



## AGRICULTURE

The Group's Agriculture Sector (represented by Hayleys Agriculture Holdings Limited) drives unparalleled economic value across an extensive ecosystem of outgrowers, farmers and other agricultural producers through creating links to global supply chains, modernising Sri Lanka's agriculture industry and building capacity across networks through its widespread extension services.

# AGRICULTURE

**Supplier value addition**  
 Rs. 7.2 bn payments to local suppliers including outgrowers  
 Outgrowers >11,000  
 Smallholders >225

**Economic value**  
 Rs. 4.03 bn tax contributions  
 Rs. 4.6 bn export revenue generated beneficiaries

**Socio-economic value generation**

Supporting the country's food security through,

- Essential crop protection and nutrition products
- Research and development of high yielding planting materials
- Farmer awareness building on technology and sustainable agriculture

Strengthening resilience of Sri Lanka's Agriculture Sector through,

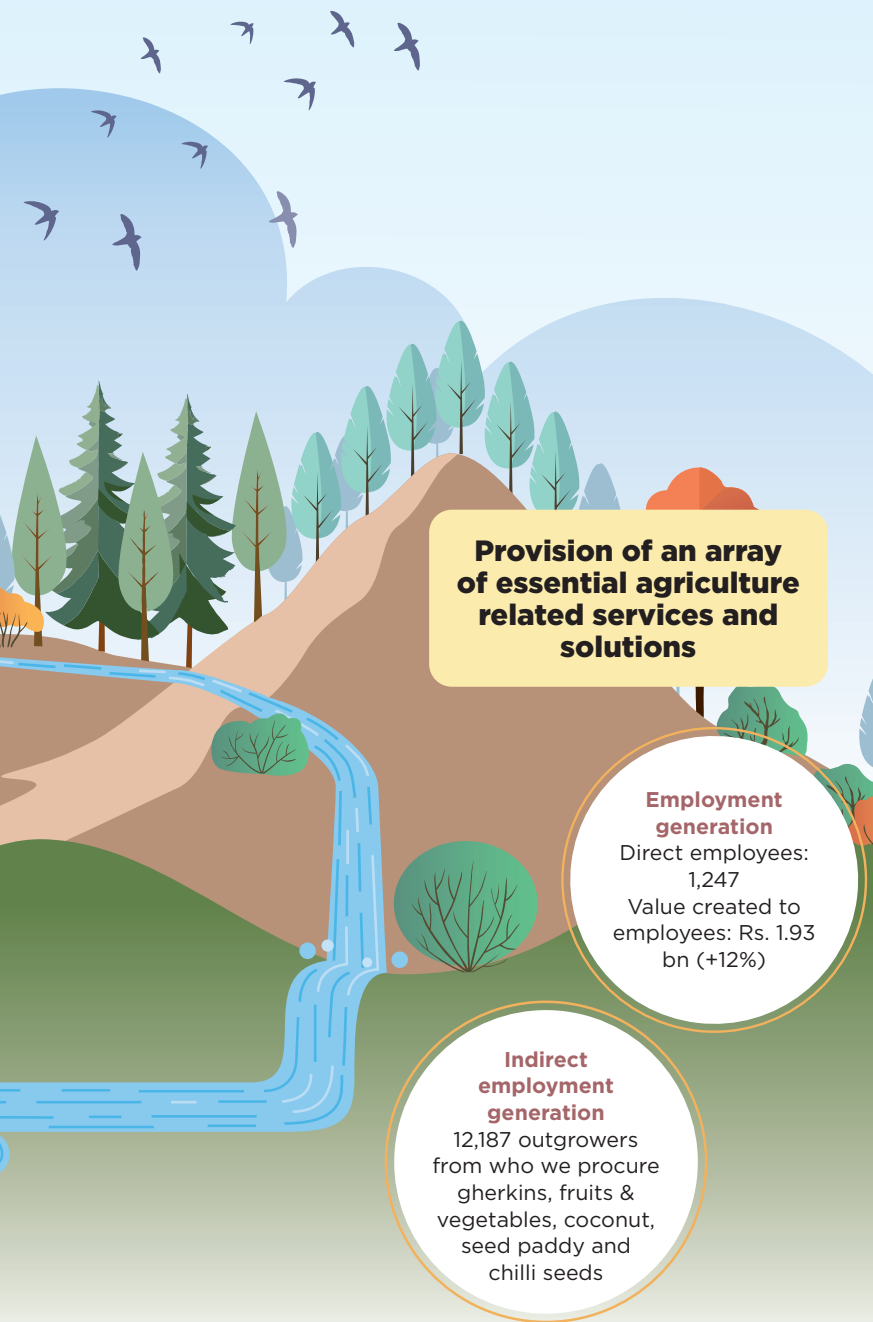
- Mechanisation
- Climate smart agriculture solutions



