

# Annual Overview 2016



**AMATHEON AGRI**

Growing value.



# Annual Overview 2016



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# CEO Statement

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Despite challenging conditions, 2016 was a progressive year for the Amatheon Agri Group - bringing the company one step closer to realizing its vision of a leading farming and food player in Sub-Saharan Africa. Our farming activities diversified and expanded, trading activities were streamlined and up scaled, new infrastructure was established and operationalized, and our meat companies further merged and were rebranded.

Following a USD 25 million investment in 2015, the two new dams in Zambia began filling – though did not reach water storage targets due to the significant impact of El Nino in the region. Despite the short-term effects, these dams are the foundation for the future growth of our irrigated farming operations.

In Uganda, Amatheon executed its strategy of decentralization by establishing independent farm hubs to more efficiently manage our wide-spread operations. New executives came onboard to contribute vast experience in terms of management and finance. Though weather extremes continued to be a challenge, we saw positive results from trials of new varieties and crops such as green gram.

In Zimbabwe, we achieved a major milestone by forming a long-term partnership with the Agricultural Rural Development Agency (ARDA). Our Memorandum of Understanding (MOU) is to develop up to 10,000 hectares of state land - reinforcing our long-term plans for Zimbabwean operations.

As we improved our large-scale farming operations, we simultaneously increased our trading relationships with small-holder farmers. We traded over USD 3 million worth of crops and livestock through a larger network of rural depots in Zambia and Uganda, and began promoting higher-value crops such as cow peas, groundnuts and sunflower.

Another key success was the rebranding of the Real Meat Africa Company. All companies are now firmly established under one umbrella and operate from a shared office – thus increasing revenues, lowering structural costs and enabling a new company culture. We anticipate growth in 2017 as the exchange rate stabilizes, inflation decreases and market confidence in Zambia strengthens.

In 2016, the Group faced cash shortages which severely impacted the ability of the businesses to expand in line with our initial business plans. As a result of this, however, all Group entities were able to shed overhead costs, making them lean and more efficient operations.

The year was challenging on all fronts – not least weather extremes caused by the El-Nino phenomenon which impacted our yields and bottom-line. However, the Group remains motivated and dynamic, and continuously works on adaption strategies by testing new seed varieties, diversifying the crop portfolio and improving operational management. The medium and long-term outlook for farming and food in Africa remains undisputed, and we are confident we have laid solid foundations to reap what we have sown.

I would like to take this opportunity to thank the wider Amatheon team – staff, investors, governments, cooperating partners, suppliers and community members – for supporting our journey and actively playing their part in bringing our vision into reality.



Carl Heinrich Bruhn

# Amatheon Agri at a Glance

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## Core Competencies

### 1. Farming



### 2. Trading



### 3. Food



Amatheon Agri is a European agri-business and food company, headquartered in Berlin and operating in sub-Saharan Africa. Focusing on farming, trading and food processing, Amatheon integrates its activities along the agricultural value chain. As a triple-bottom line company, Amatheon acts as an anchor-investor in rural areas to uplift neighboring communities economically, socially and environmentally.

Its combination of international expertise with local Africa know-how, and a long term vision with a sustainable approach, makes it set to become a leading player in the African agri-sector.

Founded in 2011, Amatheon established its subsidiaries in Zambia in 2012, Uganda in 2013, and Zimbabwe in 2014. During this short timeframe, Amatheon has proven its business model and demonstrated its ability to build large, replicable, scalable platforms – in both farming and food processing.

Investments in infrastructure accompanies operational excellence and with over USD 100 million invested in its operations so far, Amatheon believes that the key to unlocking sub-Saharan Africa's vast agricultural potential is combining world-class farming techniques, partnerships with smallholder farmers, and vertical value chain integration.

4. Sustainability



5. Scalability



# Farming

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ZAMBIA  
UGANDA  
ZIMBABWE







# Zambia

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Zambia's 2015/2016 agricultural season was significantly affected by the El Nino phenomenon – the onset of rains was delayed and the average rainfall was 40% reduced. In light of such weather extremes, the length of the growing season, crop germination and potential yields were negatively affected. Furthermore, the inadequate rainfall meant that the new dams were insufficiently filled so the farming operations depended on boreholes. These circumstances reduced planting capacities and left potential unexploited.

