

# Annual Report Coöperatie Agrico U.A. 2019/2020



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The Management Report as specified in Part 9, Book 2 of the Dutch Civil Code concerns the items indicated by an asterisk (\*).

The Annual Report is published in English and Dutch. In the event of inconsistencies between the English and the Dutch version, the Dutch version shall prevail.



Interview

## Report of the Supervisory Board Page 10



Interview

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# Growth through digital transformation

For Agrico, the past – and certainly also the current – financial year has been dominated by our digital transformation.

Upgrading our IT infrastructure, professionalizing our processes, and adopting a data-driven approach are essential requirements for us to achieve the growth targets and objectives set out in the Agrico 2030 Strategic Plan. The Lotus project – which includes the development of a new enterprise resource planning (ERP) system – forms part of this digital transformation. This ERP system is designed to improve productivity within our organisation, as many processes within this system can be automated. However, the digital transformation at Agrico goes significantly further.

For example, a new website has been developed, portals are being fully upgraded, communication through social media is being extended significantly, and we are incorporating new forms of digital meetings and online gatherings (driven in part by the impact of COVID-19).

We must also not forget the human dimension to this story, as an effective system alone is not enough; it is only when employees, members, customers and other stakeholders have learned to use it proficiently that the desired result can be achieved: strong growth for Agrico and its partners.

You will find references to this topic throughout this Agrico Annual Report, which has also been redesigned in the form of several interviews with stakeholders. We hope you enjoy reading this report.



### Resilience

The past financial year has been one of ups and downs, and also of emotional distress. We experienced deep personal grief following the passing of Jacob Mijnheer in August 2019, followed by that of Peter Dijk in December of that year. I then became ill myself, and to such a serious extent that I can only say I am very grateful to be back in my position again. Next, the Netherlands was hit by the COVID-19 pandemic in March 2020, and the nationwide lockdown imposed in response affected the entire Dutch business sector, including Agrico. It would therefore not be an overstatement to say that our organization took quite a beating this year.

### Compliments

The fact that the business nevertheless managed to carry on its operations can be considered remarkable: not only did we have to deal with personal distress and the loss of two key figures in the organisation; we were also confronted with a pandemic that forced everyone to work from home at a time when we were attempting to accommodate an exceptional situation in the demand for potatoes. So I found myself at home very much concerned about how it was all going to end. When I look back on how we were able to come out on the other side, I can only be very satisfied, and I would like to take this opportunity to compliment all our employees and subsidiaries on their commitment and determination in bringing this financial year to a successful end. The entire organisation has shown commendable resilience throughout. I would also like to express my considerable gratitude to our managers Mark Kranenburg and Wieger van der Werff, who served as acting directors during my illness.

### Fourteen years of competitive prices

The 2019 potato harvest was excellent, with yields up an impressive 20 per cent from 2018. The dry summer was followed in September by an exceptionally wet autumn, which resulted in quality differences in terms of the harvest.

Despite these extreme conditions, we managed to get all potatoes delivered and pay a fair price in all our crop categories. For the 2019 harvest, Agrico paid an average price per kilo of just over €30. The price per kilo was significantly higher the previous year, but because more potatoes were produced overall, the financial yield per hectare nevertheless came close to that of 2018. In the cultivation of seed potatoes, we have not paid less than €30 since 2006, a fact that certainly makes us proud.

### Strategy 2030

Sustainable growth and high quality in all areas are the two key elements of our future plan, as set out in Strategy 2030, and we managed to make progress here, despite the uncertainty we faced in the past year. Acreage has been increased for all crops, we have acquired more knowledge about Market Intelligence, we created an all-new website to boost the Agrico brand, and we also made significant progress in the development of our new ERP system.

### Other aspects

We are delighted that this has also been a strong year for our domestic and international subsidiaries. Agrico Research launched four new varieties, and Leo de Kock also experienced a good year, not least due to the food hoarding that went on at the start of the pandemic. Our international subsidiaries also show across-the-board growth, particularly Desmazières in France, Agrico Polska in Poland and AR Tarim in Turkey. The latter country also happened to be the theme of our highly successful variety show in November 2019. We have also continued our operations in Kenya, where we are attempting to upgrade potato cultivation. While this has proved to be a long process and one of trial and error, we are making progress here as well.

Finally, we established a joint venture with a local partner in India, where we will be producing mini-tubers of our varieties. The first Agrico varieties are already available in the Indian market.



Jan van Hoogen, Managing Director

## Departures

On 31 July, the entire Agrico team said goodbye to retiring Operations Manager Henk van der Woude, indisputably a towering figure in our organisation. The outdoor celebration we held on the occasion was certainly memorable, as it was the first time since the pandemic first hit that we were able and permitted to organise and attend small-scale gatherings again. Henk joined Agrico on 1 April 1989 (having previously worked for the General Inspection Service for Agricultural Seeds and Seed Potatoes [NAK]), and devoted himself to finding innovative new ways of improving the quality of the reproduction material.

He knew all the potato growers and their individual qualities, and being a great listener he excelled at solving problems or impending conflicts. We are very pleased to report that his successor, Mark Zuidhof, appears to be settling in very nicely at our company.

## 2020 Harvest

While we were unable to report, at the time of writing, on the 2020 potato harvest, it is clear that this was an average year as far as yield is concerned. One positive fact is the relative lack of scab and bacterial disease, and the percentage of reduction and rejection due to viruses is again above average. This is set to be a challenging year in terms of sales.

The fries industry has been running at 80 per cent of its normal capacity, and the economies of many countries have been hit by the pandemic. Meanwhile, the threat of a new lockdown continues to loom over the market. I regard the growing demand for expertise in both sales and cultivation as an exciting challenge, one I am eager to take on together with our growers.

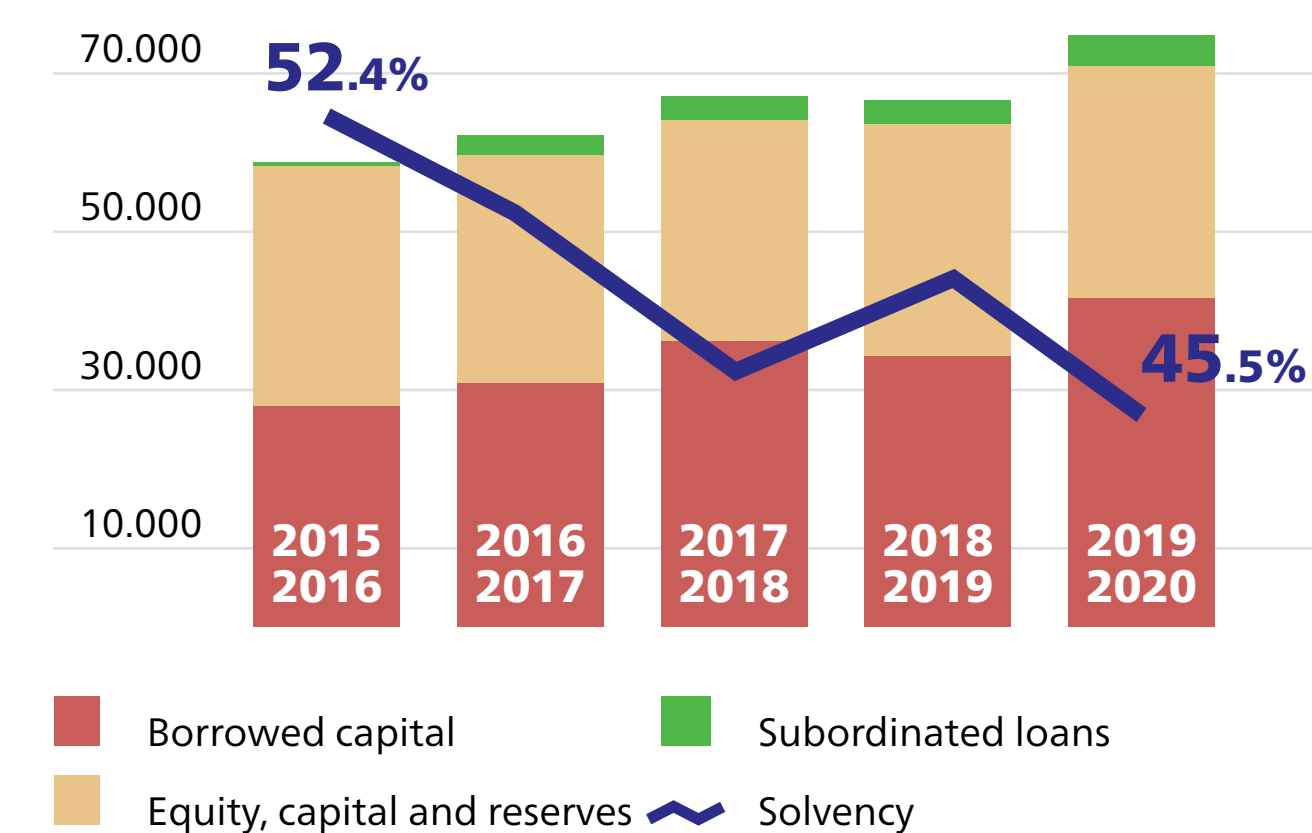
Jan van Hoogen, Managing Director



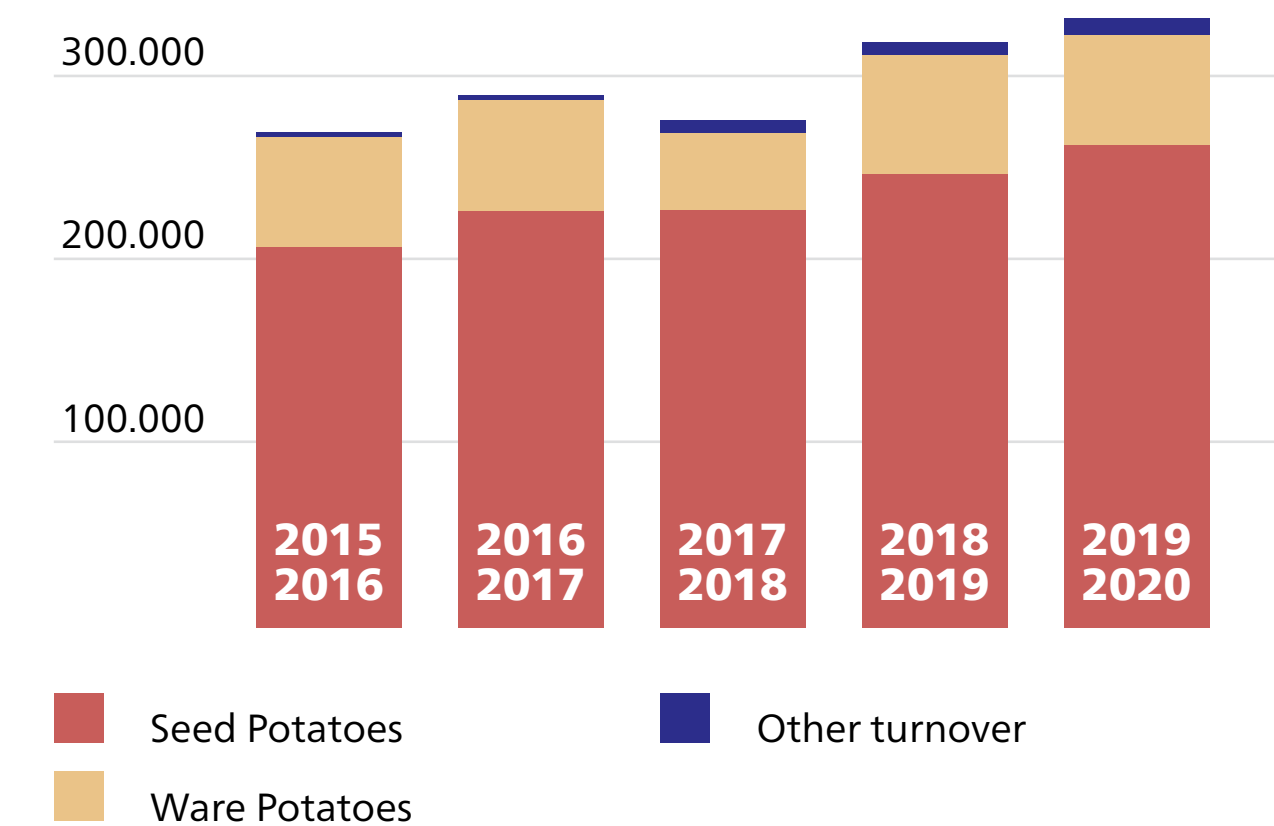
## Key Figures

|  | 2019/20       | 2018/19       | 2017/18       | 2016/17       | 2015/16       |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Financial</b>                       |               |               |               |               |               |
| Consolidated net turnover              | 331.897       | 319.819       | 276.237       | 288.725       | 268.955       |
| Gross margin                           | 37.412        | 36.328        | 31.775        | 31.812        | 30.902        |
| Operating results                      | 2.545         | 1.560         | 835           | 425           | 1.193         |
| Fixed assets                           | 29.517        | 23.442        | 23.755        | 21.913        | 21.473        |
| Current assets                         | 45.716        | 43.716        | 43.913        | 40.786        | 37.673        |
| <b>Balance sheet total</b>             | <b>75.233</b> | <b>67.158</b> | <b>67.668</b> | <b>62.699</b> | <b>59.146</b> |
| Reserves                               | 29.734        | 27.668        | 26.217        | 25.974        | 26.104        |
| Certificate capital                    | 0             | 0             | 713           | 1.635         | 3.244         |
| Share of third parties                 | 756           | 1.813         | 1.532         | 1.590         | 1.255         |
| <b>Total Group equity</b>              | <b>30.490</b> | <b>29.481</b> | <b>28.462</b> | <b>29.199</b> | <b>30.603</b> |
| Subordinated loans of members          | 3.745         | 3.320         | 2.963         | 2.499         | 376           |
| Solvency                               | 45,5%         | 48,8%         | 46,4%         | 50,6%         | 52,4%         |
| Cash flow from operating activities    | -1.313        | 2.822         | 8.037         | 7.193         | 1.593         |
| Balance of cash and cash equivalents   | 10.199        | 18.721        | 19.164        | 18.474        | 11.520        |
| Debts to members for produce delivered | 16.126        | 13.947        | 14.309        | 12.741        | 11.620        |
| <b>Delivery</b>                        |               |               |               |               |               |
| Acreage of seed potatoes               | 14.633        | 14.016        | 13.625        | 13.212        | 12.829        |
| Quantity supplied                      | 549.700       | 421.900       | 465.000       | 425.000       | 462.300       |
| Acreage of ware potatoes               | 1.985         | 1.791         | 1.815         | 1.798         | 1.675         |
| Quantity supplied                      | 94.200        | 79.200        | 79.800        | 77.600        | 80.500        |
| <b>Totals</b>                          |               |               |               |               |               |
| Number of members                      | 1.564         | 1.369         | 1.337         | 1.501         | 1.467         |
| Number of businesses                   | 804           | 777           | 752           | 886           | 890           |
| Number of employees (in FTEs)          | 268           | 243           | 235           | 230           | 217           |

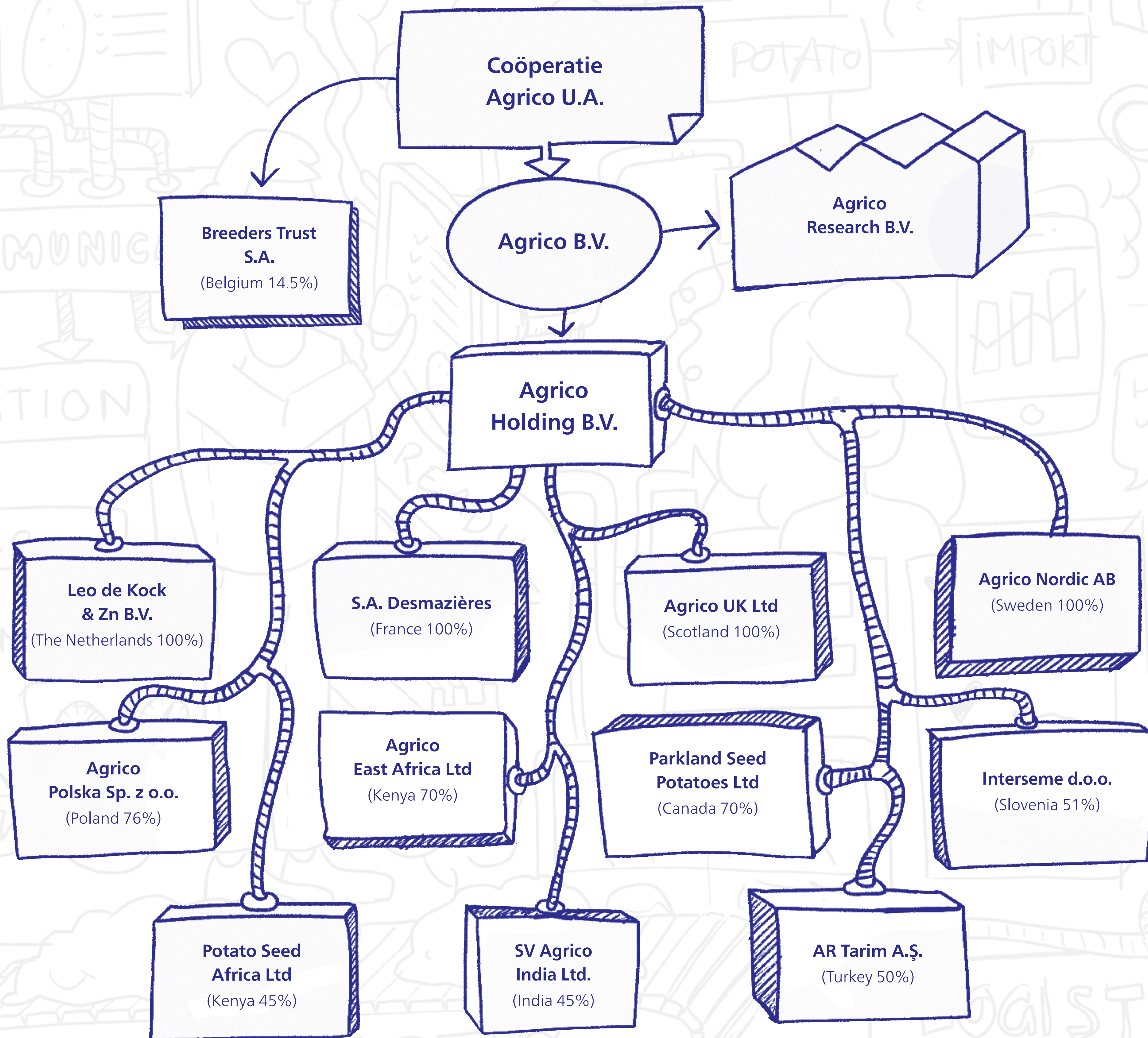
## Solvency



## Turnover



# Group Structure



### Maximum contribution to members' incomes

Agrico is a cooperative enterprise operating in the seed and ware potato markets. The core business of our enterprise lies in the marketing of protected varieties of a product, either developed by Agrico itself or acquired from third parties for whom Agrico acts as a representative. In order to be able to do this, we run our own breeding station and collaborate closely with breeders at home and abroad.

Because of our protected varieties, we want to operate in larger cultivation areas in countries where seed potatoes are certified and plant variety rights are recognised. We are a world player in the market-oriented development of potato varieties and in the cultivation and marketing of high-quality seed and ware potato varieties that are grown both conventionally and organically.

We aim to contribute as much as possible to the income of our members. The payment rates – either per 100kg or per hectare – in comparison with the competition serve as a benchmark. This is subject to a going-concern requirement, which is expressed in a solvency ratio of at least 40% at the balance sheet date.

The basis of our strategy is growth. We seek to grow in both quantitative and qualitative terms. Quantitatively in terms of our sales of the seed and ware potatoes of our members, the income flow from licences and the results of our subsidiaries. The spearheads of the qualitative growth are the development of our employees and the strategic themes Corporate Social Responsibility (CSR) and innovation. Based on our mission and vision, we have defined a number of core values which guide the daily actions of our employees.

These core values are:

- **Professional:** our employees are result-oriented professionals who influence situations and achieve goals based on current know-how.
- **Connected:** our employees assume responsibility for the organisation and for their own actions. By working together in an open and honest manner and sharing knowledge, our employees build on lasting relationships.
- **Personal:** our employees are reliable and genuinely involved, providing support and encouragement where possible.

We are convinced that an overall focus on CSR will become a prerequisite for effective business practice. In this way, we want to strengthen our brand and image, demonstrate social commitment and ask our growers in the long term to comply with the guidelines of the Sustainable Agriculture Initiative (SAI) platform.

Innovation through further digitalisation has an impact on our company's processes and on the type of relationship we have with our supply chain partners. Data collection and analysis and information sharing will be a priority in the coming years. We want to pay particular attention to market intelligence, process innovation and crop optimisation.





### **Mission: A passion for potatoes!**

Based on our cooperative structure, we supply high-quality seed and ware potatoes worldwide, along with the required expertise. We develop varieties that are suitable for any location on earth where professional, successful and sustainable potato cultivation is possible. This is our way of contributing to food security for a growing global population. We create value for our customers and the Cooperative's members with respect for people and the environment.

### **Vision: Growth is our ambition!**

By improving professional standards within the organisation, we ensure a better quality of potato cultivation. This with maximum attention for innovation, people and the environment. Our growth stems from the increasing demand for seed potatoes worldwide. We develop the best varieties for existing and new markets. For ware potatoes, both conventionally and organically grown, we achieve growth as a booster in the Dutch market. In an inspiring environment, we work towards achieving optimum growth for all our stakeholders.

# Look around you and get involved

The 2019-2020 potato season was the most eventful and challenging year since Adrie Vermeulen took over as Agrico's Chairman of the Board in late 2016. He reflects back on a turbulent and emotional potato season, while also taking time to look ahead. 'We are in for a tough and very challenging year.'





Adrie Vermeulen, Chairman

### **How do you look back on the 2019-2020 financial year?**

‘We had a very dynamic start of the year. The Strategy 2030 had been approved, we had new people joining the company, new momentum, and new energy... I could also tell that our members felt we were stepping into the future. Then, after the passing of Jacob Mijnheer and Peter Dijk – two key people in the organisation – our managing director Jan van Hoogen became seriously ill and the world was hit by COVID-19, which had a massive impact on Agrico. It was extreme, bizarre... I can’t even really find the words to describe it. The fact that we managed to pull in such strong financial results is really an incredible feat.’