**Rs. 10 bn**  
 Economic value creation




**6%**  
 Contribution to Group's value creation





**Provision of an array of essential agriculture related services and solutions**

**Employment generation**  
 Direct employees: 1,247  
 Value created to employees: Rs. 1.93 bn (+12%)


**Indirect employment generation**  
 12,187 outgrowers from who we procure gherkins, fruits & vegetables, coconut, seed paddy and chilli seeds

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**Crop Protection Solutions**  
 A range of essential solutions for a variety of crops including Paddy, Tea, Rubber, Spices and Export Crops, Fruits, and Vegetables.
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**Agri Equipment**  
 Supports the mechanisation of the industry through providing access to world-class agri equipment, protected agriculture systems, micro irrigation systems, and accessories.
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**Crop Nutrition**  
 Specially formulated fertilizer mixtures blends and specialty fertilizers that cater to different agro-ecological zones.
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**Animal Health**  
 Range of world-class animal healthcare products in livestock nutrition, veterinary medicine and animal vaccines.
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**Agri Exports**  
 Exports processed fruits and vegetables to leading global brands and supermarkets as well as F1 hybrid flower seeds, and tissue culture plants.

 <b>Revenue</b> Rs. 34.88 bn (+6%)	 <b>Profit Before Tax</b> Rs. 3.02 bn (-40%)	 <b>Profit After Tax</b> Rs. 2.09 bn (-41%)	 <b>Assets</b> Rs. 25.98 bn (-1%)	 <b>Liabilities</b> Rs. 15.31 bn (-4%)	 <b>Employees</b> 1,247 (+4%)	 <b>Carbon footprint</b> 4,422 tCO <sub>2</sub> e (-4%)
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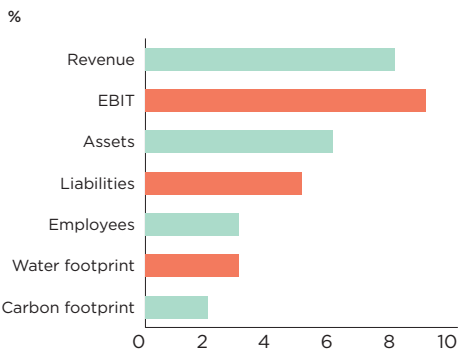
+ denotes y-o-y growth - denotes y-o-y decline

# AGRICULTURE

## SECTOR OVERVIEW

The Sector is at the forefront of Sri Lanka's Agriculture industry, offering a comprehensive array of agriculture-related solutions to the local and export markets. Hayleys Agriculture's competitive edge is underpinned by its partnerships with globally renowned principals, extensive relationships across Sri Lanka's agricultural value chains, domain-specific knowledge and best-in-class research and development capabilities. The Sector has contributed towards catalysing the development of the country's Agriculture Sector through providing essential input materials, driving mechanisation and introducing climate-smart agriculture solutions supporting the longevity of the industry.

## CONTRIBUTION TO GROUP



### LOCAL OPERATIONS

Provides a range of agriculture input solutions, including agriculture machinery, crop protection solutions, seeds and planting materials, animal health products, and fertilizer.

**Contribution to Sector**  
Revenue: 70%  
PBT: 63%

**Performance 2023/24**  
Revenue: 11% growth  
PBT: 45% decline

### EXPORTS

Exporter of processed fruits and vegetables, coconut kernel-based products, tissue culture plants and F1 hybrid flower seeds

**Contribution to Sector**  
Revenue: 12%  
PBT: 3%

**Performance 2023/24**  
Revenue: 5% decline  
PBT: 86% decline

### OVERSEAS OPERATIONS

International operations in Bangladesh

**Contribution to Sector**  
Revenue: 17%  
PBT: 34%

**Performance 2023/24**  
Revenue: 11% decline  
PBT: 45% growth

stabilisation of the country's macro-economic fundamentals and gradual return to normalcy following the fuel shortages and economic disruptions of the previous year. Accordingly, the country's paddy production increased by 20%, compared to the near 34% drop in the paddy crop in 2022. Despite these improvements, consumer spending remained subdued resulting in customers' increasing price consciousness, deferment of purchases and shift towards cheaper alternatives. This was further compounded by the relatively high interest rates in the first half of the year coupled with the increase in tax rates. Meanwhile, having a made strong recovery post pandemic, Bangladesh has been impacted by rising inflation, financial