However, during this period Amatheon drew valuable insights on the performance of newly established fields and strengthened top and middle management. The first harvest of Katonga Farm Limited – a Joint Venture with Toyota Tsusho Corporation - was successful in 2016, with wheat yields reaching targets and maize and soya slightly under. The company further strengthened back-office synergies, constructed an on-site store and workshop, and re-evaluated the variety selection to plant in the 2016/2017 season. Planting for the upcoming season was achieved in a timely manner and the planted area increased by 16%.

Besides the company's traditional crops of maize, soya and wheat, in 2016 Amatheon stepped into higher-value crops such as groundnuts and sugar beans. Trials were successful and yields were promising in certain areas. As a result, new groundnut equipment was installed and the company is increasing groundnut production in 2017 to leverage these learnings and realize greater revenues.

Livestock operations also expanded, increasing the cattle herd by more than 50% - especially breeding cows and steers. Improved management personnel and structures have bred confidence in expanding the feedlot and have improved the quality of the company's herd.





## Sustainable Development

Amatheon's sustainable approach is an integral part of the company's conduct and self-understanding. Prioritizing responsible and inclusive business practices is a competitive advantage as it yields trust and strengthens relations between the company, surrounding communities and the political ecosystem. In July, Amatheon was proud to receive an environmental award from the Zambian Environmental Management Authority (ZEMA) in recognition of these efforts.

In January, Amatheon inaugurated an Environmental Community Sustainability Committee comprising of various members of the community, local government and company, with an aim to ensure consistent and effective communication between the parties. Through these meetings, the newly created platform discusses operations, social projects, grievances and any other issue in a transparent and collaborative manner.

During the year, Amatheon increased the size of its Outgrower Programme which now includes almost 8,000 smallholder farmers. These farmers received free trainings in Conservation Farming and business education, which help to improve their yields and generate additional income to reinvest into their businesses. Through a network of rural trading depots, farmers are able to buy inputs and sell their grain and livestock to a market with fair prices and accurate scales. A new partnership with the UN World Food Programme (WFP) was established, whereby Amatheon introduced cow peas into its buying basket and aggregates them for WFP to supply the national Home Grown School Feeding Programme. Looking ahead, the company will shift greater focus on diversified and higher-value crops such as cow peas, groundnuts and sunflower, and recently introduced a Seedbank where farmers can receive seed loans for these crops.



Former Minister of Agriculture and Livestock, Honourable Given Lubinda, visits Amatheon Agri Zambia's stand during the Agritech Expo Zambia in April.



The Environmental and Community Sustainability Committee was inaugurated in 2016 as a two-way communication channel between Amatheon and its neighbours.

Water in the new dams during the 2016/2017 season



# Uganda

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In 2016, Amatheon operationalized its new decentralized management structure, whereby three independent hubs farm their surrounding land and use the main office for backend support. During the year, operational hectares grew by 11% - maintaining the company as one of the largest grain producers in the country.

In general, this year's yields were some of the best results since the company's inception - a positive sign following trials with new varieties and follow-up soil surveys - however market prices dropped thus resulting in lower revenues. In addition, El-Nino affected northern Uganda with shorter rain seasons and dry spells.

Specifically, rice yields saw significant improvement mainly due to speedy processing of grain on site, increased fertility of soil and ideal selection of seed varieties. New crops like green gram (alternatively known as mung beans) were introduced into the cropping cycle and yielded promising results - thus providing solid grounds for future expansion in a higher revenue segment. Planting green gram is an additional natural asset to the soil fertility as it binds nitrogen, thus adding nutritional value to subsequent crop rotations. Globally, green gram is in high demand as a lean source of protein.

During the year, Amatheon upgraded its grain handling facilities; civil works for a drier and cleaner slab extension, new reception pit and drive-over grid were completed. In addition, wet bins and bucket elevators were procured and installed, resulting in an increase in the speed and efficiency of the grain handling process. Furthermore, staff housing was erected and additional security structures were put in place.



## Sustainable Development

In 2016, Amatheon signed a new partnership with a local hospital to provide medical services to 14 villages in Nwoya District. During quarterly health outreach days, a mobile health unit comprised of medical professionals, equipment and medication is being dispatched to communities neighboring Amatheon Agri's farm, to cover the most pressing health needs. These include Hepatitis B, Malaria, HIV/AIDS and Sexually Transmitted Diseases. So far, 300-400 people have benefited by being screened, tested, educated and provided with respective medication through this health intervention.

Furthermore, Amatheon partnered with the Agricultural Business Initiative (aBi) Trust to further develop the Outgrower Programme over the next two years. Since inception of the Programme in 2015, more than 1,500 farmers have received free trainings in Conservation Farming and business education. This helps to improve agricultural productivity and financial literacy, both of which are crucial to overcome subsistence farming and gradually poverty in rural areas. Amatheon also works with a NGO, ZOA International, on market linkages.