### **What does that tell us about Agrico as a company?**

‘There was a mood of uncertainty in the air, a sense of: “What do we do now?” ‘I could see and feel that Agrico is a very relationship-focused company, one that is really all about people. Both our employees and the growers did everything they could to salvage the year, and they succeeded admirably. While people were obviously distressed by what was going on, they continued to do their jobs as normal. The organisation could easily have slipped into apathy, but in fact the opposite is true. The nuts and bolts of the organisation – selling potatoes, managing logistics, getting lorries on the road and cultivating new varieties – continued the same way as before. That was a very satisfying thing to see.’

### **How have the events of the past year affected the Supervisory Board?**

‘I was very affected by what happened on a personal level, but the Supervisory Board and its chairman had no time to do anything other than keep going. Rather than letting ourselves be overwhelmed by sadness, we ramped it up. When our managing director then ended up in the hospital on top of everything else, we put our heads together to figure out how we were going to handle the situation. We subsequently appointed two interim directors: Wieger van der Werff and Mark Kranenburg. Every two weeks, a delegation of the Supervisory Board held talks with the interim directors on the company’s progress, in addition to the monthly regular meetings with the Management Board. We continued to hold these biweekly meetings throughout the pandemic, just to remain on top of things. We also felt an immense drive to bring this year to a successful end.’

### **But isn’t the main duty of a supervisory board to reflect back and verify that all the rules and procedures were complied with?**

‘The Management Board used to submit an investment proposal, which the Supervisory Board could then accept or reject. This role has since changed; we now step in at an earlier stage of the process. For example, we have been discussing strategy development and investment proposals with the Management Board and the Management Team. The role of the Supervisory Board has become more dynamic: we are now looking ahead more than looking back. We don’t take over from the Management Board, but rather act as a partner; working together to lead the cooperative in the right direction, reviewing medium-term investment plans, and bouncing ideas off of each other. The role of the three external members of the Supervisory Board is very important in this regard, as they each assess the plans based on their own expertise and experience. That is extremely helpful when it comes to making smart decisions.’

**‘I can see and feel that Agrico is a very relationship-focused company, one that is really all about people.’**

### What efforts has the Supervisory Board undertaken this year in terms of evaluation and education?

'We attended a number of courses this year, including related to risk, strategy and long-term value creation. We are also conducting an external evaluation of our performance this year, through individual and collective meetings. While we normally do this within the company, on this occasion the company hired an external expert. We intend to do this together with an external company every two to three years in the future. We feel it's very important to critically review our performance and make improvements where needed.'

### What are your objectives for the new financial year?

'Securing good, competitive prices for our members despite the current circumstances. We are in for a tough and challenging financial year, during which we will inevitably feel the impact of the COVID-19 pandemic on the seed potato sector. Purchasing power in oil-producing countries has taken a hit, and inevitably the fries industry has been hit extremely hard as well, which affects sales and prices.'

'Another objective is to keep the strategy development process going, and we are making good progress in that area. It's good to see, for example, that our young farmers have indicated, through our young members group, that they feel Corporate Social Responsibility (CSR) will be an important condition for the cooperative's success in the future. CSR therefore plays a key role in our Strategy 2030. A company's reputation these days depends to a significant extent on how consciously the company deals with nature, the environment and fellow humans. Look around you, get involved, and make a positive contribution. It will only strengthen your position.'

### Does the farming industry have a future in the Netherlands?

'I have no doubt of it. The potato is regarded worldwide as a major asset in the battle against hunger and poverty. Compared to other food crops, it requires little water and land to produce the same amount of energy and calories. Agrico contributes significantly to this through its high-quality cultivation of seed potatoes, and I don't think that's going to change any time soon.'

### On the right track

Agrico is in the midst of a digital transformation, getting ready to implement a new ERP system. How does the Supervisory Board view this transformation and its significance for Agrico? Adrie Vermeulen: 'Potatoes and IT are not the most obvious combination, as we're not a screw factory where something like stock management is a lot more straightforward. That's why we're taking our time to create the new ERP system, gradually and with diligence, with the intention of delivering a customised solution with a relatively standardised system. At the start of the new potato season in 2021, this new system will be able to really help us improve the efficiency of our inventory management. We feel we're on the right track with this system.'

**At €332 million, consolidated revenue is 4% higher than in 2018/2019. This increase is driven mainly by higher volumes, but at lower prices. And while the volume of seed potatoes increased by 11%, prices were lower. Revenue at the various investment holdings showed solid growth (8%). The Supervisory Board approved the Agrico B.V. financial statements and granted the Management Board discharge for its management.**

## Members of the Supervisory Board

The Agrico B.V. Supervisory Board represents a personal union with the Board of Coöperatie Agrico U.A. The Board consists of seven members, four of whom are from the circle of members. The composition of the Supervisory Board has changed. Mr Pieter van Maldegem from Vierhuizen, who joined the company in 2011, stepped down during the General Meeting of 18 December 2019. Johannes van Heerwaarden joined the Board of the cooperative and consequently also became a member of the Supervisory Board. He runs a mixed farm (livestock and crops) in De Cocksdorp on the island of Texel, where he grows seed potatoes for Agrico, and has been a member of Agrico's pool committee for seed potatoes since 2016.

On 31 July 2020, the Supervisory Board included the following members:

### **Mr A.H. Vermeulen** (Chairman)

Retiring and not eligible for reappointment in 2023

Occupation: Agricultural business owner

Other positions: General Management member of the Zuiderzeeland district water board

Year appointed: 2011

### **Mr G. Ensing** (Deputy Chair)

Retiring and not eligible for reappointment in 2023

Occupation: Independently established director, interim manager and banking advisor

Year appointed: 2015

### **Mr C.A.A.M. Gommeren**

Retiring and not eligible for reappointment in 2021

Occupation: Agricultural business owner

Other positions: Agent for industrial potatoes

Year appointed: 2013

### **Mr J.C. van Heerwaarden**

Retiring and eligible for reappointment in 2023

Occupation: Agricultural business owner

Other positions: Member of the Chitwoodi Steering Committee

Year appointed: 2019

### **Ms S.K. Hoekstra**

Retiring and eligible for reappointment in 2020

Occupation: Director-manager of social housing rental company WoonFriesland

Other positions: Chair of the Supervisory Board, RvC Univé Noord-Nederland,

Member of the Customer Board of BNG Bank Den Haag

Year appointed: 2016

### **Mr G.H. de Raaff**

Retiring and eligible for reappointment in 2022

Occupation: Advisor to the group management of Royal Cosun

Other positions: Member of the Zuidberg Supervisory Board, Chairman of the Supervisory Board of Dutch Biorefinery Cluster,

Consultant to Sisterna and member of the Supervisory Board of Meatless, member of the Photanol Supervisory Board

Year appointed: 2018

### **Mr L.D. de Winter**

Retiring and eligible for reappointment in 2022

Occupation: Agricultural business owner

Year appointed: 2018





Introduction

# Proud of Agrico's cooperative strength

A solid result in a tumultuous year.  
'Our employees and growers have collectively  
shown great flexibility and perseverance over  
the past financial year,' says Finance and Control  
Manager Mark Kranenburg.





Mark Kranenburg, F&C Manager

The 2019-2020 season will go on record at Agrico as a highly eventful season. The start of the season coincided with the sudden passing of Seed Potatoes Sales Manager Jacob Mijnheer, followed by the loss of Business Operations Manager Peter Dijk in December. 'These were very sad events that hit us all very hard, especially as we have a strong family culture within the company. We are mourning the loss of two people who have been of such immense value to Agrico over the years, but who were also extremely dear to us all as people within our organisation,' says CFO Mark Kranenburg. He took over some of the duties this financial year of Managing Director Jan van Hoogen, who became seriously ill during the second half of this year. 'We are pleased and grateful that Jan has managed to beat his illness and is making a good recovery.'

### **Cooperative strength**

This period of exceptionally sad personal events was compounded by the impact of the COVID-19 pandemic. Kranenburg, who joined Agrico this financial year, is very impressed by the resilience the employees and growers have exhibited over the past year. 'What this financial year has taught us is that Agrico managed to remain on track despite the numerous setbacks we faced.'

At Agrico, Agrico Research and Leo de Kock, employees and growers pulled out all the stops to sell the potatoes at competitive prices and have them delivered, despite the numerous obstacles they faced. Thanks to this close alliance, which is so typical for a cooperative, we managed to run an excellent season, with high prices, which makes me very proud.'

### **Solid performance**

Kranenburg mentions a 'solid performance with good prices, also within the context of the past 10 years.' New delivery records were achieved week after week. 'In terms of exports, we even managed to strengthen our positions in all geographic areas.'

The good harvest significantly increased volume in several areas, which was offset by lower prices than during the previous financial year. Despite the price pressures, the amounts disbursed were similar to those for the 2018-2019 financial year, which went on record as a banner year. For Agrico's seed potato growers, results per hectare came reasonably close to the previous financial year: just below €13,000 per hectare. The organic seed potato growers even recorded revenues of more than €17,000 per hectare, the highest pay per hectare of the past seven years.

The high yields per hectare for ware potatoes and the middling quality of the potatoes that were harvested after heavy rainfall drove down the prices of ware potatoes. One blessing in disguise was that the onslaught of the COVID-19 pandemic and the attendant lockdowns prompted many consumers to start hoarding at unprecedented rates, from which subsidiary Leo de Kock and others reaped the benefits. This salvaged the average price per hectare of ware potatoes: €9.50 per hectare, excluding the PlanetProof fee.



The average hectare price for organic ware potatoes also benefited from the hoarding and ended at nearly €14,000 per hectare: the second-highest price of the past seven years.

### **International growth**

Our international Agrico subsidiaries also performed well in the past financial year. 'These companies achieved high to very high profits', says Kranenburg, who singles out Desmazières in France, Agrico Polska in Poland and AR Tarim in Turkey. 'We have invested substantially in Poland and Turkey in recent years, which is really starting to pay off now.' The international subsidiaries will have to continue to contribute more to revenue in the coming years. These companies currently collectively account for around 26 per cent of Agrico's total revenue, which reaches €332 million this year.

### **Investments**

The company has made substantial investments in the past year, both in IT (as mentioned above) and in buildings and machines. In the 2019-2020 financial year, a total of €6.4 million was invested in: IT projects (including the Lotus project), an extension of the offices and production plant of subsidiary Leo de Kock, and investments in replacement and expansion.

We also invested in foreign investment holdings, both through the acquisition of the minority stake of Desmazières in France and through the establishment of the joint venture in India, S.V. Agrico Pvt. Ltd., in which Agrico holds a 45% stake.

### **Solid balance sheet**

Finally, we can report a solid balance sheet, as expressed by the four indicators used by Agrico. While our solvency remains below the target of 50%, it is still significantly above the standard required by lenders. Liquidity, which is expressed in a 'quick ratio', and working capital are almost at their normal levels. The coverage of the members' current-account was marginally lower this year, but this is also due to the relatively large amount the members left in the account.

### **Lotus Project**

Agrico is in the midst of a large-scale digital improvement project called Lotus. Lotus has five focus areas: access to inventory data, optimum inventory allocation, digital information exchange throughout the supply chain, a focus on access to information and coherence, and a future-proof IT system. 'Lotus will result in more efficient processes and procedures for ourselves and throughout the supply chain, higher customer satisfaction and, ultimately, higher rewards for our growers,' Kranenburg says.

A key part of Lotus is the upgrade of the 10-year-old ERP system. The new system, which will make the exchange of data significantly easier, is scheduled to be implemented on 1 August 2021. Kranenburg: 'This is a very important project for Agrico, and we are very pleased with its progress. The first stage, which included an outline of the design, is now completed, and we have now arrived at the construction stage. It's scheduled to be completed in the first quarter of 2021, and we will then be able to take the new system live in August.'

### **Agrico's strategy**

Kranenburg confirms that, despite all the contingencies this year, the implementation of Strategy 2030 is right on track. The six pillars of the strategy include:

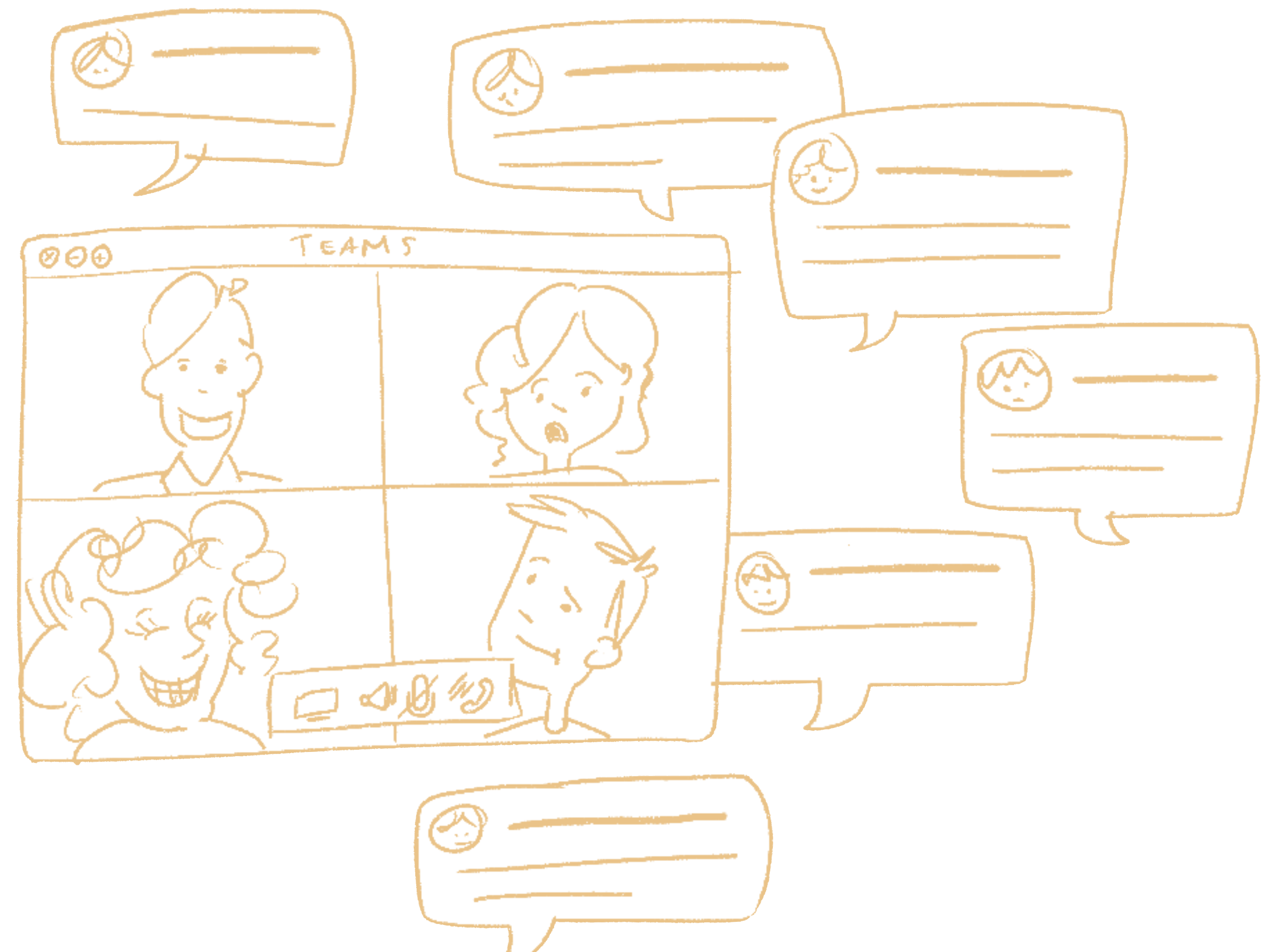
1. Doubling the volume of seed potatoes by 2030, including the tonnage under licences
2. Increasing the market share of ware potatoes
3. Creating high-quality varieties for the future
4. Improving Agrico's brand image
5. Establishing a more solid CSR policy
6. Modern business operations, with state-of-the-art IT systems

The strategy has been translated into 16 strategic projects over the past year. 'These projects are all going well. There are clear schedules in place, they have defined the financial and human support required, and clear goals have been set. We have made progress in virtually all projects in the past financial year.'

## Outlook

Kranenburg expects Agrico to have a challenging year ahead of it in terms of potato sales. 'We are facing uncertain times. Not just because of COVID-19, due to which large old stocks of fries have remained unsold, but also due to the impending recession. We will need to consider the fact that many economies will be hit hard by the crisis by exercising caution and keeping a firm hand on the proverbial purse strings. And we really need to do it together, in the spirit of a true cooperative.' He says that, after the resilience the company has shown over the past season, the management is confident that Agrico can handle these challenges.

In addition, as in previous years, we will work hard on implementing the strategy and the related projects. We will be investing selectively in ERP and other systems and in tangible fixed assets such as buildings and machines. In some countries, we will also be looking at the staff needed to achieve growth.



## Skype en Teams

The COVID-19 pandemic has also given rise to new ways of working and meeting at Agrico. Mark Kranenburg: 'Within just several weeks [into the pandemic], it became normal to work from home and meet through Skype and Microsoft Teams. I thought it was a great thing to see, and it does add to the spectrum of communication options available to organisations such as ours.'

# Quest for the perfect potato

Launching three new varieties in the market every year, and an absolute commercial 'blockbuster' once every 15 years. Agrico's subsidiary Agrico Research B.V. in Bant is, and will remain, Agrico's incubator of successful potato varieties.



Sjekke Allefs, Managing Director of Agrico Research

The company tests new varieties every year on around 20 hectares of trial fields. Agrico Research, which employs 29 people, was established with the objective of improving and extending the portfolio of potato varieties with which Agrico operates in its markets. In 2018, the company doubled its greenhouse complex in size from 2,000 to 4,000 square metres, designated for research purposes. We are therefore cultivating more reproduction material than before, and we're also seeing more cross-pollination. Additionally, the options for selection using DNA markers were extended. The new complex instantly showed its potential in 2018, 2019 and 2020, says Managing Director Sjekke Allefs of Agrico Research. 'Temperatures would often get very hot, yet the technical outcomes were very good, with successful cross-pollinations and many large tubers in clone production. Since extending and upgrading our greenhouse complex in Bant, the likelihood of successful new product launches has increased significantly.'

### **New varieties**

In the past financial year, seven new varieties received plant variety rights and were approved for the market. Agrico Research will be launching the organic crisps variety *Beyoncé*, which, thanks to its *Phytophthora*-resistant properties, is one of what is known as the 'Next Generation' varieties. The *Palace* and *Meryem* varieties are also new and were also created by Agrico Research. The *Palace* fries variety produces high-quality white potatoes and has strong leaves, which means they can continue growing for longer. *Meryem* is a high-potential variety for the traditional red-peeled segment. Breeding company *Lantmannen Seed B.V.*, based in Emmeloord, produced three new varieties: *Jacky*, *Prince* and *Rousseau*. *Jacky* is a Next Generation potato, a fine ware variety for the organic and fresh convenience-foods market. *Prince* is a suitable main harvest variety for the white-flesh fries market, while the waxy *Rousseau* variety is perfect for the red-peel salad market. Finally, *Könst Research B.V.* launched the *Severina*, a firm potato for the traditionally early export areas.

### **More defined cultivation goals**

In the 2019-2020 financial year, Agrico Research began reorganising its market research for cultivation purposes. 'How can we serve customers as effectively as possible with new varieties? Do we need to spend more time on dormancy? Or focus more on varieties produced to make up for the elimination of herbicides? Also, in what geographical areas will fries production facilities be built over the next 10 years? We are trying to get better answers to these types of questions by investing in market intelligence,' Allefs explains. He cites an example: 'We know that there's an increase in urbanisation worldwide, and urbanisation means that people will start eating smaller potatoes, in smaller packaging units, and with higher standards for the potatoes' appearance. You need to start thinking about other types of potatoes than those currently sold at market stands in traditional outdoor markets in the Mediterranean countries.'

Agrico has engaged the services of a Market Intelligence expert who, based on internal and external sources, identifies how and in what direction the world of potatoes will be developing in the coming years. 'Up to now, we were led mainly by trends and anecdotal evidence, and we now want to back this up with quantitative data, since you can only start detecting trends if you categorise them. This is how we're looking to learn more about the needs of the various players in the supply chain on a global scale.' How much more are you hoping to learn? Allefs: 'In the Netherlands, 75 per cent of all new potato varieties disappear within eight years of their launch, and we should aim to reduce this to 25 per cent.'

### Focus on potato virus Y

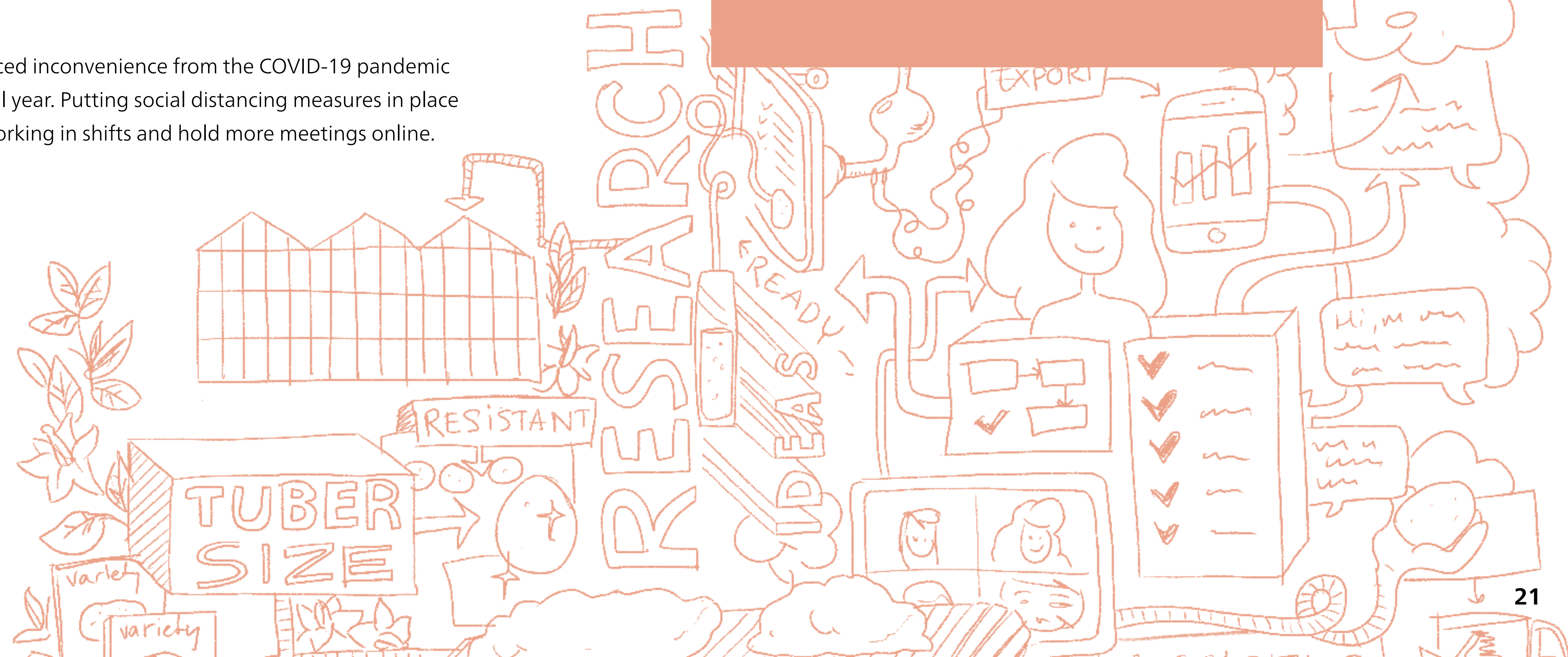
Increasing resistance to *Phytophthora* remained a priority during the 2019-2020 financial year, as did the search for AM-resistant varieties and varieties with a long shelf life. Agrico also decided to focus more on resistance to potato virus Y, which was found to be widespread in 2018 and 2019 during a follow-up inspection by the General Inspection Service for Agricultural Seed and Seed Potatoes (NAK). Factors such as hotter summers, economies of scale, and fewer options for using herbicides are regarded as potential causes. 'On this basis, we decided to stop selling seedlings which scored poorly on vulnerability to the potato virus Y in the market. Instead, we are aiming for varieties with a consistently high level of potato virus Y resistance.'

