

Agra attains top return in difficult market

The Co-operative again attained positive results for the financial year ended 21 July 2002. The actual surplus exceeded the budget by N\$ 3,8 million. The Livestock Division experienced growth of 29% in both turnover and gross profit, whilst the Trade Division witnessed a respective 15% and 14% increase.

The Co-operative reports an operating surplus before tax of N\$ 5,892,202 compared to a surplus of N\$ 7,4 million in the previous year. This comparison includes a once-off subsidiary investment of N\$ 2 million and non-recurring investment income of N\$ 0,6 million. Thus, a comparison of 2002's surplus of N\$ 5,9 million and 2001's N\$ 4,9 million, indicates an increase of 20% in net income during the financial year.

For the second consecutive year, the Board of Directors has declared a bonus to the amount of N\$ 5 million, which is transferred to members' funds.

The Chairman of the Board, Mr. James Chapman, has labelled the results of the financial year as an exceptional achievement in light of the current circumstances, emphasising that profit alone is no benchmark for success, but that Agra is furthermore evaluated on social responsibility criteria. "Many contributions have been made in the year under review via sponsorships, information sessions, involvement in agriculture and social events of importance to our members." "In addition, the influence and impact of our behaviour on the environment has increasingly come under the spotlight. In the future, Agra will therefore have to focus on this aspect with a greater sense of responsibility."

According to Mr. Chapman, Agra will always be evaluated by the member according to what happens at its branches. "Our service and the availability of stock must thus remain a continuous high priority." He continued in his report that the management of Agra is vested in capable hands. "The sustained responsible investment of funds, time and energy in information technology, business systems and recruitment and training of staff will undoubtedly bear great fruits in the future. I am furthermore convinced that our aim for better performance will become our organisational culture."

Mr. Chapman's vision for Agra is to establish a code of ethics to delineate between acceptable and unacceptable behaviour for the organisation. All stakeholders - from members to directors - will be able to promote the name and reputation of Agra. "Here we will need to strive for a balance between ideals and intentions on the one hand and what is practicable on the other.

The Chief Executive Officer of Agra, Mr. Peter Kazmaier, reported as follows on the various activities of the co-operative:

LIVESTOCK

Gross value of livestock transactions for the year under review (excluding karakul pelts and wool) amounted to N\$ 437 million compared to N\$ 330 million in 2001. This represents an increase of 32%. Net turnover achieved in this category totalled N\$ 19,0 million compared to N\$ 14,7 million in 2001, an increase of 29%. Growth in this division was achieved primarily through Agra's Livestock auction business and the increase in the unit price of livestock during the year.

KARAKUL

Pelt quantities offered for sale at the two auctions in Copenhagen during December 2001 and June 2002 amounted to 112,652 pelts, representing a 7% increase in comparison with the 105,496 pelts sold in the financial year ended July 2001. The pelt price increased from an average of N\$ 184.94 in the previous financial period to N\$ 209.13 in the year under review, an increase of 13%.

Agra's Pelt Centre was again unable to break even with a loss of N\$ 90,000 (2001: N\$ 213 000). This is primarily as a result of lower than anticipated turnover in both wool commission

and pelt sorting fees received as also an increase in administrative costs. We are convinced that this division will be profitable in the new financial year.

TRADE

Total group turnover amounted to N\$ 287 million in the year under review compared to N\$ 249 million in 2001. This represents growth of 15.3%

AGRA RETAIL BRANCHES

Turnover increased by 17.6% compared to the previous year. This must be seen against the background of fierce competition in the Namibian retail sector and a stagnating economy. Gross margins were again under pressure, especially in the fuel sales department, which contributes 17% to Agra's branch turnover.

We are therefore pleased to report a Retail Division surplus before head office overhead costs of N\$ 7,0 million, compared to N\$ 4,4 million in the year 2001. This represents an increase of 59% achieved by effective resource utilisation, improved information technology, notwithstanding a dramatic increase in losses incurred as a result of theft and fraud.

WHOLESALE

This division comprises the Agra Distribution Depot and (until February 2002) the gas depot in Okahandja. Turnover remained stable compared to the previous year with net surplus increasing by 28% to N\$ 1,35 million before head office overhead costs.

SAFARI DEN

Turnover increased by 5% compared to the previous year and, whilst results do not meet expectations, we are confident that with a new management structure in place since February 2002, this division will contribute positively to Agra's overall performance in the year 2002/2003.

PROPERTIES

Compared to the previous year, rent received increased by 12.5% to N\$ 9,2 million for the year under review.

Auas Valley Shopping Mall receives constant attention regarding the retention of current tenants as well as the placing of new tenants.

Specific marketing initiatives are planned for the new financial year with special emphasis on increasing the traffic of people through the mall.

This division attained an operating surplus before head office overhead of N\$ 2,2 million in the year under review.

SUBSIDIARIES AND ASSOCIATED COMPANIES

WIRE INDUSTRIES / STAR PLASTICS

During the year under review the restructuring process, which entailed placing both companies under one management team, was completed. The benefits of the process will be evident during the next financial year, particularly as current results already indicate a promising return to profitability for both companies.

OTHER INVESTMENTS

LUMLEY/AGRA FARMERS INSURANCE BROKERS

This company, in which AGRA has a 50% shareholding, performed well with a 9% increase in turnover while management fees received by Agra remained virtually constant at N\$ 330,000 for the year.

CONSOLIDATED SUGAR INDUSTRIES

Whilst this company faced stiff competition in the market, it remains the largest contributor to Agra's investment income even though dividends received declined compared to the previous financial year.

FARMERS MEAT MARKET HOLDING (FMMH)

During the year under review the Co-operative exercised the option to purchase 1,363,636 shares at N\$ 1,10 per share in FMMH. Representing 22% in FMMH, these shares were purchased in September 2002. Agra now holds an effective 15,0% in the company.

FMMH performed satisfactorily for the year ended 30 June 2002 and prospects are promising that results for the coming year will improve considerably.

AGRA HEAD OFFICE

Total head office expenses increased by 13% compared to the year ended 31 July 2001. Notable increases include the following:

Information Technology: As indicated in the previous year's report, Agra commenced with the development and implementation of a completely new computer system, including the upgrading of most of our computer hardware and the installation of new software. This increase IT costs by 50% compared to the previous year and corresponds with Agra's information technology strategy.

Marketing: In the perpetually increasing competitive environment in which AGRA operates, more resources were allocated to the marketing function, increasing the amounts spent from 0,04% of gross turnover in 2001 to 0,13% in 2002. In line with Agra's marketing strategy this department will receive greater attention in the new financial year.

All other head office cost centres have increased in line with, or below, the inflation index.

FUTURE OUTLOOK

There appears to be a definite tendency in the commercial farming community to keep new investments in farming infrastructure to a minimum. As this market segment still constitutes the biggest share of Agra's turnover, it will definitely impact negatively on our results in the coming year.

The retail market in Namibia is becoming inundated with continuously increasing competition, which can deductively place gross profit margins under pressure.

It is also a fact that with higher fuel prices and a general increase in the inflation rate, the disposable income of consumers is declining.

Taking the abovementioned factors into account, Mr. Kazmaier predicts a difficult trading year ahead, with a lower net surplus than attained during the current year.

Mr. Kazmaier provided the assurance that training and development of staff, particularly in managerial and client services capacities, remains a continuous process receiving high priority. "Rest assured that everything that we as management strive to achieve, is ultimately intended to create wealth for you, the members", concluded Mr. Kazmaier in his report.