Women participating in training for Outgrowers in Uganda. Free training in Conservation Farming and Farming as a Business allows rural communities to increase productivity while Amatheon's purchasing opportunities grow proportionally.



Amatheon Agri and Anaka Hospital team up to boost community health in Nwoya, Uganda, through Health Outreach Days in rural areas.



Uganda's Prime Minister visits Amatheon Agri in October 2016 and promotes Nwoya District as an agricultural hub for investors.



Amatheon Agri CEO, Carl Heinrich Bruhn, signs a Memorandum of Understanding with the Agricultural and Rural Development Agency (ARDA) in Zimbabwe.

# Zimbabwe

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Amatheon commenced farming activities in Zimbabwe in 2014 with 880 hectares of maize through partnerships with local titleholders. The country's high agricultural productivity, well-developed infrastructure and skilled labour force make it one of the most promising countries for agricultural growth in southern Africa. Since inception, Amatheon has continuously monitored opportunities to scale up in farming and value chain integration activities such as livestock, meat processing and milling.

In 2016, a major milestone was reached through a new partnership with Zimbabwe's Agricultural Rural Development Authority (ARDA) – which shares a similar vision for agribusiness and need for long-term commitment to the country's agricultural redevelopment. The parties signed a Memorandum of Understanding whereby Amatheon can develop up to 10,000 hectares of state land; ARDA commits the land and existing infrastructure for Amatheon to operate and execute its farming expertise. This MOU is the basis for developing a model of German-Zimbabwean cooperation that includes educational facilities to ensure the best talents of both countries engage in knowledge transfer and an enriching intercultural exchange.

Amatheon considers this partnership with ARDA the backbone of its expansion strategy as all relevant stakeholders are aligned on the way forward. Amatheon is now ready to play an important role in Zimbabwe's agri future and capitalize on its first mover advantage.

# Trading

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In 2016, Amatheon significantly expanded its trading portfolio and volumes in Uganda and Zambia. Over 13,000 metric tonnes of grain were purchased from smallholder farmers, with maize, soya and rice comprising the majority of acquired crops, but also including new high-value crops such as groundnuts, sunflower, cow peas and vanilla.









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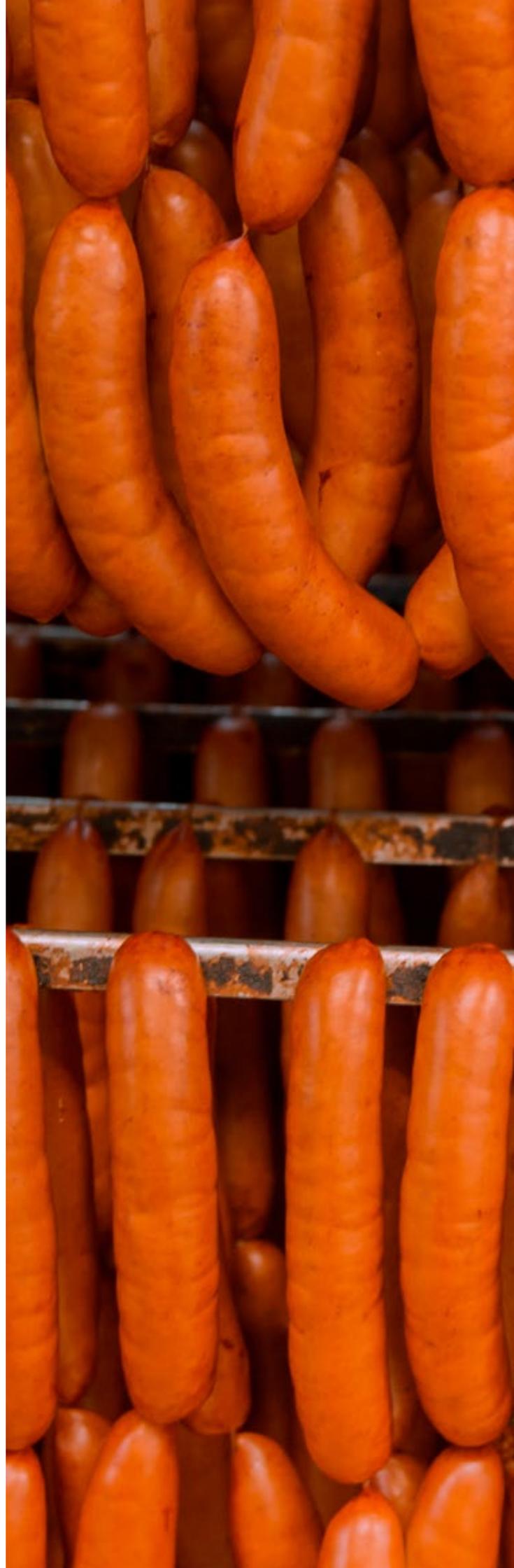
In Zambia, trading operations were significantly scaled up by increasing the number of rural depots from 10 to 40, and purchasing around 10,000 metric tonnes of grain – double the volume of the previous year. In Uganda, the number of rural depots increased from 4 to 11 - all strategically located for maize, soya and rice purchases. In addition to purchasing over 3,000 metric tons of crops, Amatheon also leased large warehouse in Gulu - Uganda's second largest town. This warehouse comes with a capacity of 6,000 metric tonnes and is equipped with drying, grading and cleaning machinery. For the first time, Amatheon trialed trading and exporting vanilla to Russia, while key off-takers for maize and soya were the UN World Food Programme and a Rwandese processing company respectively.