### COVID-19

Agrico Research also experienced inconvenience from the COVID-19 pandemic during the 2019-2020 financial year. Putting social distancing measures in place meant our staff had to start working in shifts and hold more meetings online.

### Palace

The new Palace variety was produced by the Agrico Research diploid breeding program. Diploid potatoes have two sets of chromosomes, while tetraploid varieties have four sets. The disadvantage of this is that tetraploid crossbreeds create significant variation in the offspring, making it harder to integrate the required properties or improve existing properties. Diploid varieties do not have that disadvantage: you can breed them faster and more efficiently. 'We have been breeding since 1985 with approximately 10 per cent of our capacity at the diploid level. This is only the first tetraploid variety to be produced, so you could say that diploid cultivation does not create enough added value compared to tetraploid breeding,' Sjefke Allefs says. Yet diploid breeding absolutely has value. 'The programme generates a lot of useful information in terms of genetics research, which helps us to make progress more quickly in tetraploid breeding.'



### Agrico Research's approach

Agrico Research works closely with affiliated breeders. The breeders are in charge of the first three to five years of the development process for new varieties, under their own management. Agrico Research provides affiliated growers with genetic reproduction material and advice, in addition to organising central testing. At a later stage, the company also organises the multiplication of the seedlings under selection. The selection cycle in the field takes a total of nine years; during the last three years of the cycle, the Variety Committee decides on the continuation of the testing and any registration of seedlings as new varieties. The latter then enter a two-year registration and user-value investigation process.

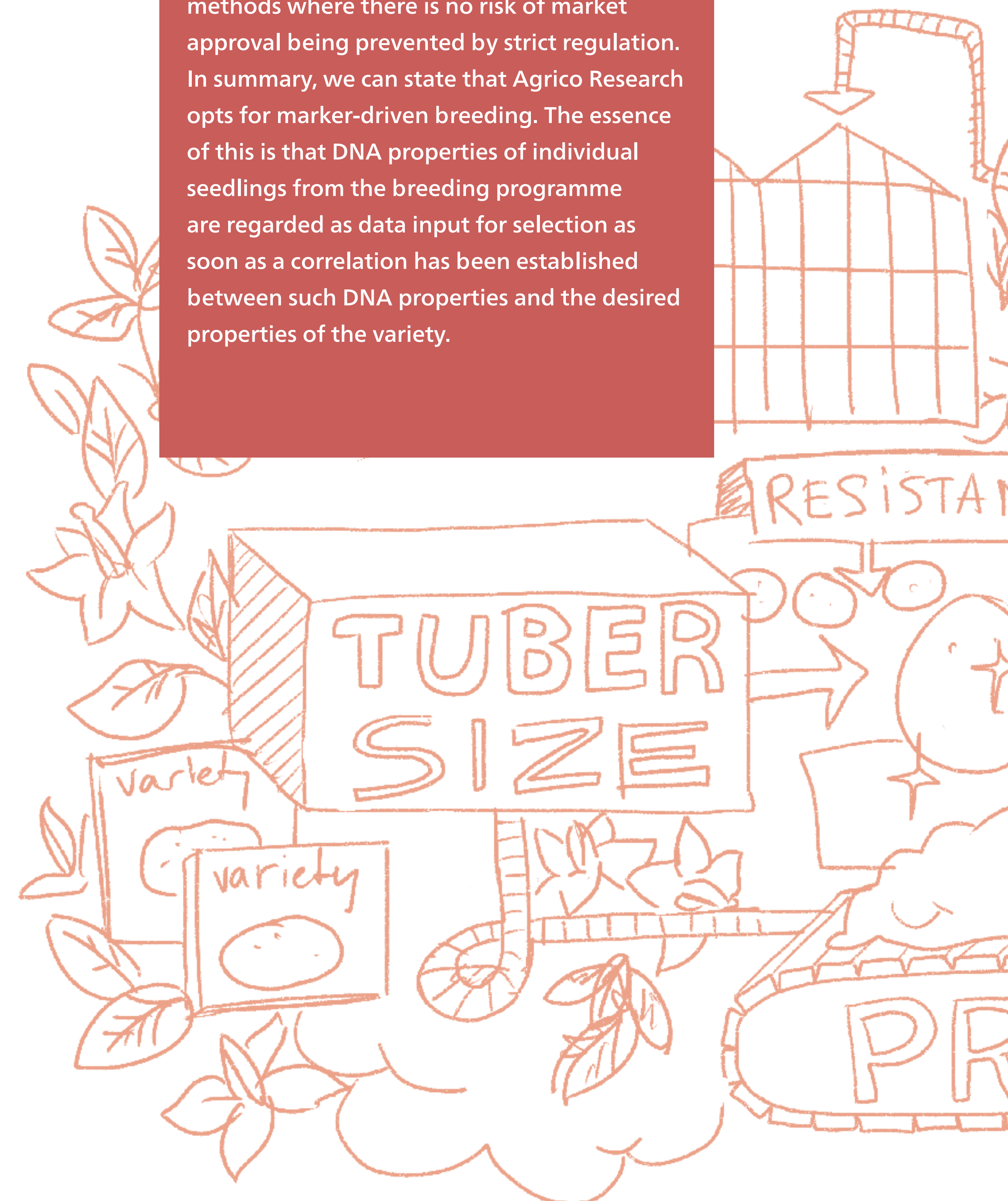
Already in the final stages of the growing process, Agrico Research makes in-vitro stocks of all the candidate varieties, in accordance with the regulations imposed by the General Inspection Service for Agricultural Seed and Seed Potatoes (NAK). These tissue-culture plants are at the basis of an initial production of several thousands of mini-tubers by third parties. This ensures that Agrico has a limited quantity of healthy seed potatoes of the variety already during the commercial launch of the product. In addition, Agrico Research organises an annual transplant in the field for all the new varieties in the portfolio.

This involves closely comparing the varieties of mini-tuber suppliers with traditional initial clones. In addition, at the final stage of the selection process, Agrico Research conducts a cultivation investigation into the seedlings and young varieties. In this way, growers of seed potatoes and ware potatoes can be instantly provided with expert cultivation advice.

Allefs says the fact that Agrico is a cooperative is a big advantage. 'Cultivation is a long game. If you're a listed company, you have shareholders breathing down your neck every year to enquire about your performance, and if this does not meet their expectations they'll pull the plug. Our members are building a new barn that will last a generation. That's also how they invest in cultivation: it's not just about today, but about the future as well. That's the great advantage of operating as a farming cooperative.'

### Free from public debate

Agrico Research favours breeding techniques which are not subject to public debate, i.e. methods where there is no risk of market approval being prevented by strict regulation. In summary, we can state that Agrico Research opts for marker-driven breeding. The essence of this is that DNA properties of individual seedlings from the breeding programme are regarded as data input for selection as soon as a correlation has been established between such DNA properties and the desired properties of the variety.



Seed potatoes

# Solid performance in a tumultuous year

Sales Manager Wieger van der Werff and Operational Manager Mark Zuidhof summarise the 2019-2020 seed potato season as follows: 'Despite a large supply of seed potatoes, the COVID-19 pandemic and personal suffering, Agrico nevertheless managed to have a pretty good financial season.'





Mark Zuidhof, Operational Manager



Wieger van der Werff, Sales Manager

For the 2019 harvest, Agrico paid an average seed potato price of €30.21 per 100 kilo (size 28-up), so including the oversize seed potatoes. The average size for seed potato sizes 28-55 was €37.08. The average pool price of €30.21 (28-up) is €9.36 lower than in 2018, when the price shot through the roof due to a smaller harvest. The average kilo yield per hectare was 20 per cent higher than the previous year in 2019 (average of 43 tonnes). As a result, the financial yields per hectare come close to those for the previous financial year: €12,803 in 2019 versus €13,081 in 2018.

Wieger van der Werff: 'Agrico had some serious setbacks this year. On a personal level, we suffered as a result of the passing of two of our colleagues and the serious illness of our managing director. This was then compounded by COVID-19. At the same time, we had to market large quantities of seed potatoes, so given those circumstances we can only be very satisfied with the result.' He praises the role of Agrico's employees, who showed their commitment and 'really came through' for the company 'in a fantastic way'. He also gives credit to the growers: 'They were very aware of the situation, never complained, and were extremely flexible in their attitude.'

This enabled us to deliver customised solutions during this pandemic and we never had to turn away customers. This is what created these results, and we could not be more proud.'

### **Hot and dry summer**

Operational Manager Mark Zuidhof calls the average kilo yield of 43 tonnes per hectare at Agrico's growers 'very good, especially since July and August were so hot and dry.' He does note that a significant quantity of coarse seed potatoes were produced (30%). He also states that the increasing drought and heat have increased the importance of irrigation. 'The companies that were not able or not permitted to irrigate had a financially weaker year', he says.

The dry summer was followed in September by an exceptionally wet autumn, which created a dual effect in the harvest. 'The seed potatoes harvested before the rain were of a higher quality than everything that came from the land after the rainfall. The rain even caused some batches to remain unharvested.' Note: the potatoes harvested before the rain were more affected by harvesting damage, as the soil was still very hard then.



This damage, along with more cases of potato scab as a result of the dry summer and rot in batches which were harvested during and after the rain, resulted in slightly lower-quality seed potatoes across the board. In the end, a total of 70.7 per cent of the harvested potatoes complied with Agrico's quality scheme, which is 4 per cent lower than the long-term average.

### **Concerns about growing virus**

The year 2019 was also marked by an above-average percentage of reduction and rejection based on virus. 'We are concerned that the number of virus infections has been increasing for the past four years, where 2019 – with 25.1 per cent in class reductions – is the highest,' Zuidhof says. He attributes this to the hot summers and the increasingly stringent chemicals policies in the Netherlands, which has increased the prevalence of lice. Note that Agrico continues to perform well in terms of class reduction: Whereas nationwide, 39.9 per cent of all seed potato acreage was reduced or rejected as a result of virus, bacteria, mosaic or primary mosaic, at Agrico the reduced or rejected percentage accounted for 35 per cent. Zuidhof: 'This is mainly because we have a number of varieties in our range which are less vulnerable to viruses.'



### **Growing market share**

Total Dutch exports of seed potatoes amounted to 758,000 tonnes in 2019, compared to 711,000 tonnes in 2018. Agrico saw its market share of the export of Dutch seed potatoes increase in 2019 by 2 full percentage points. Van der Werff reports that he is satisfied with this result. He already noticed a positive trend in Europe's early potato territories, including Spain, Portugal, Italy, Malta and Cyprus. The overseas market showed slightly more uncertainty. 'It was touch and go in Algeria for a while, but then things turned around when their government abandoned the quota system. We sold very well in Iraq and Cuba, while sales were slightly down in Morocco and the Middle East.'

The fact that prices paid did not reach 2018 levels was due mainly to the large selection of seed potatoes available: an excess of around 50,000 tonnes. Van der Werff: 'If it weren't for COVID-19, we would undoubtedly have been able to sell a portion of those seed potatoes through back orders. For example, seed potato sales to industry buyers in Belgium from the Netherlands were down by 20,000 tonnes.' Another difference with 2018 is that the 30 per cent large-sized potatoes had to be sold in an already saturated consumer market. 'Whereas in 2018, many large-sized potatoes could be sold in the market as seed potatoes due to the shortages, and therefore fetched four to five times the price.'

### **Agrico Quality Center**

After already seeing a decline in the number of customer complaints in 2018, this trend continued into 2019, causing expenses to be further reduced. Mark Zuidhof reckons the decline cannot be viewed separately from the arrival of the Agrico Quality Center, where between 20,000 and 30,000 seed potato samples are assessed for internal and external quality every season. Agrico then assesses the vitality of the batches in the climatic chamber. Zuidhof: 'These results allow Agrico to predict far more accurately whether a particular batch will manifest disease, based on this we can then decide, for safety reasons, to change the designation of a particular batch.' The result: more satisfied customers, fewer complaints from buyers and more batches finding the right destination, which means higher earnings for Agrico and its growers.

### **Growth varieties**

Roughly two-thirds of Agrico's seed potatoes are earmarked for export, while one-third are grown for the fries industry. Varieties which are clearly growing in acreage are Arizona, Sinora, Arsenal and Manitou. Fontane is the most popular variety cultivated by Agrico growers. The Alouette variety, which is resistant to *Phytophthora*, has also been performing well. The bright red, white-fleshed Rudolph is in high demand in North Africa. Van der Werff calls Arizona one of Agrico's most valuable players. 'It's resistant to viruses, in demand in more than 30 serious markets, and also has a high crop yield. This is the variety that is most similar to the Spunta variety.' Van der Werff does state that Agrico could grow more rapidly if even more seed potatoes were produced in the highest classes. 'We have a need for more class E and more potato scab scale 1.5.'

### **Organic seed potatoes**

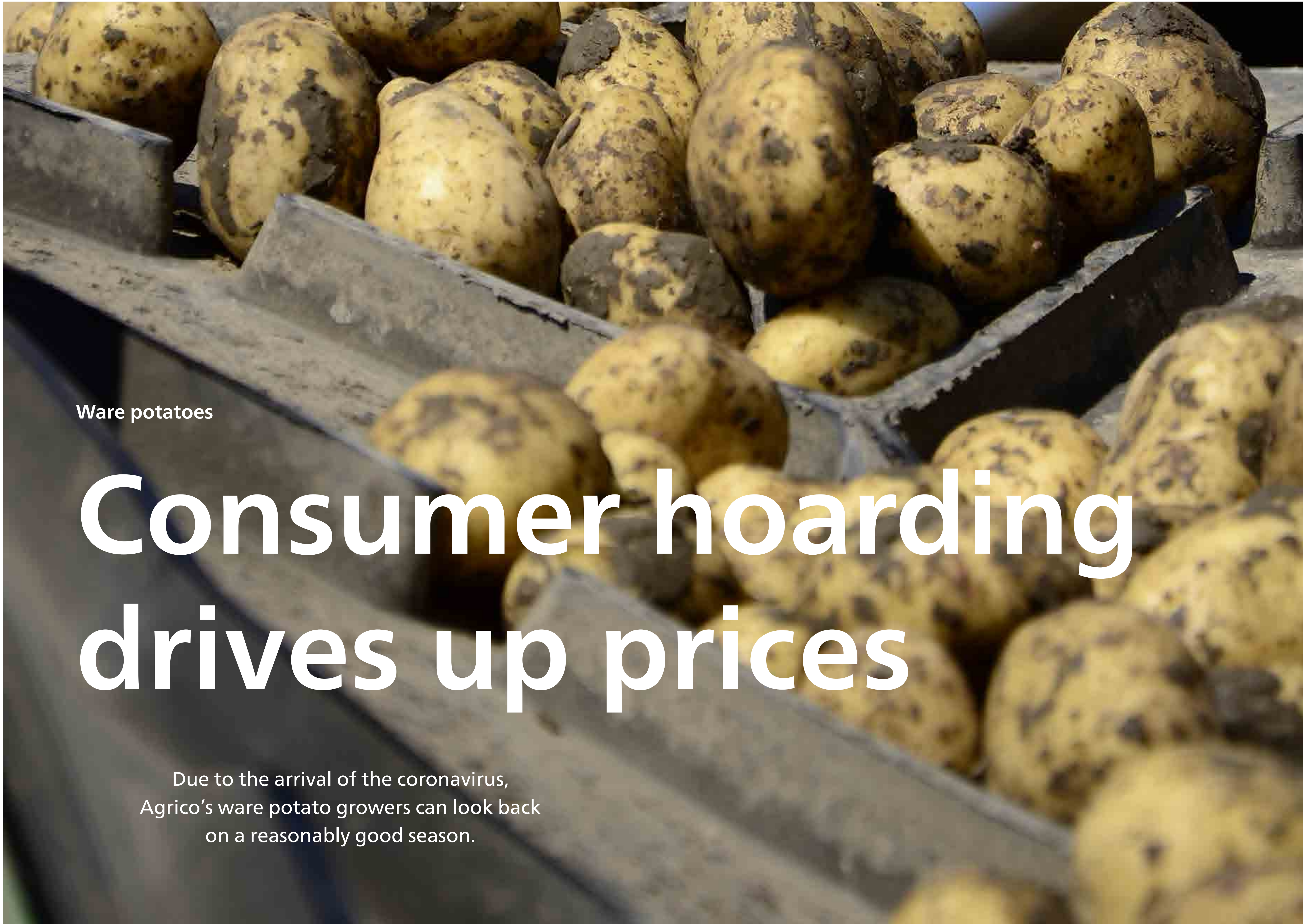
Organic seed potatoes are experiencing strong sales due to the impact of the Next Generation varieties (for more information, see the section on ware potatoes). Acreage for these varieties increased from 201 hectares in 2018 to 222 hectares in 2019, and then continued to grow to 250 hectares into 2020, representing a growth of around 10 per cent. 'However, the real percentage growth may be 25 or 30 per cent, because the yields per hectare achieved with the Next Generation varieties are higher than with existing varieties,' Zuidhof explains.

Besides being important to organic growers, they are also of interest to our regular growers, 'particularly now that we're seeing the emergence of resistant varieties that compete with regular varieties in terms of production capacity.'

The average yield of organic seed potatoes that remained in the recommended size was 27.1 tonnes per hectare. If we also include larger sizes, average yields reach 32.6 tonnes. This average is reduced by the two older non-Next Generation varieties Agria and Ditta, for which an average of €53.09 per 100 kilos was paid, excluding a storage fee. This amounts to €17,300 per hectare, the highest price per hectare witnessed in the past seven years. Yield including large sizes reached 24.2 tonnes last year, when a price was paid of €70.38 per 100 kilos, which amounts to a price per hectare of €17,069. Zuidhof: 'Exports of organic seed potatoes are growing. The bulk of the growth is concentrated in France, but Sweden, Austria and Italy have also begun to purchase more organic seed potatoes.'



**'We have a need for more class E and more potato scab scale 1.5.'**



Ware potatoes

# Consumer hoarding drives up prices

Due to the arrival of the coronavirus, Agrico's ware potato growers can look back on a reasonably good season.

'The massive hoarding by consumers at the start of the pandemic gave us a boost. For customers, quality was less of a consideration, as long as the potatoes were delivered,' Sales Manager Wieger van der Werff said, looking back on the 2019-2020 season. Agrico had a total of 1,375 hectares in ware potatoes in 2019. The average price paid for the various varieties for size 0-up reached €19.23 per 100 kilos in 2019: this is lower than in 2018, when the price reached €34.21 per 100 kilos. Converted into prices per hectare, for 2019 this is €9,539 per hectare, excluding the PlanetProof fee. The price per hectare in 2018 was €15,033, but this was the highest price of the last seven financial years due to the lack of supply in the market.

### **18-percent yield increase**

There were two reasons the price was significantly lower than in 2018. For one, yields per hectare were higher all across Europe: around 18 per cent more than in 2018. The second problem was that during the season many damaged-looking potatoes came out of storage, as a result of frequent and extended rainfall in the autumn. Due to the flawed appearance of the potatoes, supermarkets wanted to switch to the new harvest as soon as possible: potatoes from Israel, Cyprus and Malta with a better appearance. As a result, Agrico had fewer weeks to ensure all ware potatoes were sold at competitive prices, and in a highly competitive market at that. Due to its strong market position, Agrico managed to agree with several major buyers to sell as many potatoes as possible and thereby reduce the damage. The arrival of COVID-19 and the attendant lockdowns ensured that prices were still reasonable: significantly lower than in 2018, but far higher than, for example, in 2017. 'The pandemic has been the saviour of the sales of our ware potatoes. The quality of the ware potatoes harvested after the rainfall was so poor that we never would have been able to sell so well if consumers hadn't started hoarding the way they did early on in the pandemic. 'The potatoes, including organic ones, sold like gangbusters during this period,' Van der Werff says. 'Another factor was that people couldn't go out for dinner and began preparing more meals at home. That was another sales-boosting factor,' Operational Manager Mark Zuidhof adds.

### **Season's progress**

The season for ware potatoes could also be split in two: potatoes from before the rainfall and those from after the rainfall. Zuidhof explains: 'The potatoes from before the rainfall were harvested during the last weeks of August and the first weeks of September. While these batches had a good appearance, the bulk of the potatoes were harvested in October 2019, after the long period of rainfall which started in late September. Those batches were affected by wet soil and scored low on appearance.' Due to their quality, some batches could only be used for exports. We also saw an increase in blue patches and crop damage appearing in the potatoes, which was the result of weather conditions. In recent years, Agrico has also seen a loss of quality in the ware potatoes due to wireworms and Rhizoctonia. 'This is the result of increasingly strict herbicides policies,' Zuidhof says. Average yield of ware potatoes reached 49.6 tonnes per hectare, which is in line with the 5-year average. As with the cultivation of seed potatoes, the cultivation of ware potatoes also showed large differences in revenue between companies: this was the difference between being able and being unable to irrigate.

