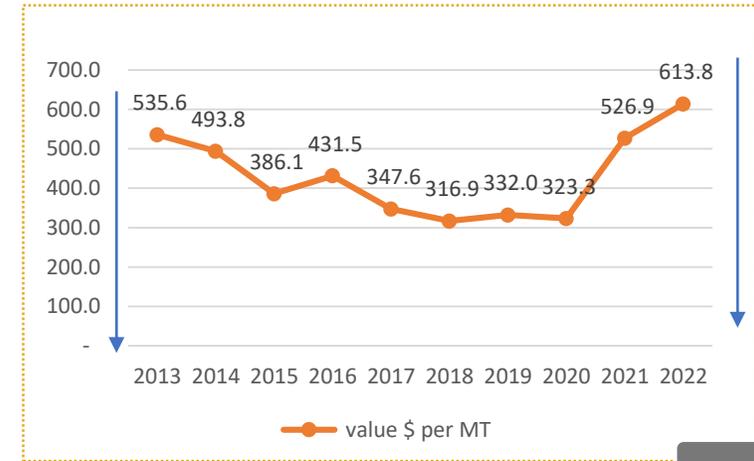
# Grains & Oilseeds Price



 **Wheat**



 **Corn**



 **Soybean**

- The X axis indicates the years
- The Y axis indicates the prices in USD

- Wheat - 2022 uptrends in price is visible which is due to the Russian Ukraine war, *Source: [algebris](#)*.
- Price of corn hits 9-year high as surge in commodities continues, *Source: [cnbc](#)*
- Soybean - 2021 July onwards uptrends in price is visible which is all time high now since 2012, *Source: [IGC](#)*



# Grain's Price Increase Drivers



- The main suppliers of Grains & Oilseeds are having supply constraints due to production cuts.

## Supply Shortage



- (Leading factor of price upward movement)
- Persistence dryness impacted wheat, Corn and Soybeans production

## Weather



- War in Ukraine initiated by Russia in late February.
- Russian control over food supply
- US-China Trade dispute & balance

## Political Reasons



- Oil prices settled at a three-year high
- Russia's invasion of Ukraine at the end of February sent a fragile energy market reeling
- Switch to biofuel crops will limit the supply of wheat for food Corn and Soybeans are the most volatile and weather-sensitive grain products

## Energy Price



# Financial Information



## Parent Company Results

Amounts in Omani Rials

Particulars - OFM (000)	YTD till June 2022	YTD till June 2021	Variance	Change %
Revenue	47,461	38,950	8,510	22%
Cost of Goods Sold	(44,014)	(30,670)	13,344	(44%)
Operating Profit	562	5,974	(5,412)	(91%)
Profit Before Tax	1,114	6,528	(5,414)	(83%)
PAT Margin %	2%	17%	-15%	(82%)
EPS – RO	0.016	0.07	(0.054)	(77%)
Headcount	270	260	10	4%

- Profit before tax has declined in the year 2022 due to the increase in the Cost of raw materials.



# Financial Information



## Group Results

Amounts in Omani Rials

Particulars - OFM (000)	YTD till June 2022	YTD till June 2021	Variance	Change %
Revenue	57,576	48,632	8,944	18%
Cost of Sale	(51,298)	(37,091)	14,207	(38%)
Operating Profit	1,104	6,466	(5,361.33)	(83%)
Profit Before Tax	1,138	6,233	(5,095.55)	(82%)
PAT Margin %	2%	13%	-11%	(85%)
EPS – RO	0.011	0.067	(0.06)	(90%)

❖ Financial Performance comparison of the group, between the current year and the previous year

- The current year incurred an increase in revenue of 8.944 M
- The profit before tax is declined by 5M, directly affected by Cost of raw materials that increased by 38% as compared to 2021.



# New Products Launched



# New Projects



Pre-Mix  
Manufacturing



Feed Mill Expansion



Mini Factory Cluster



Australia Direct Sourcing



Cornstarch wet milling



Local Bakeries



# Innovation and Niche Products



## 1 Water Lentils

- Water Lentils can be cultivated in Oman. This cultivated plant has very high protein content and can be used as a soybean meal replacement in animal feed. In addition it can be used in Nutraceutical, Pharmaceuticals and FMCG products
- Protein content ranges from 45% to 48%



## 2 Insects

- Black soldier fly larvae to be used to manufacture protein meal.
- 1 MT of mix substrate will produce
  - 35 Kg Insect Flour
  - 16 Kg of Fat
  - 260 Kg of Fertilizer
- Insect Meal will have a protein ranging from 42% to 60%



# Innovation and Niche Products



## 3 Azola

- Azola “green gold mine” is an excellent nitrogen fixer in lands making it an ideal bio-fertilizer and improves the nutritional status of soil.
- It reduces weed growth in fields.
- In appearance it looks very much similar like water lentils.
- Besides a bio-fertilizer, it can be used as animal feed, human food, a medicine and a water purifier.
- It can be offered fresh as is or dried to animals.
- It has about 25-28% protein on dry basis.



