FGV in the Black, Riding the Momentum

Felda Global Ventures Holdings Berhad (FGV) has returned to black in the second quarter ended 30 June 2016 registering revenue of RM4.14 billion and profit before tax and zakat RM108 million compared to a loss of RM70 million in the first quarter.

FGV's fresh fruit bunches (FFB) production has increased by 38% to 1.08 million MT (Q1 2016: 700,000 MT) which has contributed to higher crude palm oil (CPO) production by 36 % to 0.66 million MT (Q1 2016: 0.49 million MT). Its palm oil mills have also recorded better average utilization rate at 60% compared to 45% last quarter.

The implementation of various upstream improvement initiatives has shown notable impacts by way of 35% increase in FFB yield/ha at 3.97 MT/ha (Q1 2016: 2.94 MT/ha) and 9% reduction in average CPO production cost (ex-mill) compared to preceding quarter.

FGV's replanting programme has to date recorded 14,000 ha of felling and 2,307 ha of replanting – on track to achieve the targeted 16,000 ha this year. On the sustainability front, FGV RSPO mills re-certification plan has gained traction with targeted 16 mill complexes this year and commencement of smallholders engagement through roadshow and training programmes.

Group President and Chief Executive Officer, Dato' Zakaria Arshad said; "We had initiated a number of corporate and operational initiatives under our transition plan in the second quarter which have shown positive outcome just in this second quarter. We have identified several areas of opportunities as low hanging fruits, while others may take longer to be realised.

"These positive outcomes were great achievements by all parties involved. We need to celebrate and recognize them, but at the same time remain focused and build on the momentum moving forward. We will continue our focus in strengthening the core business, optimising existing assets, reducing costs and expanding our market reach to boost earnings," he said.

Dato' Zakaria also stressed on possible divestment of non-core businesses as well as rationalization of several palm oil mills and rubber assets in the group's effort to unlock values and improve financial position, some would be concluded by end of this year.

"In this quarter, we have reduced our administration cost by 14% quarter on quarter (QoQ) and 12% compared Q2 2015 through comprehensive austerity measures implemented through-out the organization. In addition, our effort to streamlining several internal functions and restructuring resources will allow us to achieve economies of scale and better cost controls in the long term.

"Our annual target to reduce RM100 mil administration cost remains on course and everyone is committed to achieve it. Will great team work, nothing is impossible," Dato'

Zakaria said.

The CPO spot price for last week touched RM 2,833, an all-time high this year due to the restocking in China and expected demand increase in India ahead of Diwali festival.

"Rising commodity prices have provided optimism to the plantation earnings outlook and we are in a good position to take advantage of the general tightness in supply," he added.

For more details of the report, please contact FGV Corporate Communications.