### **PlanetProof**

In 2019, 80 per cent of Agrico's ware potatoes carried the PlanetProof quality label. While growers tend to be sceptical about the usefulness of PlanetProof, the certification proved its worth in 2019. 'If it hadn't been for the PlanetProof label, supermarkets would have been flooded with cheap industrial potatoes during the pandemic, so in that sense PlanetProof was a very valuable insurance premium for our growers this year,' Van der Werff says.



Next Generation variety 'Jacky'

### Organic ware potatoes

The average price for organic ware potatoes (unsorted 0-up) amounted to €38.41 per 100 kilos, which translates into €13,738 per hectare. This was the second-highest price of the past seven years, and was topped only by 2018, with a price of €41.97 per 100 kilos and €14,539 per hectare. And while the reality of yet another hot, dry summer was not conducive to the growth of the potatoes, the average yield of 29.4 tonnes per harvested hectare in size 40/65 was in accordance with the 5-year average. The young varieties Levante, Twinner and Twister had exceptionally high yields. Zuidhof: 'We are really making some excellent strides in that area.' Agria and Ditta both underperformed somewhat in terms of yield, while the sorting was above average in terms of coarseness, especially the Twister.

While the season was off to a slow start, sales gradually began to pick of pace, with the German market being particularly strong. In sales to the industrial sector, Agrico had fierce competition from Germany, and the same applies to supermarkets as for the regular varieties of ware potatoes: the hoarding behaviour witnessed during COVID-19 generated strong sales at highly competitive prices.

### Next Generation varieties

Agrico has been marketing its innovative varieties under the Next Generation label for the past two years. Thanks to their unique *Phytophthora* resistance, these varieties are perfectly suited for organic farming, as well as being particularly good ware potatoes. A suitable Next Generation variety is available for virtually every segment. The package currently consists of the following varieties: Twinner, Twister, Alouette, Carolus, Levante, Novy and Ardeche. Three new varieties are set to be launched: Fenna, Jacky and Beyoncé.

As for total sales of organic ware potatoes, including industrial potatoes: during the 2019 harvest season, the percentage of Next Generation varieties accounted for 60 per cent of the overall organic Agrico acreage. For 2020, this percentage will increase to 72 per cent. The target is to bring this rate to 90 per cent by 2022. Zuidhof: 'It's safe to conclude that the Next Generation varieties are a big success.'





Subsidiary Leo de Kock

# Running nearly 24/7 for 3 weeks

For AG retail specialist Leo de Kock, an Agrico subsidiary, 2019-2020 was a memorable financial year. The hoarding in supermarkets across the Netherlands created peak business at the Purmerend company this past spring.



Managing Director Jan Bijleveld looks back at a tumultuous year. For Leo de Kock's employees, too, the personal suffering of people at Agrico had a major impact. The construction of the new offices and warehouse had its impact, and in March the pandemic reared its head. 'What happened then is almost impossible to analyse, let alone that we can compare it to a regular year,' Bijleveld says.

### **How has the outbreak of the coronavirus pandemic affected Leo de Kock's revenue?**

'I would say the impact was substantial. The same trend we saw in toilet paper sales also extended to potatoes: people began hoarding. After the first press conference by Prime Minister Rutte, we could almost not keep up with the demand for potatoes. To give you an indication: whereas we normally ship out 150 pallets of packaged potatoes a day, we were now doing 400 pallets a day, which exceeded our capacity. If we'd have had more manpower available, we could have supplied 800 pallets a day, that's how high the demand was.'

### **So this has been a good financial year for Leo de Kock?**

'Yes, and there are two reasons for that. The first is efficiency improvement on the operational side; the second is that we sold more potatoes, not least due to the pandemic. Our volume increased by around 3,000 tonnes compared to average years.'

### **How did you ensure you could actually meet that massive demand?**

'Both our office staff and our production staff ran on all cylinders for three weeks in March, working virtually round the clock. They continued working during breaks and weekends just to be able to meet the demand as well as they could. Things then started going back to normal a little over a month later, but we're still at 160 pallets a day. We're all happy we were able to pull it off, but we did have to put in a lot of extra hours. A little less pandemonium would have been welcome.'

### **The construction work that was going on at the time also had an impact on employees.**

'Yes, we have a new office and a state-of-the-art warehouse including three new loading docks, which gives us a lot more room to grow in the coming years.'

However, this also meant our employees had to be very flexible and often played it by ear. For example, for a long time our office staff worked in close proximity to the refrigerated production facility, so electric heaters and thermal underwear were a common sight here for a while.'

### **What business is Leo de Kock involved in, exactly?**

'Our company purchases ware potatoes, mostly from Agrico. We supply these to [national supermarket chain] Albert Heijn, several organic supermarkets and a number of wholesalers. Albert Heijn is our biggest customer by some distance. We supply around 32 million units of packaging a year with an average weight of 1.1 kilo and are bringing this down to 1 kilo. The trend is to reduce the size of packaging units, but the funny thing is that during the pandemic people are actually looking for larger packaging again. Fortunately, we have the flexibility to adapt quickly to demand if need be.'

### **What is Leo de Kock's strategy?**

'Packaging and selling potatoes is our core business, but we prefer to position ourselves as an AG retail partner, simply because we do so much more than just supplying packaged potatoes. For example, we are trying to provide full support to a good client such as Albert Heijn, including managing their logistics operations and stocks, making sure orders are changed when we expect lower turnover, providing advice on promotional campaigns... in other words, we share our expertise in various areas. We bring together the retailer's needs and the grower's possibilities, so that both make a maximum profit and receive a fair price. It's easier to make this happen when working in partnerships rather than merely being a supplier.'

### **So Leo de Kock is ready for the future?**

'Absolutely. We have newer and more spacious buildings, a new website, and a new logo. We also started using our new ERP system a little while ago. We're ready for our new role: being a professional AG retail partner, which serves as the unifying factor from field to retailer. Whether it's about the use of herbicides or pricing, our goal is full transparency in the supply chain, from field to aisle.'

International subsidiaries

# Strong year for Agrico's international subsidiaries

## How did Agrico's international subsidiaries perform in the past financial year?

Despite the COVID-19 pandemic, all of Agrico's foreign subsidiaries experienced a good year, with the Canadian, Polish and Turkish subsidiaries, in particular, outperforming expectations. Agrico's international business accounted for roughly one-quarter of the company's overall revenue, and this share continues to grow.

The coordinator of Agrico's international business is Gilles Fontaine, the managing director of Agrico's French subsidiary Desmazières. The French-based company became a wholly-owned subsidiary of Agrico this year and shows excellent year-on-year results. The company's business is similar to Agrico's business in the Netherlands. In order to learn from each other and get the most out of the partnership, Fontaine has been appointed coordinator of all of Agrico's international investment holdings. He is responsible for ensuring, among other things, that the Agrico strategy is properly implemented at all subsidiaries and that each company performs to the best of its abilities. 'I ensure we can achieve strong growth across the entire group,' Fontaine summarises.

Desmazières, which generates an annual revenue of €60 million, works with around 200 farmers who cultivate roughly 4,000 hectares of seed potatoes. In addition, there are 25 producers of organic ware potatoes who cultivate a total of 150 hectares of organic ware potatoes a year. The company employs a staff of 33 people.

Fontaine looks back with satisfaction on the 2019 harvest year. 'It was a good year, in which a lot happened. Agrico asked me to coordinate all the international investment holdings, with the exception of Africa and India. We hope to be able to achieve stable international growth in the coming years.'

An overview of the financial results of the international companies in the past financial year:

### France – Desmazières

*Monchy-le-Preux, G. Fontaine, 33 employees*

This was a very strong performance for Desmazières.

The potato season in France was hot and dry, and the physical yield reached normal levels. Thanks to the excellent trading volume and the low level of unsold products, revenue was in line with the Agrico Group's expectations.

### United Kingdom – Agrico UK

*Castleton, A. Gibson, 14 employees*

The United Kingdom also experienced a hot and dry potato season with regular yields. Revenue was slightly lower than during the 2018 harvest year, when harvest was above average. The management and board of Agrico are pleased with the results of Agrico UK.



### **Poland – Agrico Polska**

*Łęborg, D. Johnston, 9 employees*

Agrico Polska is on a roll, increasing its output by 25 per cent during a very dry and hot year. Yields were at a normal level, but due to an increase in acreage and strong trade margins revenue increased by an impressive 40 per cent.

### **Sweden – Agrico Nordic**

*Jönköping, S. Pedersen, 3 employees*

Agrico's Swedish subsidiary experienced a very difficult year, in which yields were average but prices were significantly below the usual level. This led to lower-than-expected results.

### **Slovenia – Interseme**

*Ljubljana – P. Stuhec, 5 employees*

Interseme, Agrico's Slovenian subsidiary, is a trading company that does not actually cultivate any potatoes itself. The company enjoyed a good year, increasing its revenue by 1 per cent over last year. Its profits were comparable to last year's results.

### **Canada – Parkland**

*Edmonton, K. Sawatzky, 5 employees*

Unlike most other counties, Canada experienced a very wet season, with difficult growing conditions. Yield was lower than expected, and by extension quality and revenue were as well; while revenue was slightly higher than last year, it remained 4 per cent below the forecast. While the results were better than last year, this subsidiary has more potential.

### **Turkey – AR Tarim**

*Kayseri, E.S. Sadak, 19 employees*

The investments in Turkey-based company AR Tarim – in which Agrico holds a non-consolidated 50% stake – are starting to pay off. Revenue (in Turkish lira) increased by an impressive 50 per cent over last year, while profit exceeded the forecasts by 18 per cent. Expressed in euros, the growth was lower, but Agrico is pleased overall with the development of its Turkish subsidiary.

### **Kenya**

The year 2020 was marked by a series of unfortunate events. After heavy and extended rainfall across Kenya created operational challenges (which also had an impact on sales), COVID-19 caused significant uncertainty later this year. As the year progressed, the company therefore decided to reduce the planned acreage by around 30% (from 158 to 110 hectares). At the same time, we structured our operations as flexibly as possible.

The Kenyan business is focused mainly on the future, as our Kenyan operations currently do not contribute to the profit. Our Kenyan business is divided among two investment holdings:

- **Agrico East Africa (AEA)**

*Nairobi, Willem Dolleman, 0 employees*

AEA is a company through which we register our varieties and collect our licences locally and does not employ any people at present. Where necessary, third parties are hired to perform specific work. Agrico holds a 70 per cent share in this company, which means AEA is consolidated into our financial statements.

- **Potato Services Africa (PSA)**

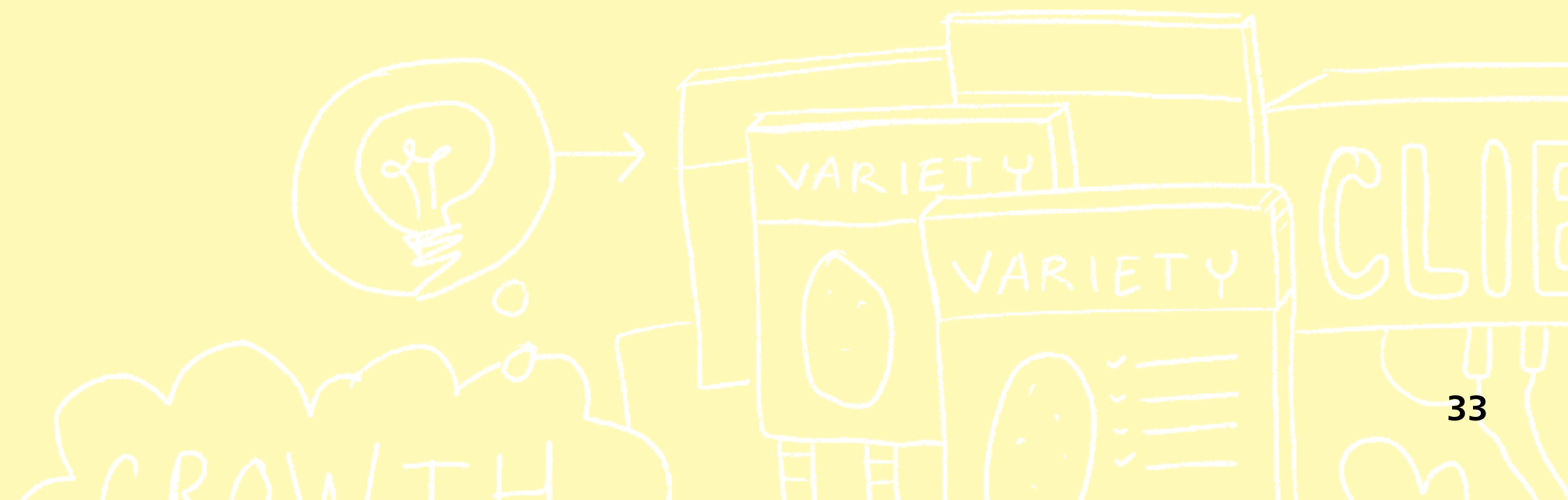
*Highland's farm Nakuru, Shaun Zambuni, 23 employees*

PSA imports, increases, markets and distributes our Agrico varieties in the Kenyan market. Agrico holds a 45 share in this joint venture, while our Kenyan partner MPL is the majority shareholder.

### **India – SV Agrico India Private Ltd**

*Pune, Hemant Gaur, 7 employees*

Agrico launched a new joint venture in the past financial year called SV Agrico Pvt. This company produces mini-tubers of Agrico varieties and serves as the foundation through which we launch our varieties in the local market. Agrico holds a 45% share in this joint venture; the majority stake is held by our Indian partner SV Agri.



Internal organisation

# Implementation of Strategy 2030 in full swing

Agrico is currently implementing its Agrico Strategy Plan 2030. Sustainable growth and quality in all areas are the two key elements of the new strategy. The plan will serve as a guideline for future decisions made within the cooperative.





Yvonne Rook, Director of Human Resources

The ongoing implementation of the Strategy 2030 has led to the establishment of several new departments and positions at Agrico. A total of 15 new employees joined the company in the past financial year. As of 31 July 2020, the company – including Agrico Research – employed 158 people, divided among 142.5 FTEs. The four main reasons for the changes in the workforce included: new positions arising from the Strategy 2030, positions in new departments, the implementation of a new ERP system, and the succession of employees who retired. Meanwhile, we also saw a large number of internal staff changes.

Yvonne Rook, Agrico's Director of Human Resources, explains how this happened. 'Existing employees applied for new positions, which resulted in a shift of some internal positions.' She explains that this is in line with Agrico's HR policy. 'Rather than trying to fit people into neat little categories, we feel it's good for employees to keep developing. This gives them more of an understanding of how the organisation works, makes them understand and appreciate other people's work, and makes them see how everything in the company is connected.'

### Digitalisation

Digitalisation is part of the new strategy and provides opportunities and possibilities to work more efficiently and find new ways of communicating. Agrico launched a major new project in 2018 to upgrade the existing ERP system. ERP integrates the automatic handling of logistics, administrative and financial business processes into a single information and management system. We worked with a third-party consultant to tackle this complex and comprehensive process head-on. After making an inventory of all Agrico's current processes, all problems were defined and we eventually stated which ones we sought to improve. The final step in this process is working with a supplier on developing a new system, who is also responsible for implementation. This turned out to be Microsoft®'s Dynamics 365 (D365) ERP system. The system is being developed by Cegeka and is scheduled to be implemented on 1 August 2021.

Rook explains that the implementation of the new system is a substantial and, above all, complex operation. 'A large number of Agrico employees are closely involved in the project, which is called Lotus. It will demand a lot of time and effort from employees in the upcoming harvest year, so we're trying to find the right balance between project duties and operational work,' Rook says. She explains that an impact analysis was made for each position in the past financial year of the duties that will be eliminated, added and changed as a result of the new ERP system. The D365 system will have no impact on personnel. Internal training courses and personal meetings will be scheduled during the new harvest year to prepare employees for the implementation of the new system on 1 August 2021.

**'We avoid putting people into neat little categories'**

## Generation Policy

Agrico implemented what is known as a 'Generation Policy' on 1 January 2019. A single policy applies to all generations. Within this framework, individual commitments can be made with employees, making allowances for someone's position and their personal circumstances. The four key elements of the Generation Policy include:

1. Change in working hours (elimination of ATV days)
2. Scheme to purchase and sell annual leave days
3. Senior Employee Policy
4. Other terms of employment

'The Generation Policy is a successful initiative, as people make full use of all the various schemes,' Rook explains.

## Job marketing

Since Agrico is always looking for new talent, the company is regularly represented at job and career fairs at agricultural colleges and secondary schools in order to raise our profile among students and pupils. 'In addition, we also provide input to schools in order to help them to better tailor their training programmes to the needs of the field. During recruitment events, we make clear choices in how to position ourselves and reach the target demographic. While we are not able to attend all events since we need our resources and employees, when we do participate we want to be professional in our representation and have a clear objective,' Rook says.

## Training and Education

Employees are given opportunities for personal and professional development at Agrico. Based on personal ambitions, career opportunities within Agrico, and developments within our field, our employees can attend both individual and departmental training programmes. These courses are taught in various ways: through coaching, classroom teaching or in-company training. Maintaining and updating language skills is essential in any international organisation, and in addition to individual language courses, three language teachers have taught classes to groups in German, English and French. This range of courses is set to be continued. 'We invest not only in permanent employees but also in potential new workers; for example, we consider all open applications for traineeships and final-year internships. For new projects, we also assess whether particular assignments can be entrusted to students,' Rook says.

## Working conditions

We recorded the following sickness absence rates for the 2019-2020 financial year:

Agrico BV: 2.4%

Agrico Research BV: 2.2%

Agrico pursues an active policy to help employees to maintain an optimum health. For example, the vitality incentive scheme is a permanent condition of employment. All employees are allocated a vitality budget, in order to improve their vitality as they see fit. Agrico also offers fresh fruit to its employees.

Society was confronted with the peril of COVID-19 in recent months. The virus has had a massive impact on our business operations. 'However, during the stage of the "intelligent" lockdown in the Netherlands, Agrico collectively managed to "just keep working" or even "firing on all cylinders during a time of crisis."' Rook concludes by stating that this has been a turbulent year for all employees. 'Sadly, we also had to deal with the loss of people in our organisation. The resilience all employees showed, with everyone pulling their weight, has truly been admirable.





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# We believe that excellent growth is possible for everyone

The CSR policy reflects who Agrico is and the way the company wants to live and work together with respect for people, the environment and society. 'Agrico is interested only in pursuing sustainable growth, as it's the only growth that has any kind of value,' says René Vernooij, Agrico's CSR Coordinator.





René Vernooij, Agrico CSR Coordinator

CSR is an acronym for 'Corporate Social Responsibility'.

### Five pillars

'Our CSR policy reflects who we are and the way we want to live and work together with respect for people, the environment and society. We have incorporated this into our strategic goals based on five pillars that align with the international United Nations CSR themes and the interests of our stakeholders,' says René Vernooij, who has been Agrico's CSR Coordinator since November 2019 (this is a new position at Agrico). Essentially, Vernooij is responsible for organising, structuring and measuring the company's CSR goals. 'Measuring CSR and sustainable growth objectively is one of my core duties.'

Agrico's five pillars for Corporate Social Responsibility include:

1. Fair and responsible production
2. Food supply and new markets
3. Environment and carbon reduction
4. Engaged and healthy staff
5. Health and innovation

### Fair and responsible production

Since Agrico believes that sustainable growth is fair growth, the company promotes fair prices for all. 'This means increasing farmers' incomes by raising the yields per harvest, significantly reducing the risk of crop failure and developing sustainable potato value chains. This creates value that benefits everyone in the potato chain,' Vernooij clarifies this objective.

### Food supply and new markets

The potato is by nature a highly sustainable crop due to its low water consumption and the high yield relative to the soil area in which it is cultivated. Vernooij: 'This provides us with an asset in the battle against hunger and poverty. We are also increasingly working with *Phytophthora*-resistant varieties, which allows us to grow varieties in a growing number of locations around the world, which contributes directly to ensuring food security worldwide.'

### Environment and carbon reduction

The focus here is on reducing our carbon footprint. Green energy, cleaner lorries and increasing transport by barge will help reduce the carbon emissions generated by our transport operations. The energy consumption of the new greenhouse complex at Agrico Research has been halved, and Agrico has also adopted a carbon offset plan for kilometres flown. 'Our sustainable growing programme, where we develop potato varieties with natural resistances and therefore make ourselves less dependent on pesticides, is easy to link to our CSR policies,' Vernooij says.

### **Committed and healthy employees**

Agrico invests in the long-term employability and health of its employees, believing that all growth starts with people. 'How do we keep our people healthy?' is an important question at Agrico. Vernooij: 'We have a number of lifestyle programmes in place, there is a company doctor who examines our employees, and we are also exploring ways of facilitating telework in order to reduce the risk of COVID-19.' The company's offices were also configured for social distancing this year, ensuring that all employees would be spaced the requisite 1.5 metres apart.

### **Health and innovation**

The fifth and last area is health and innovation. 'We are dedicated to improving food safety through means such as independent certification, cultivation protocols and stress testing. Our breeding objectives guide us in developing sustainable, innovative varieties that further enhance the nutritional value of the potato as a food source,' Vernooij says.



### **Four other focus areas**

The five CSR pillars listed above fall under the focus area of Sustainability – Agrico's calling card – but there are four other, less high-profile areas that also come under the CSR banner: Compliance, Quality Assurance (QA, certification), Crop Optimisation and Risk Assurance.

### **Compliance**

'Compliance' refers to ensuring that Agrico's business operations satisfy the applicable laws and regulations. In the strategy memorandum titled Samen werken aan goede groei ('Creating sustainable growth together'), compliance is one of the action items identified, a licence to operate, so to speak. The roster of rules with which companies are expected to comply is changing, becoming increasingly dynamic and complex. Businesses are also required to report on their actions with increasing transparency. This combination of factors has created the need to coordinate all kinds of aspects through a single entity. At Agrico, we have decided to position the 'Compliance' issue under business operations within the CSR department, which is responsible for implementing these policies.

### **Quality Assurance**

The area of QA is also categorised under CSR; this includes anything related to grower certification, such as GLOBALG.A.P., Skal and PlanetProof. QA is the department that checks whether growers submitted their crop registration in time, and whether they are using the appropriate resources for the appropriate purposes. In other words, anything related to crop inspection. Vernooij explains that the new ERP system will enable the company to make great progress in this area in the digital realm. 'This also applies to the fourth area of crop optimisation.'