## 4 Spirulina

- Spirulina is a cyanobacteria derived from blue green algae
- Dried can be used in pill or powder
- Sometimes combined with plant-based protein powder in small amounts
- It is high in nutrient contents like protein, vitamins, essential fatty acids, amino acids and minerals considered as alternate food for vitamin supplement.
- It contains approx. 60-70% CP on dry basis.



# Thank you



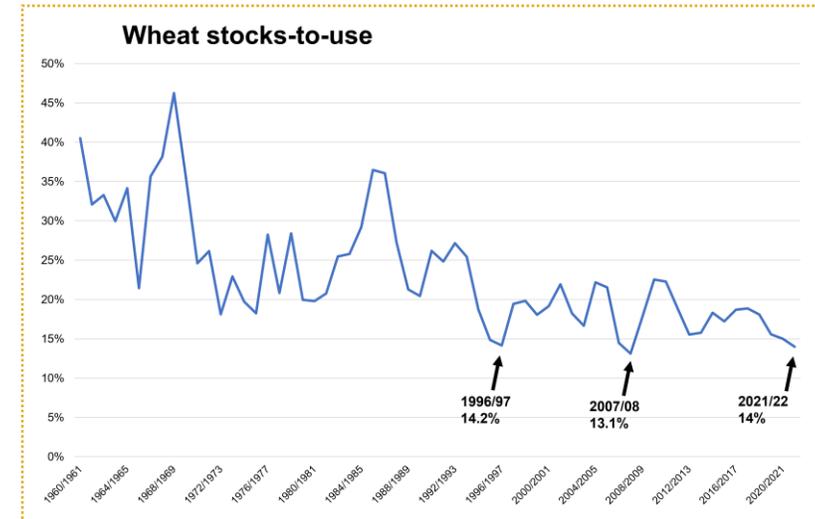
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# Grain's Price Increase Drivers



## Supply Shortage

- Russia's unprovoked invasions of Ukraine sent already bullish wheat futures prices soaring earlier this year.
- Russia and Ukraine are at the top of the grains producers list in the world. The first grain vessel since February left Ukraine since Russia's invasion on 1<sup>st</sup> of August.



## Weather Events

- The world is expected to see a significant rise in the frequency, duration, and intensity of extreme weather events.
- The rise in the frequency and intensity of severe weather events around the globe, as well as crop diseases and pests due to climate change, could also have an impact on global grain prices.



# Grain's Price Increase Drivers

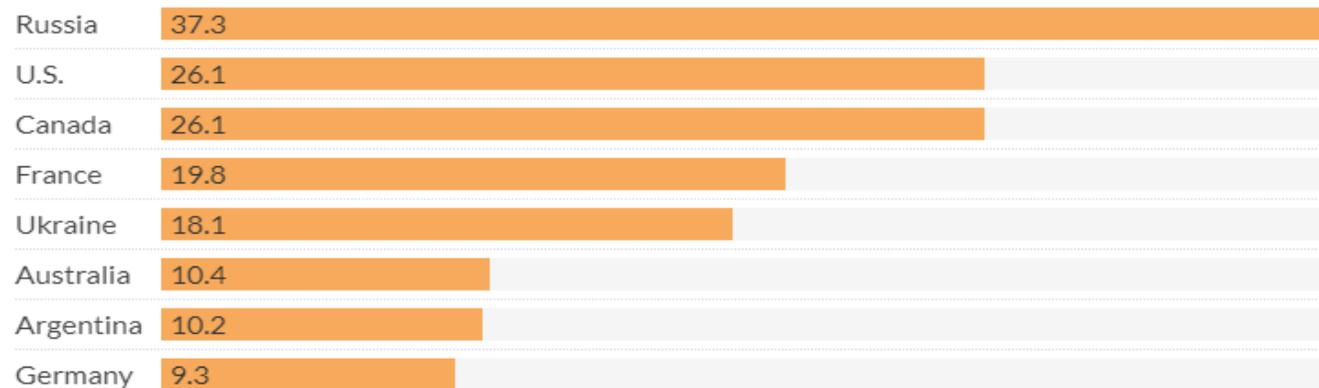


## Political & Economic Landscape

- Russian incursion into Ukraine caused disruptions in the wheat trade
- US-China Trade dispute & balance
- Russian control over food supply
- Growth of Income in Developing & Emerging economies

### The world's largest wheat exporters in 2020

Total export in millions of tons



Together, Russia and Ukraine accounted for over a quarter of the world's wheat exports before the start of the war.

Source: UN Comtrade database



# Grain's Price Increase Drivers



## Energy Price & Policies

- Oil prices settled at a three-year high boosted by forecasts of a supply deficit in the next few months.
- Energy is becoming one of the main causes of inflation, which means a sustained, generalized increase in the prices of goods and services in an economy.
- Switch to biofuel crops will limit the supply of wheat for food and this fall in supply will push up prices.