## OPERATING ENVIRONMENT

Sri Lanka's Agriculture Sector posted modest recovery in 2023, expanding by 3% compared to the contraction of 4% recorded in 2022. This uptick represents the

## COMPETITIVE POSITION

**Agriculture Extensive Services powered by over 150 skilled agriculturalists** who collaborate with stakeholders across the agri-value chain in propagating knowledge and best practice.

Long-standing relationships with **66 globally renowned principals** including Kubota, Bayer, BASF, Elanco and Hipra among others.

**Market leader** in several verticals which include

- Largest Sri Lankan exporter of processed fruits and vegetables
- Largest producer and exporter of tissue culture plants
- Only Sri Lankan exporter of F1 hybrid flower seeds
- Leader in Agri input solutions and equipment

sector vulnerabilities and a balance-of-payment deficit which has led to a sharp decline in foreign exchange reserves. External pressure is expected to persist in Bangladesh for the most part of 2024, while GDP growth is expected to moderate but remain relatively good at 5.6% in 2024.



**+3%**  
Growth in Sri Lanka's  
Agriculture Sector



**+20%**  
Increase in  
paddy crop



**0.1%**  
Growth in  
agriculture exports

### Summary of external drivers

	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	M	+ Favourable pricing on imported agricultural inputs - Negative impacts on agricultural exports
	Interest rates	M	- High interest during the first half of the year adverse impacted demand
	Decline in consumer spending	M	- Subdued consumer demand and increasing price consciousness of customers
	Taxation	H	- Adverse implications on consumer buying power - Significant increase in prices following the imposition of VAT from January 2024
Industry context	Mechanisation of agriculture	H	+ Promising long-term demand dynamics for agricultural equipment and machinery
	Inconsistent policy	M	- Limited predictability leading to challenges in planning
	Land degradation	M	- Adverse impacts on quality, quantity and yields of crop thereby negatively affecting farmer income
Sustainability context	Implications of climate change	M	- Impacts of erratic weather patterns on quantity and quality of crop
	Water stress in several areas of the country	M	- Implications on quality, yield and quantity of tea
	Water stress in several areas of the country	M	- Impacts of erratic weather patterns on quantity and quality of crop

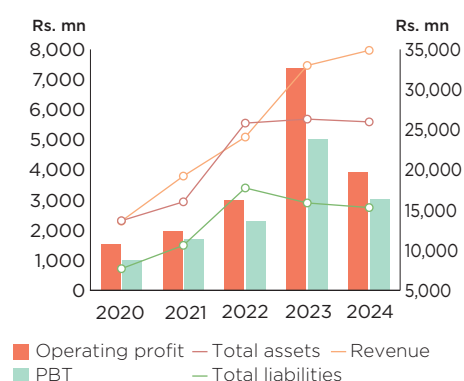
H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

### STRATEGY AND INTEGRATED PERFORMANCE REVIEW

The Sector delivered a resilient performance amidst a multitude of challenges that prevailed during the year, underpinned by the diversity of its businesses as well as the strength of its brands and relationships. Performance was upheld by Crop Protection and Overseas Operations, which led to a Revenue growth of 6% to Rs. 34.89 bn during the year. Profitability normalised from the record highs of last year, to record a Profit Before Tax of Rs. 3.02 bn during the year (2022/23: Rs.5.0 bn)

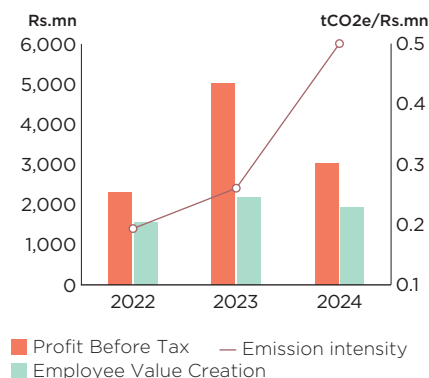
Crop Protection recorded strong growth during the year, emerging as the highest contributor to Sector profitability. Performance was upheld by the launch of a new herbicide which swiftly gained traction to achieve market leadership status. With this addition, the cluster has strengthened its product proposition offering a comprehensive array of crop protection materials. Meanwhile, profits from Agro Fertilizer normalised during the year, reflecting intensifying competitive pressures and the imposition of VAT which led to subdued demand.