### Crop optimisation

The fourth CSR area of focus, crop optimisation, concerns issues such as crop registration, complaints, performance system, robotisation and precision agriculture. 'This involves using the digital resources available in such a way as to make crop registration simple and straightforward. When we receive a complaint through our ERP system, it becomes data we can use to make certain improvements. A performance system is easiest to picture as a ranking of growers based on quality, yield or sustainability, whereas robotisation is primarily about sharing knowledge and making it available to others.'

Vernooij explains that his work involves making progress in all these areas visible and quantifiable. 'That's not something you can organise overnight, but I firmly believe the digital transformation at Agrico will support us in this process.'

### Risk Assurance

The fifth and last area of focus is risk assurance, which involves managing any and all risk facing the company, 'with COVID-19 being just one example.'

### CSR as a philosophy

Vernooij is clear in his analysis of the importance of CSR. 'We believe in sustainable growth for all stakeholders: our growers, our employees and our customers. Sustainable growth, as provided for in our CSR policies, is part of any healthy corporate philosophy. If you have nothing to say about CSR or don't have any policies and practices in place within your company, you'll lose out on opportunities in the market or trends in the near future.' Is it complicated? Vernooij denies this: 'If you add up all the components, it's really just a matter of using your common sense. Just do the right thing, and you'll be fine.'

### ERP system: the great facilitator in crop optimisation

The new ERP system is designed to make data exchange significantly easier. René Vernooij believes the new system could be very valuable when it comes to improving crop quality and growth. 'Linking certification bodies to our ERP system will save us a ton of work down the line. We currently have to phone the certification body for each grower to find out if they're certified, as well as needing to submit and store all kinds of information. Once the new system is in place, we can do all this with the push of a button.' Agrico intends to create this same link with the Chamber of Commerce database, so that it's clear who we're doing business with. 'But it should also provide us with more opportunities for sharing our own data related to growing crops, quality, and new varieties.'

# The Agrico cooperative



Coöperatie Agrico U.A. is a cooperative operating under Dutch law with 1564 Dutch members (804 businesses). The Cooperative is managed by the Cooperative Board, which is appointed by the Board of Members. The Cooperative holds all the shares of the two-tier board company Agrico B.V. The latter manages the trading business for the product that the members supply to the Cooperative. Moreover, Agrico B.V. acts as the holding company of the Group companies and participating interests.

From the viewpoint of corporate governance, the following bodies are relevant for Coöperatie Agrico U.A. and Agrico B.V.:

- the Board of Members of the Cooperative;
- the Cooperative Board or as the case may be the Supervisory Board of Agrico B.V.;
- the Management Board of Agrico B.V.

The Supervisory Board of Agrico B.V. represents a personal union with the Cooperative Board.

Annually, the Cooperative organises the so-called Cooperation Day for the members of its various bodies. During this day, members can share experiences and discuss subjects that are important to all involved. In 2019/2020, we used this occasion to provide commentary on the results of the member engagement survey, while the members of the management bodies, following a brief introduction on control and various forms of exercising influence, set to work on their role in specific Agrico areas of focus.

### **The Board of Members of the Cooperative**

The members of the Board of Members are nominated by a nominating committee of the Board of Members and are appointed by the Central Assembly of Members.

For its recommendations, the Board of Members is assisted by a Nomination Committee, which always includes two or three members of the Board of Members and one member of the Management Board. On 31 July 2020, the Board of Members consisted of 17 members. The maximum term of office is two terms of four years.

The Cooperative Board requires the specific approval of the Board of Members for certain resolutions as defined in the Articles of Association. Approval is required for, among other things:

- amendments to the Cooperative's Articles of Association;
- providing collateral;
- starting unrelated activities;
- major investments

The Articles of Association prescribe under what circumstances and for what amounts, resolutions – including those mentioned above – require the approval of the Board of Members.

Furthermore, the Board of Members is charged with the appointment of the members of the Management Board, the approval of the financial statements, and the strategic long-term plan. Finally, resolutions which the Cooperative Board adopts in the capacity of Meeting of Shareholders of Agrico B.V. are subject to the approval of the Board of Members, which includes granting discharge to the Supervisory Board for their supervision.

### **Board of Members**

The Board of Members convened on five occasions during the 2019/2020 financial year. In addition to discussing and approving the financial statements, the Board of Members approved the amendment of the articles of association of Coöperatie Agrico U.A. and the internal regulations. The Board of Members has approved the alignment of the company registration at Agrico with the registration with the Chamber of Commerce, and the amendment of this information in the internal regulations.

The Board of Members also approved the acquisition of Desmazières' minority stake. Additionally, the Board of Members discussed issues such as the anticipated capital gain, the amount and manner of financing of investments based on the Agrico financing model and the action items from the Member Engagement Survey and has received an update on the strategic projects.

A delegation from the Young Members Group attends every meeting of the Board of Members.

The composition of the Board of Members changed during the 2019/2020 financial year. Two members retired at the Central Assembly of Members in December 2019: Mr A.M.J.M. van Tiggelen and Mr M. Toringa. Ms P.J. Koetsier-van der Wel was appointed to replace Mr. van Tiggelen. Since no candidate has been found to fill Mr Toringa's position, this position remains vacant. Mr H.U. Coolman was reappointed.

During the Central Assembly of Members, a commentary was given on the amendment of the articles of association of Coöperatie Agrico U.A. and Agrico B.V., in addition to notes to the 2018/2019 Annual Report. The Central Assembly of Members was concluded with a talk by Mr Jacques van Outryve, an agricultural engineer and European and agricultural journalist, on the future of European agriculture.

### **Appeals Committee**

An Appeals Committee is in place to resolve disputes within the Cooperative. This Committee reviews, and decides on, disputes submitted between members or companies, and the Cooperative. The Appeals Committee is comprised of six members who are appointed by the Board of Members. The Appeals Committee and the Chair of Board meet annually with the Chair of the company's Management Board, with the objective of explaining the policies pursued by, and developments occurring at, the Cooperative.

### **Young Members Group**

The Agrico Young Members Group organised four gatherings in 2019/2020. A delegation from the Young Members Group attended every meeting of the Board of Members. While they have no voting rights, they have the opportunity to learn and participate. Mr P. Kemmeren is the Chair of the Young Members Group, while Mr G. Maters is the Deputy Chair. The Young Members Group discussed the Member Engagement Survey and the complaint handling process. Mr J. den Boer and Mr V. Koekoek left the Young Members Group in July of this year, having been replaced by Mr J.A. Havinga and Mr S. te Selle.

### **Pool Committees**

Coöperatie Agrico U.A. maintains three Pool Committees: one for conventionally grown seed potatoes, one for conventionally grown ware potatoes and one for organically grown seed and ware potatoes. The Pool Committees regularly consult with Agrico about the growing and purchasing conditions of the pool agreements. Product group meetings are scheduled throughout the year, at which delegations from the organisation and the Pool Committees discuss with members the relationship between growers/members and the Cooperative. The appendix to the cultivation agreement for the 2020 harvest was discussed and adopted by all Pool Committees.

The Pool Committee for Seed Potatoes convened on seven occasions in the past financial year. The topics discussed by the Pool Committee included the modification of the preliminary selection scheme and the netting scheme. As part of these latter initiatives, members made a working visit to two exporters. Mr J.C. van Heerwaarden resigned from the Committee, having been replaced by Mr. S. Visser.

The Pool Committee for Conventionally Grown Ware Potatoes convened on five occasions in the past financial year. The Committee launched a pilot project for the sorting and measuring of reproduction material and focused on the Arsenal Pool and the PlanetProof audit fee. Mr R.A.M. Zijlmans retired from the Committee, with Mr J. Hoekstra taking his place.

The Pool Committee for Organically Grown Seed and Ware Potatoes convened on five occasions.

Topics on the Committee's agenda included the analysis of payments for seed potatoes and the method used to determine the prices of reproduction materials, while a working group was established with the members of the Pool Committee on the terms of supply and fees. There were no changes in the composition of this Pool Committee during the year under review.

### **Cooperative Board**

The Cooperative Board is responsible for the Cooperative's day-to-day operations, which includes promoting the interests of the members. The Cooperative Board consists of seven members. The majority is drawn from the circle of members, the others are external members. In the 2019/2020 financial year, this ratio was four members and three external members. The members of the Board drawn from the membership may only be appointed if they supply at least 75% of their crop area to the Cooperative.



The Chairman is elected in office. The members of the Cooperative Board are appointed by the Board of Members on the recommendation of the Cooperative Board. During the General Meeting held in December 2019, Mr P.J. van Maldegem stepped down, while Mr J.C. van Heerwaarden (member) was elected as a member of the Cooperative Board and Mr A.H. Vermeulen and Mr G. Ensing were reappointed to their positions.

The Cooperative Board also serves as the Supervisory Board of Agrico B.V. The maximum term of office for Board Members is two periods of four years, while the maximum term of office for the Chairman is three periods of four years. The Board of Members has the power to dismiss individual Board Members. The Board is supported by a director appointed by the Board, who also acts as the Managing Director of Agrico B.V.

The Board convened on nine occasions during the 2019/2020 financial year, including three times as the General Meeting of Shareholders of Agrico B.V.

### **General Meeting of Shareholders of Agrico B.V.**

The shares of Agrico B.V. are owned outright by the Cooperative. As such, the Cooperative has full control over the General Meeting of Shareholders of Agrico B.V. The Cooperative Board exercises its voting rights on behalf of the Cooperative at the General Meeting of Shareholders, but requires the prior approval of the Board of Members.

### **Supervisory Board of Agrico B.V.**

The Supervisory Board appoints the members of the Management Board of Agrico B.V. and supervises their performance and day-to-day operations. The Supervisory Board advises the Management Board on request or on its own initiative. The Supervisory Board has laid down rules regarding its composition and all that needs to be regulated in connection with this supervisory body. Certain decisions of the Management Board, as prescribed in the Articles of Association of Agrico B.V., require the approval of the Supervisory Board. Such decisions include:

- the strategic long-term plan
- major transactions, including entering into strategic alliances and real estate transactions
- purchase and sale of holdings in Group Companies or minority holdings
- major investments
- contracting bank loans and providing collateral

The Articles of Association of Agrico B.V. determine under what circumstances and for what amounts the above and other decisions qualify for approval by the Supervisory Board. The members of the Supervisory Board are appointed for a maximum period of two terms of four years. The members of the Supervisory Board are appointed by the General Meeting of Shareholders on the recommendation of a Nomination Committee. The Nomination Committee consists of the Chairman and one other member of the Supervisory Board, two members of the Board of Members and a member of the Works Council. As of 31 July 2020, the Supervisory Board consisted of seven members.

### **Management Board**

The Management Board is responsible for Agrico's strategy, policy and operational activities. The Management Board is appointed for an indefinite period of time. The terms of employment for the Management Board are determined by the Supervisory Board. The Agrico Management Board appointed a Management Secretary in conjunction with the Supervisory Board. The Secretary provides advice and support at the policy and strategic levels of the company to the Management Board, Supervisory Board, Management Team and, on the Cooperative end, the management and governance entities (i.e. the Board of Members, the Pool Committees and the Young Members Group). The Secretary is responsible for coordinating and monitoring good governance and decision-making processes and projects at the strategic level.



## Personal Details

### Management Board

J.J. van Hoogen, Managing Director

### Management Team

M. Kranenburg, Finance & Control Manager

W.B. van der Werff, Commercial Manager

M. Zuidhof, Operations Manager

#### *Deceased:*

J. Mijnheer

P.J. Dijk

#### *Retired:*

H. van der Woude

### Works Council

J. Wielenga, Chair

A. Sikkema, Deputy Chair

F.F. Drijfhout, Secretary

P.N. Zee

R.J. Lindenbergh

J. te Riele

T. Rotte

### Members of Merit

C.J.M. van Arendonk

Ph. van den Hoek

J.J.M. Pronk

J.J. Wolthuis

### Board of Members

J.W. Bakker (2021)

W.K. den Bakker (2021)

Ms M.C.G. Besseling (2020)\*

J. Bos (2020)

H. Coolman (2023)

P.P.J.M. Cryns (2021)

T. Hessels (2022)

J.R. Kielstra (2020)

Ms P.J. Koetsier-van der Wel (2023)\*

H. Koopman (2022)

B. Minkhorst (2020)

Ms E.A. Noordam (2020)\*

J. Poppe (2020)

P.C. Roose (2022)

R.N.G. Stokman (2020)

A.J. Verwer (2022)

G.M. Wuestenenk (2021)

Vacancy

#### *Joined:*

Ms P.J. Koetsier-van der Wel

#### *Resigned:*

A.M.J.M. van Tiggelen

M.P. Toringa

### Supervisory Board/Management Board

A.H. Vermeulen, Chair (2023)

G. Ensing, Deputy Chair of the Supervisory Board (2023)

C.A.A.M. Gommeren, Deputy Chair of the Management Board (2021)

J.C. van Heerwaarden (2023)\*

Ms S.K. Hoekstra (2020)\*

G.H. de Raaff (2022)\*

L. de Winter (2022)\*

#### *Joined:*

J.C. van Heerwaarden

#### *Resigned:*

P.J. van Maldegem

### Young Members Group

P. Kemmeren, Chair (2021)

G. Maters, Deputy Chair (2021)

J. de Bruijckere (2022)\*

M. Gebbink (2022)

J.A. Havinga (2023)\*

P. Hendriks (2021)\*

J.N.B. Huisman (2021)\*

A. Hulscher (2022)\*

Ms J. van der Knijff (2021)

J. Monsma (2022)

B. Rentmeester (2022)\*

S. te Selle (2023)\*

L. Sturm (2021)

M. Verwer (2021)\*

P.M. Vogels (2022)

#### *Joined:*

J.A. Havinga

S. te Selle

#### *Resigned:*

J. den Boer

V. Koekoek

### Appeals Committee

M.H. van Stee, Chair (2023)\*

T. Brouwer (2023)\*

V.M. Coolbergen (2023)\*

ij. Meirink (2023)\*

M.P.J.M. Sturm (2021)\*

N.E. Wiertsema (2021)\*

#### *Joined:*

V.M. Coolbergen

### Variety Committee

J.J. van Hoogen, Chair  
Ms C. Koster, Secretary  
M. Vossen, advisor  
J.T.M. Dekker (2023)  
P. Konst (2021)\*  
F.J. Vos (2021)  
M. Winters (2021)\*

### Pool Committee for Organically Grown Seed and Ware Potatoes

A.W. Maris, Chair (2024)  
J.M. Bokdam (2022)  
P.C. Eilander (2021)\*  
Ms A.E. Sulik (2022)\*  
W.L.C. Snippe (2023)

### Pool Committee for Conventionally Grown Ware Potatoes

M.G. Scholtens, Chair (2023)  
J.A.A.M. Heestermans (2023)\*  
J.J. van den Hoek (2021)\*  
J. Hoekstra (2024)\*  
J.C. Jansen (2021)

*Joined:*

J. Hoekstra

*Resigned in the intervening period:*

R.A.M. Zijlmans

### Pool Committee for Conventionally Grown Seed Potatoes

#### Central Region

J.J. van der Velde, Chair (2023)  
M.J. Bouma (2022)\*  
M.N. Klaver (2022)\*  
J.L. Vermeer (2022)

#### Southwest Region

A.A.M. Bartelen (2022)\*  
A.J. van der Wel (2023)

#### Northwest Region

A.J. Goudsblom (2021)  
S. Visser (2024)\*

#### Northern Region

J.G. Scholtens (2023)\*  
W.R. Schuiling (2021)\*  
J.B. Smits (2024)  
G.F. Wiechers (2022)\*

*Joined:*

S. Visser

*Resigned in the intervening period:*

J.C. van Heerwaarden



While Agrico does not use quotas for women in management positions or other specific positions, it does aim to achieve diversity in the composition of its divisions and management bodies when recruiting and selecting new members.

\*Eligible for re-appointment

# Risk Management: a key part of our business



Our activities are subject to a wide spectrum of risks. We recognise that risk management is an important part of any business and have a risk assessment process in place which is periodically updated.

The fundamental risks that threaten the Cooperative have been identified as accurately as possible in the assessment, in terms of both probability and impact. The sum total of the measures below ensures that reasonable safeguards are in place, that strategic and operational objectives are achieved, that the financial and other reporting provided by the company is reliable, and that all relevant legislation is observed.

Our overall risk profile is positively influenced by the fact that the activities mainly focus on a single product: the potato. Furthermore, over 80% of our purchasing consists of so-called pool agreements, which means there are hardly any high-risk buying or selling positions. As a rule, we are cautious about taking business risks. The extent of a risk is determined by the degree of probability that the risk will materialise and its potential impact on Agrico's strategic and financial objectives.

## Phytosanitary effects

Given our operating activities, the quality and availability of the product are of major importance. One important associated risk is that the sale of potatoes may be affected by phytosanitary problems. We work together with third parties to conduct quality inspections based on internationally recognised and certified methods, as well as carrying out supplementary research focused on viral and bacterial diseases. Other guarantees in this context include: our investment in a Quality Center, sufficient distribution over the various growing areas, the supervision of growers and a payment system based on quality.

Our breeding center, Agrico Research, annually acquires breeding material and/or seed potatoes from its affiliated breeders, as well as from gene banks and competing companies. The introduction of a quarantine disease represents a major threat to the continuity of the development of our varieties. Any seedlings received must satisfy the standards imposed by the NAK (General Inspection Service for Agricultural Seed and Seed Potatoes) and the NVWA (Netherlands Food & Consumer Product Safety Authority).



This means, among other things, that a large number of samples are collected and examined for the presence of brown rot and ring rot. In addition, Agrico Research carries out an entry check on all breeding material and seed potatoes that enter the Agrico premises for further propagation.

### **International operations**

It goes without saying that the possibility of losing important customers affects our financial results. However, this risk is significantly reduced because we sell our products worldwide. Our policy focuses on building and maintaining long-term relationships with our buyers. We regularly deliver large quantities of potatoes to our customers at short notice. Although we consistently use safeguards such as advance payments, Letters of Credit and bank guarantees, our results are susceptible to payment risks. As a result of political instability in certain geographic areas, these risks have increased in recent years. We work with a system of internal limits for each buyer. A provision has also been formed in the balance sheet for overdue accounts from previous financial years. The credit risk on deliveries for the past financial year is based on the most recently available information on the customer's creditworthiness.

### **Compliance with laws and regulations**

We maintain an extensive network of agents and distributors. The guidelines for fighting corruption apply internationally, and non-compliance with these guidelines can have significant financial implications. The British Bribery Act also entails consequences for companies with a subsidiary in the United Kingdom, consequently making this law applicable to us as well. We have entered into a representation agreement containing terms for services and fees with all our international partners.



Our Code of Conduct serves as the basis of all our actions. We have shared our Code of Conduct with staff at home and abroad, and it is part of the commercial consultations and the HR interview cycle. We also have a clear privacy policy and internal procedures in place in order to stay up-to-date with any changes in laws and regulations. The appointment of a Compliance Officer – who also handles issues such as the GDPR – and the drafting of a whistleblowing policy are two examples of recent initiatives in this area.

### **Information provision**

Well-functioning IT systems are crucial for our company. The variation in products, the guiding of growers and the exchange of information between buyers, suppliers and growers is a complex operation. Since any non-availability of our IT systems can threaten our continuity within a relatively short period of time, we have taken far-reaching measures to minimise the risk of this happening. In the event of a contingency, we can change over to a recovery site within a few hours, ensuring that the business processes can continue. Moreover, a copy of all data is also stored at a third location. The performance of our ICT systems is continuously monitored by an external party. Outside-in security and security from within are part and parcel of this.

The implementation of the Lotus Project will increase the impact of IT on our business operations and, by extension, the importance of safe and secure systems and infrastructure. The Lotus Project therefore explicitly takes into account these aspects and the attendant measures.

### **Financial risks**

In funding our activities, we depend only to a limited extent on interest-bearing loans. The Cooperative is able to make use of committed banking credit facilities, allowing it to meet its borrowing requirements with some degree of flexibility. To cover the cyclical borrowing requirements of the Cooperation, we have concluded a customised financing arrangement geared to these changing needs.

Marketing potatoes worldwide entails currency risks. However, over 95% of our purchasing and sales transactions are paid in the corresponding currency. The risks focus on the US dollar and the British pound. The currency risks ensuing from operational and financing activities are hedged by forward exchange contracts.

Our holdings in Sweden, Canada, Poland, Kenya, Turkey, India and the United Kingdom are valued in the local currencies. Even though the size of these companies within the group is relatively limited, fluctuations in these currencies do impact our assets. Since our policy is designed to establish and maintain long-term positions in these countries, the focus of the management is on minimising transaction-related exchange rate risk, and we accept the risk resulting from the consolidation of the figures.

### Contingencies

Agrico also recognises the danger of a contingency such as a fire or flooding – or, in the past year, a pandemic – resulting in a significant disruption of business continuity. In that sense the process of marketing potatoes leans on the measures described under information provision. Staff members can access the system at the recovery site from any location over the internet, including at home, which became very common in the past year. In the event of a contingency at our breeding center, depending on the extent of the calamity, clones or first-year and second-year seedlings will be lost (i.e. two breeding generations). This causes delays in the process of variety development over the long term. A limited quantity of replacement material from third-year seed potatoes is available in a building quite separate from that where the corresponding material is stored. Fall-back material from all older seedlings is also stored at trial field locations. From the seventh field year onwards, in-vitro stocks are kept of all seedlings which are then further multiplied at third-party companies. Overall, 8 of the 11 generations are genetically safeguarded to a greater or lesser extent.

### Residual risk and Risk Management

Many of the risks listed above are inherent to our business operations and markets. While, as a cooperative, we obviously aim for the lowest possible risk profile for the sake of continuity, we do need to accept that there are risks associated with carrying out our core business. The table below shows the probability and impact of the above risks, how we mitigate them, and what the residual risk involves.

In the past harvest year, the following risks emerged to a greater or lesser extent:

- Contingencies: dealing with death and illness with the Management and the COVID-19 pandemic
- Limited risk of default; later payment as a result of COVID-19;
- Phytosanitary problems: to a relatively limited extent.
- Exchange rates: exchange-rate losses on interests in investment holdings stated in foreign currencies.

No significant changes have been implemented in the risk management system over the past financial year; however, we did gain significant experience with the impact of a pandemic (COVID-19).