Through this increased focus on trading in 2016, Amatheon streamlined and professionalized its internal processes and procedures to more effectively manage its complex network of farmers, depots and grain. Mobile money payments were introduced to minimize security risks and reduce pressure on staff. This year's experiences have created appetite for additional efforts in the future – especially in terms of value addition in both countries.

# Food

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A new office building now hosts all companies under one roof and allows them to maximize efficiencies, merge back-offices, reduce overheads and create a new company culture that drives motivation and a mutual vision. Alignment and communications across entities boosts awareness among employees about the consolidation and brings respective teams closer together to function as a unified company, while executing the most cost-effective model.

During the year, the Real Meat Africa Company improved its management structure by introducing two separate divisions within the company. The Customer Sales Division encompasses all branded products that are sold in major outlets such as Shoprite, Pick n Pay, Spar and Choppies as well as grocery stores and smaller shops. The consumer brand is well known across Zambia and is supplied to the majority of supermarkets in the country. The Professional Service Division exclusively supplies fresh meat to in-store

butcheries of Pick n Pay, as well as providing fresh products to hotels, lodges and other butcheries. During 2016, five new Pick n Pay stores opened including in-store butcheries - resulting in 17 in-store butcheries country wide - an increase of 41%.

To address the low-income customers, a new type of Hungarian sausage was trialed and showed promising potential for roll-out in 2017. For high-value products on the other hand, dry ageing fridges were purchased and will be installed in premium stores. The Real Meat Company Africa is the only company to operate dry ageing fridges in Zambia, thus a unique selling point to the value addition of the company. Beef which undergoes dry ageing acquires an exceptional aroma that is expected to impact the marketing and sales of high value products in 2017.

## Animals Processed

Cattle



----- 22,360

Pigs



----- 31,200

## In-store Butcheries



----- 17



*A delegation from Toyota Tsusho Corporation visits the new office of the Real Meat Africa Company in Lusaka.*



# People

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Recognising that its success relies on the caliber and capabilities of its staff, Amatheon aims to attract, motivate and retain the best talent by being an inspiring, supportive and rewarding employer.





# Breakdown of staff by company, location, status and nationality by December 2016:

Company	Total Employees	Expats	Nationalities	Casuals
Amatheon Agri Holding N.V.	19	7	Australian 2	103
			Russian 2	
	Dutch 2	Swaziland 1		
	German 12	UK 1		
Amatheon Agri Zambia	191	7	South Africa 4	103
			Zimbabwe 1	
	UK 1	88		
	Swaziland 1		15	
Katonga Farm Limited	31	1	South Africa 1	18
			Casuals: 18	
	Expats: 1	-		
	Nationalities: 3	-		

Total Employees

 1,173

Total Expats

 30

Male vs Female Ratio

Male  980

Female  193

Amatheon Agri Uganda

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Total Employees:

104  84  20

Expats: 5

Nationalities:

- Canadian 1
- Irish/Zimbabwe 1
- South Africa 1
- Kenyan 1
- Zimbabwe 1

Casuals:

143  126  17

Amatheon Agri Zimbabwe

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Total Employees:

4  1  3

Real Meat Africa Company

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Total Employees:

538  433  105

Expats: 10

Nationalities:

- UK 1
- Irish 2
- South Africa 5
- Italian 1
- Zimbabwe 1

Casuals:

22  14  8

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