### Risk Management

| Risk                                 | Probability | Impact  | Mitigating measures  | Residual risk  |
|--------------------------------------|-------------|---------|--|----------------|
| Phytosanitary problems               | Average     | High    | Quality checks, certifications, research, QA & QC processes, distribution of acreage | Average        |
| Loss of customers                    | Average     | Average | International distribution; long-term relationships                                  | Average        |
| Payment risks                        | High        | Low     | Credit management, securities,   | Gemiddeld      |
| payment instruments                  | Average     | Hoog    | Overeenkomsten, gedragscode, monitoring, Compliance Officer                          | Zero-tolerance |
| Compliance with laws and regulations | Low         | High    | Contracts and agreements, code of conduct, monitoring, Compliance Officer            | Zero tolerance |
| ICT risks                            | Average     | High    | ICT security policy, back-up plan, monitoring  | Laag           |
| & screening                          | Average     | Laag    | Hedging, financiering, FX-monitoring   | Laag           |
| Financing                            | Low         | Low     | Financing structure; facilities at banks   | Low            |



## The impact of COVID-19

The arrival of the COVID-19 pandemic in the Netherlands inevitably also had an impact on Agrico.

Agrico immediately took a number of precautionary measures to prevent employees from being infected with the coronavirus. For one, we started working in shifts (staggered hours) and employees worked from home to the extent possible. Agrico and its subsidiaries ultimately did not record any significant differences in sickness absence compared to before the pandemic. COVID-19 also did not have a negative impact on our operations and sales. The use of applications such as Skype and Microsoft Teams, in particular, facilitated the transition from office work to telework. More than 99% of the sales were actually delivered, and in Q2 we even managed to ship record volumes. Although there were several cancellations in the industrial segment, the remained limited to less than 2%. This was set off by significantly higher supermarket sales by our subsidiary Leo de Kock during the first lockdown. The pandemic notwithstanding, this turned into a good year for Agrico, with excellent payouts and strong results at our subsidiaries.

The impact of COVID-19 will have more of an impact on our financial results in the new year. Due to the uncertainty with regard to the progress of the pandemic and the different responses to this in the relevant countries it is difficult to pinpoint this, but some markets will struggle significantly more than they have to date. In certain export countries we expect volume to drop as a result of the economic impact of the crisis; in addition, the impact will be noticeable mostly in the industrial segment. The fact that a large number of fairs, exhibitions and other events were cancelled (and in some cases restricted or even banned altogether) due to the pandemic is bound to have an impact on the related costs. We may also see an increase in challenges related to transport and logistics as a result of lockdown or other restrictions, such as the availability of specific containers. Finally, we will, like last year, keep a close eye on the collection of debts.

## Financial Statements

– Coöperatie Agrico U.A. 2019/2020

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## Consolidated balance sheet

x EUR 1,000 (after proposed appropriation of net result)

| Assets                                | 31 July 2020  | 31 July 2019  |
|---------------------------------------|---------------|---------------|
| <b>Fixed assets</b>                   |               |               |
| <b>Intangible fixed assets (1)</b>    | <b>3,277</b>  | <b>330</b>    |
| <b>Tangible fixed assets (2)</b>      |               |               |
| Land and buildings                    | 14,760        | 14,998        |
| Machinery and installations           | 1,587         | 1,732         |
| Other fixed operating assets          | 2,322         | 2,322         |
| Fixed assets under construction       | 3,259         | 461           |
| Not used for business operation       | 602           | 586           |
|                                       | <b>22,530</b> | <b>20,099</b> |
| <b>Financial fixed assets (3)</b>     |               |               |
| Holdings                              | 1,790         | 1,188         |
| Other securities                      | 132           | 9             |
| Loans provided                        | 58            | 104           |
| Receivables from holdings             | 638           | 786           |
| Other receivables                     | 1,092         | 926           |
|                                       | <b>3,710</b>  | <b>3,013</b>  |
| <b>Current assets</b>                 |               |               |
| <b>Stocks</b>                         |               |               |
| Raw materials and production supplies | <b>1,669</b>  | <b>2,195</b>  |
| <b>Receivables (4)</b>                |               |               |
| Trade receivables                     | 20,148        | 12,764        |
| Members                               | 1,085         | 879           |
| Other receivables                     | 9,850         | 7,283         |
| Accrued income                        | 2,765         | 1,874         |
|                                       | <b>33,848</b> | <b>22,800</b> |
| <b>Cash and cash equivalents (5)</b>  | <b>10,199</b> | <b>18,721</b> |
| <b>Total assets</b>                   | <b>75,233</b> | <b>67,158</b> |

| Liabilities                                       | 31 July 2020  | 31 July 2019  |
|---|---------------|---------------|
| <b>Group equity</b>                               |               |               |
| Equity, capital and reserves (6)                  | 29,734        | 27,668        |
| Third-party interests in Group equity (7)         | 756           | 1,813         |
|   | <b>30,490</b> | <b>29,481</b> |
| <b>Provisions (8)</b>                             |               |               |
| Pensions  | 171           | 213           |
| Other provisions                                  | 286           | 309           |
|   | <b>457</b>    | <b>522</b>    |
| <b>Long-term debts (9)</b>                        |               |               |
| Members' accounts*                                | 3,745         | 3,320         |
| Credit institutions                               | 5,196         | 2,976         |
| Other   | 547           | -             |
|   | <b>9,488</b>  | <b>6,296</b>  |
| <b>Current liabilities</b>                        |               |               |
| Trade creditors                                   | 6,036         | 5,925         |
| Taxes, contributions and social insurance schemes | 861           | 1,055         |
| Members (10)                                      | 17,283        | 15,554        |
| Accrued liabilities (11)                          | 10,618        | 8,325         |
|   | <b>34,798</b> | <b>30,859</b> |
| <b>Total liabilities</b>                          | <b>75,233</b> | <b>67,158</b> |

\* concerns subordinated loans forming part of the Cooperative's guarantee capital

## Consolidated profit and loss account

x EUR 1,000

|  | 2019/2020     | 2018/2019     |
|--|---------------|---------------|
| <b>Gross margin</b>  |               |               |
| Net turnover of products sold to third parties (12)                        | 331,897       | 319,819       |
| Direct costs (13)  | 39,481        | 33,940        |
| Purchase of products (14)  | 255,570       | 250,115       |
|  | 295,051       | 284,055       |
| <i>Subtotal</i>  | <b>36,846</b> | <b>35,764</b> |
| Other operating income (15)  | 566           | 564           |
| <b>Gross margin</b>  | <b>37,412</b> | <b>36,328</b> |
| <b>Expenses</b>  |               |               |
| Wages, salaries and social security contributions (16)                     | 18,364        | 16,910        |
| Depreciation and amortisation on intangible and tangible fixed assets (17) | 2,747         | 2,289         |
| Other operating expenses (18)  | 12,045        | 12,572        |
|  | <b>33,156</b> | <b>31,771</b> |
| <b>Operating results</b>   | <b>4,256</b>  | <b>4,557</b>  |
| <b>Overall income and expenditure</b>                                      |               |               |
| Earnings from holdings   | 655           | -77           |
| Movement in value of financial fixed assets                                | -278          | 143           |
| Interest and similar income received                                       | 97            | 91            |
| Interest and similar charges payable (19)                                  | -199          | -184          |
|  | <b>275</b>    | <b>-27</b>    |
| <b>Pre-tax operating results</b>   | <b>4,531</b>  | <b>4,530</b>  |
| Taxes (20)   | -1,767        | -2,420        |
| <b>Operating results after tax</b>   | <b>2,764</b>  | <b>2,110</b>  |
| Third-party interests in operating results                                 | -219          | -550          |
| <b>Net result after taxes</b>  | <b>2,545</b>  | <b>1,560</b>  |

## Consolidated cash flow statement

x EUR 1,000

|   | 2019/2020      | 2018/2019     |
|---|----------------|---------------|
| <b>Cash flow from operating activities</b>                          |                |               |
| Operating results   | 4,256          | 4,557         |
| Adjustments for:  |                |               |
| Depreciation and amortisation                                       | 2,747          | 2,289         |
| Movement in provisions  | -24            | -92           |
| Changes to working capital (excluding liquid assets and bank debts) | -5,905         | -2,030        |
|   | -3,182         | 167           |
| Cash flow from operating activities                                 | 1,074          | 4,724         |
| Interest paid   | -199           | -184          |
| Interest received   | 97             | 91            |
| Tax on profits  | -2,285         | -1,809        |
|   | -2,387         | -1,902        |
| <b>Cash flow from operating activities</b>                          | <b>-1,313</b>  | <b>2,822</b>  |
| <b>Used for investment</b>  |                |               |
| Investment in intangible fixed assets                               | -1,480         | -280          |
| Investment in tangible fixed assets                                 | -4,753         | -1,993        |
| Disposal of tangible fixed assets                                   | 42             | 102           |
| Repayments on loans provided  | 77             | 50            |
| Loans provided  | -450           | -8            |
| Share of third parties  | -1,725         | -             |
| Non-consolidated holdings   | -510           | -9            |
| <b>Used for investment</b>  | <b>-8,799</b>  | <b>-2,138</b> |
| <i>Subtotal</i>   | <b>-10,112</b> | <b>684</b>    |



## Consolidated cash flow statement

x EUR 1,000

|   | 2019/2020      | 2018/2019     |
|---|----------------|---------------|
| <i>Subtotal</i>                             | <b>-10,112</b> | <b>684</b>    |
| <b>Used for financing activities</b>        |                |               |
| Repayment of certificate capital            | -728           | -963          |
| Dividend paid to minority shareholders      | -491           | -284          |
| Loan repayments                             | -1,081         | -808          |
| Loans received                              | 3,726          | 892           |
|   | 2,645          | 84            |
| <b>Used for financing activities</b>        | <b>1,426</b>   | <b>-1,163</b> |
| <b>Net cash flow</b>                        | <b>-8,686</b>  | <b>-479</b>   |
| Exchange rate and translation differences   | 164            | 36            |
| <b>Changes in cash and cash equivalents</b> | <b>-8,522</b>  | <b>-443</b>   |



### Introduction and notes

These are the financial statements of Coöperatie Agrico U.A., established on 2 April 1973 with registered office in Emmeloord, the Netherlands, and registered with the Chamber of Commerce under number 39025632. The Group's main activities are the development of potato varieties and the sale of seed and ware potatoes, primarily those produced by the members of the Cooperative. The Cooperative has drawn up both a consolidated and an unconsolidated balance sheet in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code and with other stipulations relating to the principles for financial reporting that are customary in the Netherlands. These financial statements were drawn up on 9 November 2020.

### General details

The accounting principles used are based on historical costs. Except where deviations are explained in the notes, all assets and liabilities are stated at nominal value. Assets are included in the balance sheet if it is probable that economic benefit will accrue to the company in the future and the value can be reliably determined. Liabilities are included in the balance sheet if it is probable that the settlement of that liability will be accompanied by an outflow of resources and the value of that outflow can be reliably determined. Income and expenses are allocated to the period to which they relate.

### Opinions, estimates, assumptions and uncertainties

In order to be able to apply the principles and rules for drafting the financial statements, it is necessary that the Board of Coöperatie Agrico U.A. should form an opinion about various matters, and that the Board makes estimates which can be crucial to the amounts included in the financial statements. The principal opinions and estimates, including the associated assumptions, are the test of any provisions (including the provision for bad debts). Where this was necessary for the insight required by the provisions of Section 362.1 of Book 2 of the Dutch Civil Code, the nature of those opinions and estimates – including the associated assumptions – has been included in the notes to the relevant items in the financial statements.

### Consolidation principles

The consolidated financial statements for the year ending 31 July 2020 include the financial data of Coöperatie Agrico U.A. and its Group companies (referred to collectively below as 'Agrico'). Unless otherwise specified, the Group companies are included in the consolidated financial statements as a totality, and all underlying balance sheet items, income and expenditure within Agrico have been eliminated. The financial statements of the Group companies are drawn up for the same financial year as that of the parent company and consistent valuation principles have been applied. The initial consolidation and deconsolidation is effected at the time when controlling influence is transferred to Agrico or, respectively, when such controlling influence is transferred to a third party. The investment holdings of third parties in Group companies (minority holdings) are shown separately in the balance sheet and the profit and loss account. Any shares Agrico holds in joint ventures whereby there is no such controlling influence are recognised as investment holdings under Financial Assets.



### Holdings in Group companies and minority holdings

These holdings are held by Agrico B.V. and are fully consolidated. Unless otherwise specified, these concern 100% holdings and the stake remains unchanged from the previous financial year.

#### The holdings of Coöperatie Agrico U.A. based in Emmeloord are:

Agrico B.V., Emmeloord, which in turn includes:

- Kweek- en Researchbedrijf Agrico B.V., Emmeloord
- Agrico Holding B.V., Emmeloord, which includes:
  - Leo de Kock & Zn. B.V., Purmerend
  - S.A. Desmazières, Monchy-le-Preux, France  
*In 2019/2020, the investment holding increased from 89.12% to 100%.*
  - Agrico UK Ltd., Castleton, Scotland
  - Agrico Polska Sp. z.o.o. (76%), Łęborg, Poland
  - Interseme d.o.o. (51%), Ljubljana, Slovenia
  - Agrico Nordic AB, Jönköping, Sweden
  - Parkland Seed Potatoes Ltd (70%), Edmonton, Canada
  - Agrico East Africa Ltd (70%), Nairobi, Kenya

#### Not consolidated

- AR Tarim Tohumculuk ve Sanayi Ticaret A.Ş. (50%), Izmir, Turkey
- Potato Services Africa Ltd (45%), Nairobi, Kenya
- SV Agrico (45%), Pune, India  
*In 2019/2020, 45% of the stake was acquired by means of a joint venture agreement.*
- Breeders Trust S.A., Brussels, Belgium (14.5%)

### Netting

An asset and an item of borrowed capital are only netted in the annual accounts if and to the extent that:

- a sound legal instrument is available to facilitate the netting and simultaneous settlement of the asset and the item of borrowed capital; and
- there is a resolute intention to settle the balance itself or both items simultaneously.

### Principles for the translation of foreign currencies

The consolidated financial statements are shown in euros, which is the Cooperative's functional and presentation currency. Each entity within the group determines its own functional currency, and the items shown in the financial statements of each entity are valued based on that functional currency.

Transactions in foreign currencies are valued during the first processing run against the rate of exchange for the functional currency on the transaction date. Monetary balance sheet items in foreign currencies are converted into the value in the functional currency at the balance sheet date. Non-monetary balance sheet items in foreign currencies, which are valued based on historical costs, are converted into the value of the functional currency at the balance sheet date.

Exchange rate differences occurring on the settlement or translation of monetary items in foreign currencies are included in the profit and loss account, with the exception of exchange rate differences that ensue from the net investment in business operations outside the Netherlands or to loans which were contracted in order to finance or effectively hedge the net investment in business operations outside the Netherlands. These exchange rate differences are included directly in the statutory reserve for exchange rate differences.

The assets and liabilities of business operations outside the Netherlands are converted into the presentation currency (the euro) at the balance sheet date at the then prevailing rate; the income and expenditure in the profit and loss account are translated at the approximated average exchange rate applicable during the financial year. The ensuing exchange rate differences are included directly in the statutory reserve for exchange rate differences. In the event of disposal of business operations outside the Netherlands, the relevant cumulative value of the translation differences – which is included under equity, capital and reserves – is accounted for in the profit and loss account as a component of the returns on sales.

### Financial instruments

Financial instruments included in the balance sheet are valued at amortised cost unless otherwise indicated. Off-balance sheet financial instruments, or derivatives concluded to hedge currency and risks, are valued in accordance with the value of the hedge position. The results on derivatives are accounted for together with the results of the hedge position.

The Cooperative does not hold derivatives for speculative or trading purposes.

### Intangible fixed assets

Intangible fixed assets are included in the balance sheet if:

- it is likely that the inherent future economic benefit of the asset will accrue to the Group; and
- the costs of the asset can be reliably determined.

Expenditure for intangible fixed assets that does not satisfy the conditions for capitalisation (e.g. expenditure on research, and varieties and logos developed in-house) is accounted for directly in the profit and loss account.

Intangible fixed assets are valued at the purchase price or production price less cumulative amortisation and, if applicable, cumulative extraordinary impairment losses. Amortisation of intangible fixed assets is carried out systematically based on estimated economic life, subject to a maximum of twenty years. The economic life and the amortisation method used are appraised at the end of each financial year. If the estimated economic life is greater than twenty years, an extraordinary impairment test will be carried out from the time of processing at the end of each financial year.

### Goodwill

The positive difference between the acquisition price and the share in the actual value of the acquired identifiable assets and liabilities at the time of acquisition of the group company is capitalised in the balance sheet as goodwill. Each year, the company assesses on the balance sheet date whether there are any indications that the goodwill might be subject to impairment. In this case, the impairment of goodwill is determined by assessing the realisable value of the cash flow-generating entity (or group of cash flow-generating entities) to which the goodwill relates. If the realisable value of the cash flow-generating entity is lower than the carrying amount of the cash flow-generating entity to which goodwill is allocated, impairment is recognised.

### Research costs

Agrico carries out research into new varieties and into the adaptation of existing varieties. This research is primarily conducted within the Agrico Research B.V. subsidiary. These activities focus primarily on research, rather than on development which would be eligible for capitalisation as defined in the Dutch Annual Reporting Guidelines. For this reason, the expenditure concerned is taken to the profit and loss account.



### Development costs (generated within the company)

Development costs are capitalised if the applicable terms and conditions for technical, commercial and financial viability have been satisfied. Statutory reserves are held in the amount of the book value. Development costs are depreciated on a straight-line basis based on their estimated economic life.

### Tangible fixed assets

Land and buildings, machinery, installations and other fixed operating assets are valued at purchase price or production price, less cumulative depreciation and other impairment. Subsidies and investment premiums are deducted from the purchase price of the asset or assets to which they relate. Tangible assets are derecognised after disposal or when no future performance units are expected to accrue from its use or disposal. The cost or benefit that ensues from the disinvestment is recognised in the profit and loss account.

Depreciation is calculated as a percentage of the purchase price or production price according to the straight-line method based on economic life. No depreciation is effected against land and tangible fixed operating assets funded in advance but not yet completed. The cost of major maintenance work is added to the cost price as soon as such costs occur and the criteria for capitalisation are fulfilled. The carrying amount of components to be replaced is then deemed to be a disposal and taken to the profit and loss account as a lump sum. All other maintenance costs are accounted for directly in the profit and loss account.

### Financial fixed assets

Holdings in which significant control can be exercised on the business and financial policies are valued based on net asset value. Holdings in which no significant control can be exercised are valued at acquisition price or at their lower economic value. The valuation of the holdings makes no allowance for deferred obligations in respect of tax levied at source. A provision is formed, where necessary, if a participation has a negative net asset value.

Deferred tax liabilities, including those related to deductible tax losses, are recognised at fair value on initial recognition. If it is deemed probable that they can be realised in the future, deferred tax assets are valued at the tax rate applicable at the time of estimated realisation.

Other receivables are valued at amortised cost less any provision deemed necessary for bad debts.

### **Appreciation or movement in value of fixed assets**

Agrico recognises intangible, tangible and financial fixed assets in accordance with principles for financial reporting that are generally accepted in the Netherlands. Based on these principles, fixed assets with a long economic life need to be assessed for impairments when changes or circumstances occur that give rise to a suspicion that the carrying amount of an asset will not be recouped. The payback possibility of assets that are in use is determined by comparing the carrying amount of that asset with the present value of the future net cash flow that said asset is expected to generate. If the carrying amount is higher, the difference is written off against the results. Assets available for sale are valued at the carrying amount, or market value if lower, after deducting sales costs.

### **Current assets**

#### **Stocks**

Stocks of raw materials and production supplies (i.e. packaging and spare parts) are valued at their purchase price, or market value if lower, less a provision for obsolescence.

### **Receivables**

Receivables are valued at amortised cost less a provision for bad debts. Where amortisation is not possible, the amortised cost matches the nominal value.

### **Cash and cash equivalents**

Cash and cash equivalents include cash, bank balances and balances on deposit accounts with a term of less than twelve months. Cash and cash equivalents are carried at nominal value.

### **Group equity**

#### **Third-party interests in Group equity**

A third party's minority interest is valued in accordance with the share of that third party in the net asset value.

### **Provisions**

Provisions are reported at their nominal value with the exception of provisions for pensions and similar obligations which are calculated by actuarial methods, and deferred tax obligations which are reported at their cash value.

Provisions are formed for legally enforceable or constructive obligations which exist at the balance sheet date but whose actual value is uncertain; a reasonable estimate is then made of the value if it is probable that the obligation will ultimately need to be settled.

### **Pensions**

Operational subsidiaries of the Cooperative offer various pension schemes, in accordance with local conditions and customs in the countries in which they operate. The majority of these schemes are defined-contribution plans administered by an insurance company. The schemes are generally funded from the premium payments made to the insurance companies concerned. The actuarial risk is borne entirely by the insurance company. The contributions payable are reported directly in the profit and loss account. Any outstanding payments or refunds are included under the Current Liabilities or Receivables item.

A provision will be formed for any obligations in addition to the premiums payable to the pension provider if, at the balance sheet date, there is a legally enforceable or constructive obligation to the pension provider and/or the employee, it is probable that settlement of the obligation will lead to an outflow of resources, and a reliable estimate can be made of the total value of the obligation. The provision for additional obligations to the pension provider and/or employee has been valued based on the best estimate of the amounts that would be necessary to settle the obligations in question at the balance sheet date.

### **Deferred taxes**

To the extent that fiscal valuations vary from the reported valuation principles, and deferred tax obligations ensue, a provision will be formed for such obligations based on the tax rate applicable at the estimated time of payment.

### **Anniversary liabilities**

The anniversary provision concerns a provision for future anniversary bonuses. The provision represents a present value of anniversary bonuses payable in the future. The calculation is based on commitments made, the likelihood of the employee remaining with the company, and age.



### Long-term liabilities

Interest-bearing liabilities are reported on initial recognition at fair value and subsequently carried at amortised cost, plus any directly attributable transaction costs. The interest payable is reported in the periods to which it relates.

### Current liabilities

Trade creditors and other liabilities are initially reported at fair value and subsequently carried at amortised cost. Trade creditors and other liabilities concern debts with a maturity of less than one year.

### Amortised cost

Amortised cost is the amount for which a financial asset or financial obligation is initially recognised in the balance sheet, less any repayments on the principal, increased or reduced by the cumulative amortisation of the difference between the first amount and the repayment amount calculated using the effective interest method, and reduced by any write-off (direct, or by creating a provision) due to impairment or irrecoverability.

### Leasing

The appraisal of whether or not an agreement contains a lease is made based on economic reality at the time the contract is entered into. The contract is deemed to be a lease agreement if performance of the agreement depends on the use of a specific asset or the agreement includes the right to use a specific asset. Payments for operational leasing are recognised in the profit and loss account as straight-line amounts spread over the period of the lease.

### Determination of results

The net result shown in the profit and loss account has only a limited significance in the context of an appraisal of the financial results. The prices received by members for their products through the Cooperative are a better indicator of the financial results.

### General details

Costs are determined with due consideration of the accounting principles mentioned above and are allocated to the financial year to which they relate.

### Net turnover

Net turnover concerns the proceeds from goods and services provided to third parties, less the discount allowed to customers and excluding value-added tax (VAT). Turnover is only reported if there is a reasonable degree of certainty that future benefit will accrue to the enterprise and that benefit can be reliably estimated. Turnover is specified according to the destination market.

Proceeds are reported when the significant risks and the ownership rights have been transferred to the buyer, when receipt of consideration is probable, and when the costs and the likelihood of return of the goods can be reliably estimated. Licences received from third parties are accounted for with deduction of continued payments to the entitled party, since the company is not exposed to credit risk for this portion of the licences.

### Purchase of products

Payments to members for the products they have delivered are determined at the end of the financial year based on information known on that date, taking into account any deductions necessary to cover the costs of the Group.

### Staff costs

The amounts payable to employees and the tax authorities by way of wages, salaries and social security contributions are incorporated into the profit and loss account based on the applicable employment package.

### Interest income and expenses

Interest income and expenses are accounted for in the period to which they relate, taking into account the interest rate applicable to the assets and liabilities concerned.

## Taxes

Taxes and levies are calculated on the recognised operating result, taking into account tax exemptions and expenses that are wholly or partially non-deductible. The Cooperative and its Dutch Group companies form a fiscal entity.

Taxes within this entity are netted as if each company were subject to taxation on its own account. A provision has been formed for possible deferred tax liability arising from taxable temporary differences. If it is probable that taxable profit will be available for settlement, a deferred tax asset has been formed for all deductible temporary differences and unused tax losses carried forward.

## Cash flow statement

The cash flow statement has prepared based on the indirect method. Cash flows in foreign currencies are translated at the average rate of exchange. The purchase price of Group companies acquired and the sale price of Group companies sold are reported under 'Cash flow from investments'.



## Notes to the consolidated balance sheet

x EUR 1,000

### Intangible fixed assets (1)

The breakdown and the movements of the intangible fixed assets can be summarised as follows:

|                                    | Goodwill     | Software     | Total<br>2019/2020 | Total<br>2018/2019 |
|------------------------------------|--------------|--------------|--------------------|--------------------|
| Balance sheet as at 01 August      | –            | 330          | 330                | 134                |
| Investments                        | 1,963        | 1,479        | 3,442              | 280                |
| Depreciation and amortisation      | -393         | -102         | -495               | -84                |
| <b>Balance sheet as at 31 July</b> | <b>1,570</b> | <b>1,707</b> | <b>3,277</b>       | <b>330</b>         |
| Purchase price                     | 1,963        | 3,781        | 5,744              | 2,302              |
| Cumulative depreciation            | -393         | -2,074       | -2,467             | -1,972             |
| <b>Balance sheet as at 31 July</b> | <b>1,570</b> | <b>1,707</b> | <b>3,277</b>       | <b>330</b>         |

Goodwill relates to the difference between the acquisition price and the net asset value in S.A. Desmazières of the shares acquired in 2019. Goodwill is written off from the remaining economic life, which, based on the relevant characteristics of the business operations of S.A. Desmazières and based on the estimated economic gains, has been estimated at 5 years.

Estimated economic life and the depreciation period based on this economic life is 3 to 5 years, for the software recognised under Tangible fixed assets. This item includes an amount of €1.3 million related to a new ERP system currently under development.

### Tangible fixed assets (2)

The composition and the movements of the intangible fixed assets can be summarised as follows:

|                                    | Buildings<br>and<br>land | Machines<br>en installations | Other fixed<br>operating<br>assets | Fixed<br>operating<br>assets in<br>progress | Not<br>used for<br>business<br>operations | Total<br>2019/2020 | Total<br>2018/2019 |
|------------------------------------|--------------------------|------------------------------|------------------------------------|---|---|--------------------|--------------------|
| Balance sheet as at 01 August      | 14,998                   | 1,732                        | 2,321                              | 461   | 586                                       | 20,098             | 20,411             |
| Investments                        | 1,053                    | 254                          | 726                                | 2,704                                       | 16  | 4,753              | 1,993              |
| Transfers                          | -464                     | 185                          | 185                                | 94  | –   | –                  | –                  |
| Disposals                          | –                        | –                            | -42                                | –   | –   | -42                | -102               |
| Depreciation and amortisation      | -806                     | -584                         | -862                               | –   | –   | -2,252             | -2,205             |
| Exchange rate differences          | -21                      | –                            | -6                                 | –   | –   | -27                | 2                  |
| <b>Balance sheet as at 31 July</b> | <b>14,760</b>            | <b>1,587</b>                 | <b>2,322</b>                       | <b>3,259</b>                                | <b>602</b>                                | <b>22,530</b>      | <b>20,099</b>      |
| Purchase price                     | 26,008                   | 9,977                        | 10,464                             | 3,259                                       | 2,990                                     | 52,698             | 48,538             |
| Cumulative depreciation            | -11,248                  | -8,390                       | -8,142                             | –   | -2,388                                    | -30,168            | -28,439            |
| <b>Balance sheet as at 31 July</b> | <b>14,760</b>            | <b>1,587</b>                 | <b>2,322</b>                       | <b>3,259</b>                                | <b>602</b>                                | <b>22,530</b>      | <b>20,099</b>      |

The estimated economic life, and the associated depreciation period, is 20 to 40 years for buildings, 10 years for building amendments, 5 to 10 years for machinery and installations and 5 to 10 years for other fixed operating assets. Assets which are not used for business operation, include houses and immovable property destined for sale.

'Fixed operating assets in progress' refers to investments in upgrading/renovating the office and the construction of a warehouse facility at the Purmerend site.

The transfers relate to a large extent to adjustments to the opening balance sheet.



### Financial fixed assets (3)

The breakdown of and movements in the financial fixed assets can be summarised as follows:

|   | Holdings     | Other securities/<br>security deposits | Loans provided | Receivables from investment holdings | Other receivables | Total 2019/2020 | Total 2018/2019 |
|---|--------------|--|----------------|--------------------------------------|-------------------|-----------------|-----------------|
| Balance sheet as at 01 August               | 1,188        | 9                                      | 104            | 786                                  | 926               | 3,013           | 3,210           |
| Repayments                                  | –            | –                                      | -50            | –                                    | -27               | -77             | -272            |
| Loans provided                              | –            | 123                                    | 4              | 130                                  | 193               | 450             | 91              |
| Acquisition                                 | 510          | –                                      | –              | –                                    | –                 | 510             | –               |
| Share of profit during financial year       | 457          | –                                      | –              | –                                    | –                 | 457             | -68             |
| Exchange rate differences                   | -365         | –                                      | –              | –                                    | –                 | -365            | -91             |
| Movement in value of financial fixed assets | –            | –                                      | –              | -278                                 | –                 | -278            | 143             |
| <b>Balance sheet as at 31 July</b>          | <b>1,790</b> | <b>132</b>                             | <b>58</b>      | <b>638</b>                           | <b>1,092</b>      | <b>3,710</b>    | <b>3,013</b>    |

The 'Holdings' item includes the 50% share in AR Tarim Tohumculuk ve Sanayi Ticaret A.Ş. in Izmir, Turkey; the 45% share in Potato Services Africa Ltd in Nairobi, Kenya; the 45% share in SV Agrico in Pune, India; and the 14.5% share in Breeders Trust S.A. in Belgium.

The 'Other securities/security deposits' item concerns security deposits at Agrico Polska and claims on cooperative associations in the form of shares destined to be held for a longer period of time. In addition, Agrico participates in various Private Sector Investments Programme (PSI) projects. The value of these interests (MABA Retail 25% and Agrico Algeria 25%) has been reported as nil.

EUR 0.9 million of the sum outstanding under 'Loans provided' is repayable within one year (31 July 2019: EUR 0.9 million). Loans provided are recognised less a provision of EUR 2.2 million (31 July 2019: EUR 2.6 million). The average interest rate for these loans is 0.56%.

Receivables from holdings concern loans with a term of more than one year; They are included after deduction of a provision in the sum of EUR 638,000 (31 July 2019: EUR 360,000).

Other receivables concern an investment account with the leasing company in connection with Agrico's financing of its leased vehicles.

#### Receivables (4)

Trade debtors are included after deduction of a provision for bad debts. As of 31 July 2020, said provision is valued at EUR 3.5 million (31 July 2019: EUR 3.8 million). The value of this provision is based on deliveries from the 2018 harvest and before that have not yet been paid, plus the provision deemed necessary for risks identified in relation to the 2019 harvest.

Receivables from holdings concern short-term receivables (less than one year) and do not bear interest.

The other receivables and accrued income have a term of less than one year and primarily concern value-added tax, corporation tax, goods and field inventories.

#### Cash and cash equivalents (5)

All cash and cash equivalents are at the disposal of the company.

#### Equity, capital and reserves (6)

The consolidated operating results accruing to the company (operating results including results directly accruing to the Cooperative via equity) amount to EUR 2,066,600 (31 July 2019: EUR 1,495,600). Details on the movements in equity, capital and reserves can be found under the Notes to the Unconsolidated Balance Sheet of Coöperatie Agrico U.A.



**Third-party interests in Group equity (7)**

The movements of third-party interests can be summarised as follows:

|                                       | Total<br>2019/2020 | Total<br>2018/2019 |
|---------------------------------------|--------------------|--------------------|
| Balance sheet as at 01 August         | 1,813              | 1,532              |
| Share of profit during financial year | 218                | 550                |
| Dividend                              | -491               | -284               |
| Changes in share of third parties     | -763               | –                  |
| Exchange rate differences             | -21                | 15                 |
| <b>Balance sheet as at 31 July</b>    | <b>756</b>         | <b>1,813</b>       |

**Provisions (8)**

The breakdown of and movements in provisions can be summarised as follows:

|                           | Pension<br>provisions | Deferred<br>tax<br>liabilities | Anniversary<br>payments<br>provisions | Total<br>2019/2020 | Total<br>2018/2019 |
|---------------------------|-----------------------|--------------------------------|---------------------------------------|--------------------|--------------------|
| Balans per 1 augustus     | 213                   | 99                             | 210                                   | 522                | 642                |
| Onttrekkingen             | -73                   | -41                            | -23                                   | -137               | -169               |
| Dotaties                  | 31                    | –                              | 41                                    | 72                 | 49                 |
| <b>Balans per 31 July</b> | <b>171</b>            | <b>58</b>                      | <b>228</b>                            | <b>457</b>         | <b>522</b>         |

The provision for pensions is calculated based on a discount rate of 2% and concerns the funding of pension entitlements accrued at the pension insurance provider up to 1 January 2000. This scheme includes an unconditional 1.5% indexation and applies to employees who remain in the Company's service until the retirement date.

Provisions are, for the most part, long-term.

**Long-term debts (9)**

The breakdown of and movements in long-term debts can be summarised as follows:

|                                    | Members'<br>accounts | Credit<br>institution | Other<br>long-term<br>liabilities | Total<br>2019/2020 | Total<br>2018/2019 |
|------------------------------------|----------------------|-----------------------|-----------------------------------|--------------------|--------------------|
| Balance sheet as at 01 August      | 3,320                | 2,976                 | –                                 | 6,296              | 6,212              |
| Repayments                         | –                    | -1,081                | –                                 | -1,081             | -808               |
| Loans provided                     | 425                  | 3,301                 | 547                               | 4,273              | 892                |
| <b>Balance sheet as at 31 July</b> | <b>3,745</b>         | <b>5,196</b>          | <b>547</b>                        | <b>9,488</b>       | <b>6,296</b>       |

Repayment obligations can be summarised as follows:

|                                    |              |              |            |              |              |
|------------------------------------|--------------|--------------|------------|--------------|--------------|
| Within 1 year                      | –            | 1,400        | –          | 1,400        | 808          |
| From 1 to 5 years                  | 3,745        | 3,796        | 547        | 8,088        | 5,488        |
| <b>Balance sheet as at 31 July</b> | <b>3,745</b> | <b>5,196</b> | <b>547</b> | <b>9,488</b> | <b>6,296</b> |

Members' accounts concern subordinated loans that form part of the Cooperative's guarantee capital. The average interest rate payable is 2.0% on members' accounts, and 1.25% on credit institution loans.

The other long-term liabilities represent a debt relating to the acquisition of shares in a group company.

**Members (10)**

|                                  | 31 July 2020  | 31 July 2019  |
|----------------------------------|---------------|---------------|
| Members for produce delivered    | 16,126        | 14,826        |
| Debt to the pool                 | 1,157         | –             |
| Repayment of certificate capital | –             | 728           |
|                                  | <b>17,283</b> | <b>15,554</b> |

For the most part, 'Members for produce delivered' relates to the balance that members leave in credit on their current account with the Cooperative. The average interest rate for these credit balances is 0.5%. The 'Debt to the pool' is an undivided remainder from the potato pools for that financial year, which will be added to the potato pools for the following financial year.

### Accrued liabilities (11)

The accrued liabilities have a term of less than one year and consist primarily of obligations towards staff and invoices to be received.

### Risk recognised by Agrico

- Strategic risks: Potential risks relating to further growth and acquisitions are managed by means of a strategic plan and objectives for growth and funding.
- Operational risks: Default risk are managed by means of an active credit control procedure and security is obtained where possible.
- Financial risks: Funding and currency risks are hedged by means of forward currency contracts and by preparing periodic liquidity forecasts. These activities, and the management of liquid funds, takes place mainly within Agrico B.V.
- Compliance risks: The risk of noncompliance with laws and regulations is managed through the use of codes of conduct, horizontal supervision and internal procedures.
- Risks related to COVID-19. These are described in the Report of the Management Board.

### Liabilities and assets not included in the balance sheet Obligations with respect to operational lease liabilities, which amount

to EUR 1.1 million (31 July 2019: EUR 1.0 million). Of this amount, EUR 0.4 million has a maturity of less than one year (31 July 2019: EUR 0.4 million). The remainder concerns obligations with maturities of less than five years.

At the end of the financial year, total investment obligations amounted to EUR 2.1 million (31 July 2019: EUR 2.2 million). Coöperatie Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V., and Leo de Kock & Zn. B.V. form a fiscal entity in terms of corporation tax and VAT, and are consequently jointly and severally liable for obligations arising from the fiscal entity.

During the financial year 2015/2016, Agrico delivered seed potatoes to a customer in Jordan. A complaint was submitted about a portion of this delivery and payment for the entire delivery remains outstanding. Agrico believes the complaint is unfounded and this view was confirmed by the District Court of Rotterdam during legal proceedings in April 2018. A provision has been included in the financial statements for the entire sum. In response, the Jordanian customer instituted legal proceedings in Jordan against Agrico and several individuals. The case is still pending and the demands were increased with a civil claim. No provisions have been created for this claim. Experts have drafted a (non-binding) claim report. The court ordered the experts in September 2020 to furnish proof of the damage claimed; this proof must come from the previously submitted case file. Based on the content of the case file and partly on the basis of the favourable ruling of the Dutch Court, the Management does not expect any outflow of resources to ensue.

### Surety

Coöperatie Agrico U.A. maintains credit facilities with several Dutch banks, and the value of these facilities is adjusted in tandem with seasonal trends. The following surety has been put up for the credit facilities provided to Coöperatie Agrico U.A. by bankers:

- Joint and several liability obligations for the account of Coöperatie Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V., and Leo de Kock & Zn. B.V.
- Assets declaration: 40% at the balance sheet date (the proportion of consolidated risk-bearing equity less intangible fixed assets in the consolidated balance sheet total).

Agrico B.V. is acting as guarantor for a credit facility for Canadian-based company Parkland Seed Potatoes Ltd in the sum of CAD 1.0 million. Agrico Polska Sp. Z.o.o. is acting as guarantor for a credit facility for a local partner in the sum of PLN 1.6 million. Coöperatie Agrico U.A. has issued a '403 Declaration' for the holdings Agrico B.V. and Agrico Research B.V. Agrico Holding B.V. has issued a '403 Declaration' for the holding Leo de Kock & Zn. B.V.

## Notes to the consolidated profit and loss account

x EUR 1,000

### Net turnover of products sold to third parties (12)

|   | 2019/2020      | 2018/2019      |
|---|----------------|----------------|
| Net turnover can be specified as follows: |                |                |
| Seed potatoes                             | 264,087        | 248,320        |
| Ware potatoes                             | 59,026         | 63,986         |
| Licences                                  | 7,170          | 5,977          |
| Other turnover                            | 1,614          | 1,536          |
|   | <b>331,897</b> | <b>319,819</b> |
| Market share of potato sales:             | %              | %              |
| Netherlands                               | 29,3           | 31,8           |
| France                                    | 13,0           | 12,5           |
| Belgium                                   | 12,9           | 11,9           |
| Other EU                                  | 23,4           | 22,1           |
| Non-EU                                    | 21,4           | 21,7           |
|   | <b>100,0</b>   | <b>100,0</b>   |

### Direct costs (13)

This figure includes expenses with a direct link to sales, including transport, commissions, packaging, etc.

### Purchase of products (14)

This figure includes the payments made to members for potatoes they have delivered (pooled or otherwise), storage allowances paid to members and purchases from third parties. The share of members in this respect is valued at EUR 185.7 million (2018/2019: EUR 186.4 million).

### Other operating income (15)

This figure includes payments received by way of subsidies, among other things.

### Wages, salaries and social security contributions (16)

|   | 2019/2020     | 2018/2019     |
|---|---------------|---------------|
| Salaries  | 14,160        | 12,997        |
| Social security contributions                             | 2,473         | 2,307         |
| Pension costs, including changes in the pension provision | 1,731         | 1,606         |
|   | <b>18,364</b> | <b>16,910</b> |
| Average number of employees in the Agrico Group:          |               |               |
| Netherlands   | 197           | 180           |
| Foreign Group companies                                   | 71            | 63            |
|   | <b>268</b>    | <b>243</b>    |

### Depreciation and amortisation on intangible and tangible fixed assets (17)

|   | 2019/2020    | 2018/2019    |
|---|--------------|--------------|
| Intangible fixed assets                               | 495          | 84           |
| Land and buildings                                    | 806          | 790          |
| Machinery and installations                           | 584          | 632          |
| Other fixed operating assets                          | 862          | 783          |
|   | 2,747        | 2,289        |
| Net result of the disposal of assets (profit or loss) | –            | –            |
|   | <b>2,747</b> | <b>2,289</b> |

### Other operating expenses (18)

|                                     | 2019/2020     | 2018/2019     |
|-------------------------------------|---------------|---------------|
| Other staff costs                   | 2,534         | 2,657         |
| Office expenses                     | 2,058         | 2,284         |
| Organisational costs                | 1,404         | 1,507         |
| Sales costs                         | 2,971         | 2,695         |
| Accommodation and operational costs | 1,779         | 1,905         |
| Miscellaneous costs                 | 1,299         | 1,524         |
|                                     | <b>12,045</b> | <b>12,572</b> |

### Interest and similar charges payable (19)

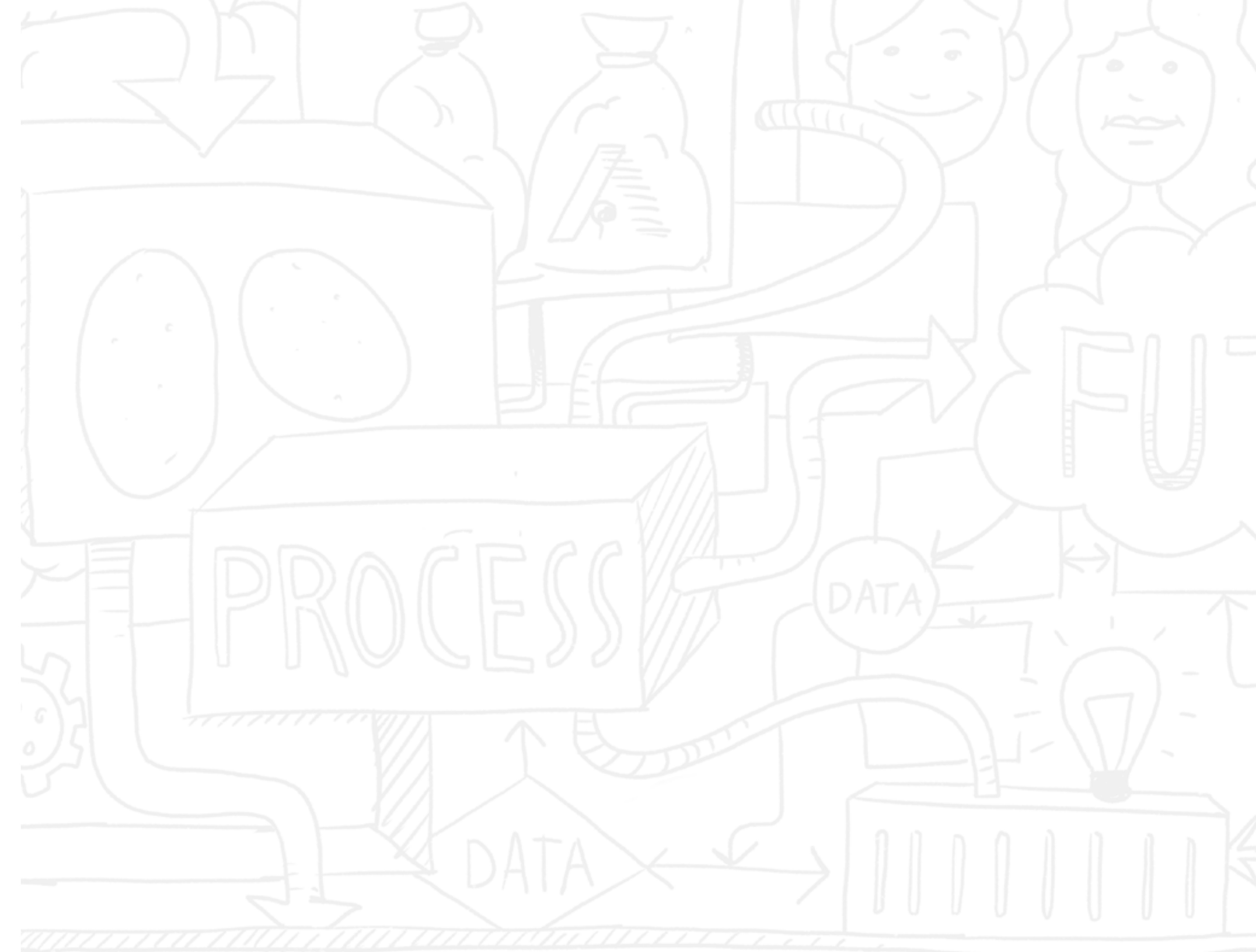
The 'Interest and similar charges payable' item includes a provision of EUR 58,400 (previous year: EUR 41,600) for exchange rate differences.

### Taxes (20)

Of the total tax levied on the results, EUR 1.9 million (2018/2019: EUR 3.1 million) concerns a loss incurred in the Netherlands, while EUR 6.5 million (2018/2019: EUR 7.6 million) concerns profit on operations outside the Netherlands. The effective tax burden (39.2%) varies from the nominal rate for the Netherlands (25%) on account of:

- application of the holding exemption on earnings from holdings.
- varying rates in other countries.
- uncertainty as to the receipt of tax refunds for certain losses and valuation differences, as a result of which no provision has been formed.
- other permanent differences between fiscal and commercial accounting principles.

At the end of the financial year, the deductible tax losses for the Dutch fiscal entity amount to EUR 15.4 million. The off-settable tax on this amount, calculated at the nominal rate of 25.0%, is EUR 3.9 million. This amount has not been included in the balance sheet.



## Unconsolidated balance sheet

x EUR 1,000 (after proposed appropriation of net result)

| <b>Assets</b>                     | 31 July 2020  | 31 July 2019  |
|-----------------------------------|---------------|---------------|
| <b>Fixed assets</b>               |               |               |
| <b>Tangible fixed assets (1)</b>  |               |               |
| Land and buildings                | 1,921         | 1,830         |
| Not used for business operation   | 446           | 446           |
|                                   | <b>2,367</b>  | <b>2,276</b>  |
| <b>Financial fixed assets (2)</b> |               |               |
| Holdings in Group companies       | 41,563        | 37,942        |
|                                   | <b>41,563</b> | <b>37,942</b> |
| <b>Current assets</b>             |               |               |
| <b>Receivables</b>                |               |               |
| Group companies                   | 10,135        | 7,743         |
| Members                           | 1,085         | 879           |
|                                   | <b>11,220</b> | <b>8,622</b>  |
| <b>Cash and cash equivalents</b>  | <b>259</b>    | <b>254</b>    |
| <b>Total assets</b>               | <b>55,409</b> | <b>49,094</b> |

| <b>Liabilities</b>                                  | 31 July 2020  | 31 July 2019  |
|---|---------------|---------------|
| <b>Equity, capital and reserves (3)</b>             |               |               |
| Statutory reserves                                  | 30,943        | 29,714        |
| Statutory reserve for holdings                      | 499           | 499           |
| Statutory reserve for capitalised development costs | 1,316         | –             |
| Statutory reserve for exchange rate differences     | -3,024        | -2,545        |
|   | <b>29,734</b> | <b>27,668</b> |
| <b>Long-term debts (4)</b>                          |               |               |
| Members' accounts*                                  | 3,745         | 3,320         |
| Credit institutions                                 | 4,450         | 2,400         |
|   | <b>8,195</b>  | <b>5,720</b>  |
| <b>Current liabilities</b>                          |               |               |
| Members (5)   | 17,283        | 15,554        |
| Other debts   | 197           | 152           |
|   | <b>17,480</b> | <b>15,706</b> |
| <b>Total liabilities</b>                            | <b>55,409</b> | <b>49,094</b> |

\* this concerns subordinated loans forming part of the Cooperative's guarantee capital

## Unconsolidated profit and loss account

x EUR 1,000

|   | 2019/2020    | 2018/2019    |
|---|--------------|--------------|
| Income from ordinary activities after tax | -1,554       | -970         |
| Earnings from holdings (6)                | 4,099        | 2,530        |
| <b>Net result after taxes</b>             | <b>2,545</b> | <b>1,560</b> |

## Accounting policies in the consolidated financial statements

### Introduction and notes

These are the unconsolidated financial statements of the Coöperatie Agrico U.A., established on 2 April 1973 with registered office in Emmeloord, the Netherlands, and registered with the Chamber of Commerce under number 39025632. These financial statements have been compiled in accordance with the laws and regulations for financial reporting prevailing in the Netherlands. Advantage has been taken of the facility provided under Section 362.8 of Part 9 of Book 2 of the Dutch Civil Code to apply the same principles in the unconsolidated financial statements as have been applied in the consolidated accounts. With respect to the principles for the valuation of the assets and liabilities, and for the compilation of the profit and loss account, reference is made to the notes to the consolidated financial statements, insofar as items are included in the unconsolidated accounts without further explanation.

### Applicability of Section 402 of Book 2 of the Dutch Civil Code

Since the profit and loss account for 2019/2020 for Coöperatie Agrico U.A. has been incorporated into the consolidated financial statements, the company accounts include only a summarised profit and loss account in accordance with Section 402 of Book 2 of the Dutch Civil Code.

## Notes to the unconsolidated financial statements

x EUR 1,000

### Tangible fixed assets (1)

The composition and the movements of the tangible fixed assets can be summarised as follows:

|                                    | Buildings<br>and<br>land | Not used<br>for business<br>operation | Total<br>2019/2020 | Total<br>2018/2019 |
|------------------------------------|--------------------------|---------------------------------------|--------------------|--------------------|
| Balance sheet as at 01 August      | 1,830                    | 446                                   | 2,276              | 2,140              |
| Investments                        | 205                      | –                                     | 205                | 226                |
| Depreciation and amortisation      | -114                     | –                                     | -114               | -90                |
| <b>Balance sheet as at 31 July</b> | <b>1,921</b>             | <b>446</b>                            | <b>2,367</b>       | <b>2,276</b>       |
| Purchase price                     | 2,866                    | 2,777                                 | 5,643              | 5,438              |
| Cumulative depreciation            | -945                     | -2,331                                | -3,276             | -3,162             |
| <b>Balance sheet as at 31 July</b> | <b>1,921</b>             | <b>446</b>                            | <b>2,367</b>       | <b>2,276</b>       |

The estimated economic life, and the associated depreciation period, is 20 to 40 years for buildings and 10 years for building amendments. Assets which are not used for business operation, include immovable property destined for sale.

### Financial fixed assets (2)

The breakdown of and movements in the financial fixed assets can be summarised as follows:

|                                    | Holdings<br>in Group<br>companies | Total<br>2019/2020 | Total<br>2018/2019 |
|------------------------------------|-----------------------------------|--------------------|--------------------|
| Balance sheet as at 01 August      | 37,942                            | 37,942             | 35,476             |
| Results for this financial year    | 4,099                             | 4,099              | 2,530              |
| Exchange rate differences          | -478                              | -478               | -64                |
| <b>Balance sheet as at 31 July</b> | <b>41,563</b>                     | <b>41,563</b>      | <b>37,942</b>      |

### Equity, capital and reserves (3)

The breakdown of and movements in equity, capital and reserves can be summarised as follows

|                                    | Reserves pursuant to Article 15.2 of the Articles of Association | Statutory reserve for holdings | Statutory reserve for capitalised development costs | Statutory reserve for exchange rate differences | Total 2019/2020 | Total 2018/2019 |
|------------------------------------|--|--------------------------------|---|---|-----------------|-----------------|
| Balance sheet as at 01 August      | 29,714   | 499                            | –   | -2,545  | 27,668          | 26,930          |
| Balance for the financial year     | 2,545  | –                              | –   | –   | 2,545           | 1,560           |
| Repayment, Series F                | –  | –                              | –   | –   | –               | -728            |
| Deductions                         | –  | –                              | –   | -479  | -479            | -30             |
| Other changes                      | -1,773   | 457                            | 1,316   | –   | –               | -64             |
| <b>Balance sheet as at 31 July</b> | <b>30,486</b>  | <b>956</b>                     | <b>1,316</b>  | <b>-3,024</b>                                   | <b>29,734</b>   | <b>27,668</b>   |

The reserves held pursuant to Article 15.2 of the Articles of Association are equal to the withheld balances of the Cooperative. No disbursement may be made from the statutory reserve for exchange rate differences beyond the level of the negative balance of said reserve.

The statutory reserve for holdings has been created for results and direct increases in the capital, equity and reserves of the holdings since the initial valuation in accordance with the equity method because the value of those holdings cannot easily be enforced or realised.

The statutory reserves for development costs relates to the (remaining) carrying amount of the capitalised development costs (investments in an ERP system).

### Proposed appropriation of net operating results

Pursuant to Article 15.2 of the Articles of Association, it is proposed by the Management Board that the positive operating result 2019/2020 (EUR 2,545,000) be divided and appropriated as follows:

|   | 2019/2020    | 2018/2019    |
|---|--------------|--------------|
| Addition to Cooperative's reserve pursuant to Article 15.2 of the Articles of Association | 2,545        | 1,560        |
|   | <b>2,545</b> | <b>1,560</b> |

This proposal has been incorporated into the balance sheet dated 31 July 2020.



**Long-term debts (4)**

The breakdown of and movements in long-term debts can be summarised as follows:

|   | Member<br>loans | Credit<br>institutions | Total<br>2019/2020 | Total<br>2018/2019 |
|---|-----------------|------------------------|--------------------|--------------------|
| Balance sheet as at 01 August                       | 3,320           | 2,400                  | 5,720              | 6,163              |
| Repayments  | –               | -950                   | -950               | -800               |
| Loans provided                                      | 425             | 3,000                  | 3,425              | 357                |
| <b>Balance sheet as at 31 July</b>                  | <b>3,745</b>    | <b>4,450</b>           | <b>8,195</b>       | <b>5,720</b>       |
| Repayment obligations can be summarised as follows: |                 |                        |                    |                    |
| Within 1 year                                       | –               | 1,400                  | 1,400              | 800                |
| From 1 to 5 years                                   | 3,745           | 3,050                  | 6,795              | 4,920              |
| <b>Balance sheet as at 31 July</b>                  | <b>3,745</b>    | <b>4,450</b>           | <b>8,195</b>       | <b>5,720</b>       |

The average interest rate payable is 2.0% on members' accounts, and 1.25% on credit institution loans.

**Members (5)**

|                                  | 2019/2020     | 2018/2019     |
|----------------------------------|---------------|---------------|
| Members for produce delivered    | 16,126        | 14,826        |
| Debt to the pool                 | 1,157         | –             |
| Repayment of certificate capital | –             | 728           |
|                                  | <b>17,283</b> | <b>15,554</b> |

For the most part, 'Members for produce delivered' concerns the balance that members leave in credit on their current account with the Cooperative. The average interest rate for these credit balances is 0.5%. The 'Debt to the pool' is an undivided remainder from the potato pools for that financial year, which will be added to the potato pools for the following financial year.

**Earnings from holdings (6)**

This concerns the share of the enterprises in the earnings of its holdings, where an amount of EUR 3,444,700 (2018/2019: EUR 2,597,200) relates to group companies. The remaining portion concerns earnings from minority interests in the amount of EUR 654,600 (2018/2019: EUR -67,100).

**External auditor's fee (pursuant to Section 382a of Book 2 of the Dutch Civil Code)**

The auditing costs included under 'Organisational costs' relate to the following services from Ernst & Young Accounts LLP:

|                                   | 2019/2020  | 2018/2019  |
|-----------------------------------|------------|------------|
| Audit of the financial statements | 221        | 250        |
| Tax advisory services             | 15         | 18         |
|                                   | <b>236</b> | <b>268</b> |

### Remuneration of Directors and Supervisory Directors

In accordance with Section 383.1 of Part 9, Book 2 of the Dutch Civil Code, the figures for the Directors of Coöperatie Agrico U.A. (who also act as Supervisory Directors of Agrico B.V.) are: EUR 146,200 (last year: EUR 150,700).

### Liabilities and assets not included in the balance sheet

Agrico U.A. is jointly and severally liable for obligations arising from the fiscal entity, in terms of both corporation tax and VAT levies in connection with turnover with Group members in the Netherlands.

Coöperatie Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V., and Leo de Kock & Zn. B.V. form a fiscal entity in terms of corporation tax and VAT, and are consequently jointly and severally liable for obligations arising from the fiscal entity.

Emmeloord, 9 November 2020

J.J. van Hoogen  
Managing Director

C.A.A.M. Gommeren  
Member of the Board

J.C. van Heerwaarden  
Member of the Board

L.D. de Winter  
Member of the Board

### Surety

Coöperatie Agrico U.A. maintains credit facilities with several Dutch banks, and the value of these facilities is adjusted in tandem with seasonal trends. The following surety has been put up for the credit facilities provided to Coöperatie Agrico U.A. by bankers:

- Joint and several liability obligations for the account of Coöperatie Agrico U.A., Agrico B.V., Agrico Holding B.V., Agrico Research B.V., and Leo de Kock & Zn. B.V.
- Assets declaration: 40% at the balance sheet date (the proportion of consolidated risk-bearing equity less intangible fixed assets in the consolidated balance sheet total).

Coöperatie Agrico U.A. has issued a '403 Declaration' for the holdings Agrico B.V. and Agrico Research B.V.

A.H. Vermeulen  
Member of the Board

G. Ensing  
Member of the Board

S.K. Hoekstra  
Member of the Board

G.H. de Raaff  
Member of the Board

## Other information

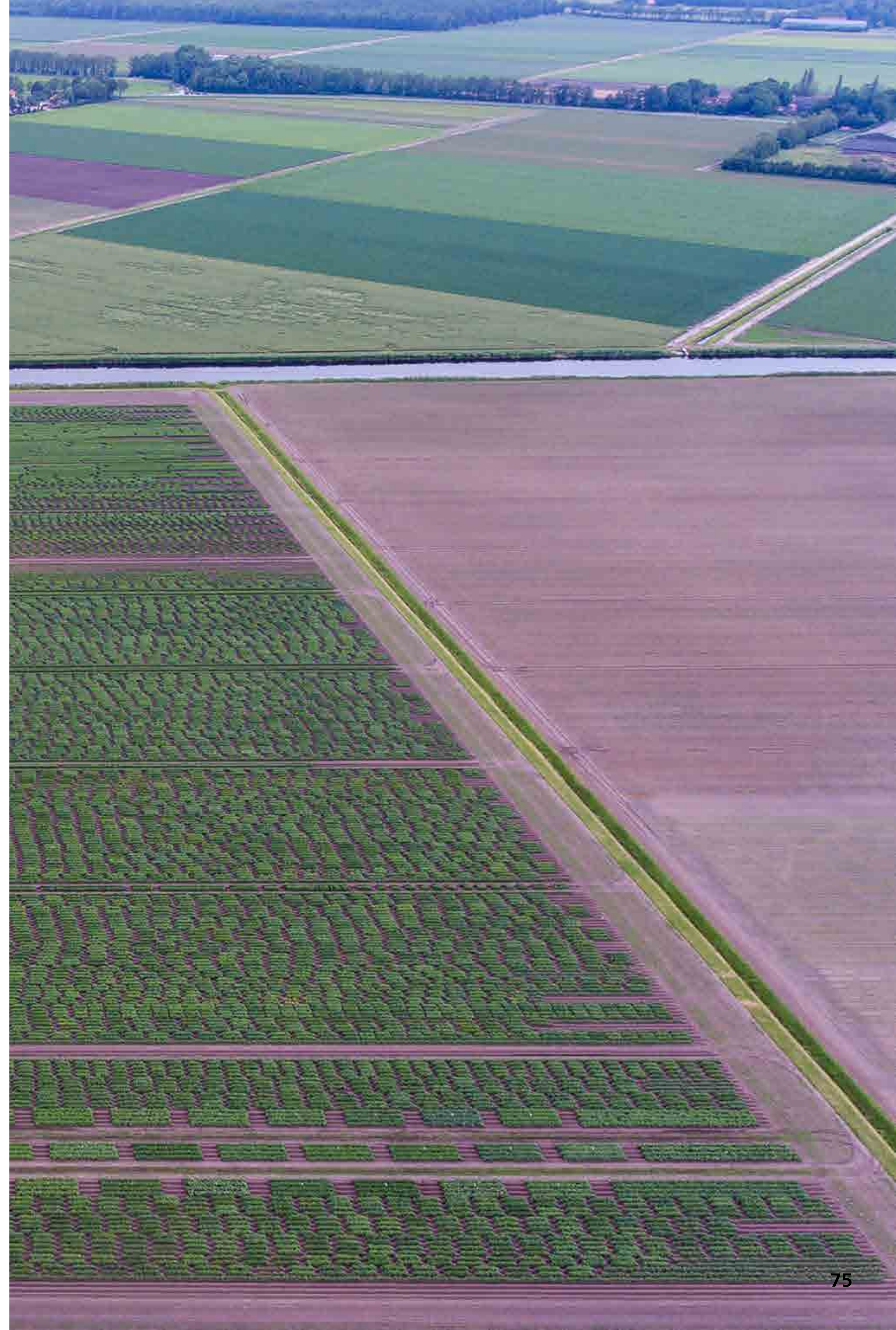
### Important provisions in the Articles of Association

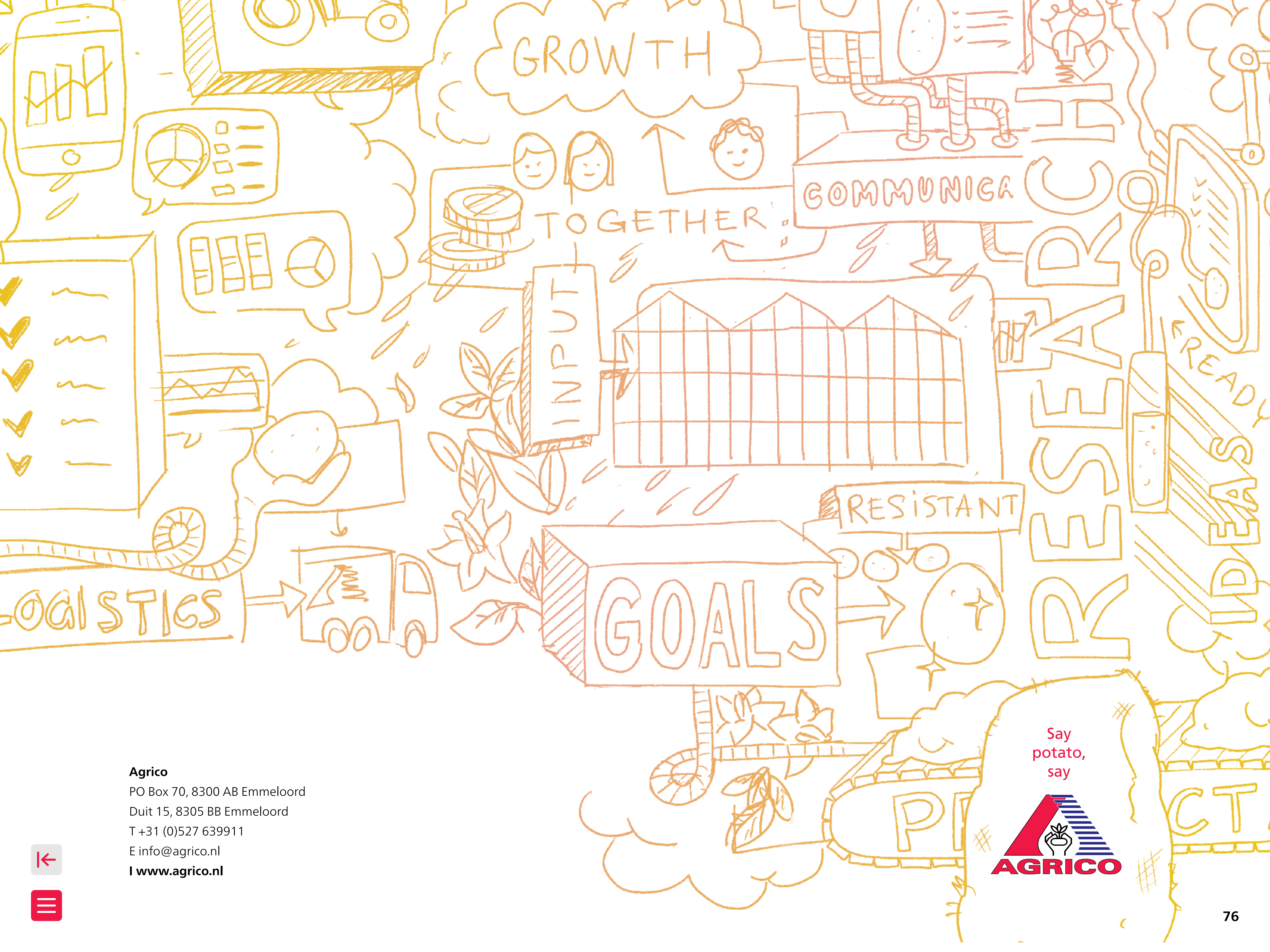
#### With regard to the apportionment of the balance (Article 15.2, subsection 6)

- a. The Board of Members decides with regard to the apportionment of any positive balance on the profit and loss account after hearing a proposal from the Cooperative Board.
- b. Any negative balance on the profit and loss account is deducted from the equity, capital and reserves of the Cooperative, specifically from those components as determined by the Board of Members after hearing a proposal from the Cooperative Board.

#### With regard to the apportionment of a positive balance after winding-up (Article 18.3)

1. If a balance remains after these payments have been made, it will be disbursed to those who were Members of the Cooperative on the date the Cooperative was dissolved. The remaining balance will be apportioned according to the ratio of the total of all disbursements made by the Cooperative to each of the Members in respect of products for which a delivery obligation applied or had applied during the five (5) full financial years prior to dissolution, or during the entire period of membership if that had lasted less than five (5) years.
2. In the event of dissolution because of the total lack of Members, any positive balance will be disbursed to those who had ceased to be Members during the five (5) years immediately preceding the dissolution. If there are no such Members, the balance will be disbursed to those who had ceased to be Members during the seven (7) years immediately preceding the dissolution, and so on. The principle on which apportionment will be based corresponds to the principle described in the previous subsection.





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