### SECTOR FINANCIAL PERFORMANCE



## AGRICULTURE

### INTEGRATED PERFORMANCE



The Agri Equipment cluster also experienced a challenging year due to customers’ increased concerns on affordability which led to deferment of purchases. Despite these challenges, the Sector maintained its position as the market leader in the four-wheel tractor segment supported by the strength of its global brands. Meanwhile Animal Health performed commendably during the year; with the pet segment recording subdued demand amidst increasing affordability concerns, the cluster expanded its reach to new market segments such as poultry. In a key achievement the cluster also introduced two new vaccines Gumbohatch and Evalon in partnership with its principal HIPRA; these vaccines gained quick traction in the market supported by its high efficacy and ease of use.

In Exports, the horticulture segment performed well maintaining its position as the largest producer and exporter of tissue culture plants and the only Sri Lanka exporter of F1 hybrid flower seeds. Food exports were affected by adverse weather conditions, which necessitated reseeded of gherkins, while profitability was also impacted by the appreciation of the Sri Lankan Rupee and subdued demand from key markets. Despite these challenges, the cluster continued to inject value to its network of out-growers ensuring their financial viability and continued economic empowerment. The outlook for food exports, however, is promising with the cluster seeing a gradual pick-

up in demand towards the last quarter of the financial year. Meanwhile, strategic focus was placed on upgrading and revamping the coconut milk facility which was purchased in 2022/23, which enabled the Sector to obtain the required certifications and launch a range of coconut-based products including beverages, oils, spreads, and confectionery under the CocoLife by Hayleys brand.

The Sector’s Overseas Operations (represented by Haychem Bangladesh) emerged as a key contributor to profits during the year, as it leveraged the strength of its brands and product channels to drive increased penetration. During the year, the Sector sought to capitalise on its existing competitive edge in Bangladesh to strengthen its product offering in new segments- accordingly, the Sector commenced Animal Health services in Bangladesh and intends to commence the manufacture of bio-fertilizer for which a land was acquired during the year.

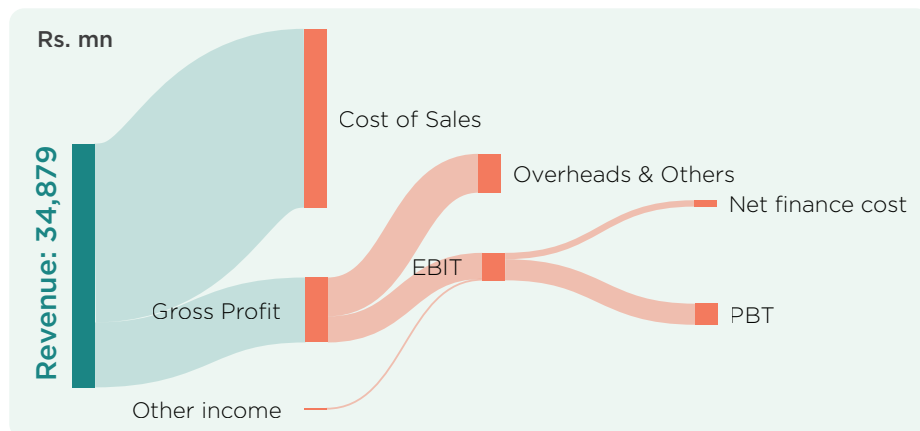
Best-in-class research and development capabilities is the hallmark of Hayleys Agriculture and during the year it continued to strengthen its product portfolio through innovations. The Sector established a facility for pre-mixes of antibiotics and vitamins during the year, with the aim of tapping export markets including Bangladesh in which it already has an established presence. The Sector also marked

a key milestone as it established a polyethylene pipe manufacturing facility during the year, offering advanced irrigation solutions to Sri Lanka’s Agriculture industry. Hayleys Agriculture continues to play a pivotal role in driving industry mechanisation and during the year launched a first-of-its kind paddy dryer, which seeks to empower farmers through reducing drying time, money and labour while minimising losses.

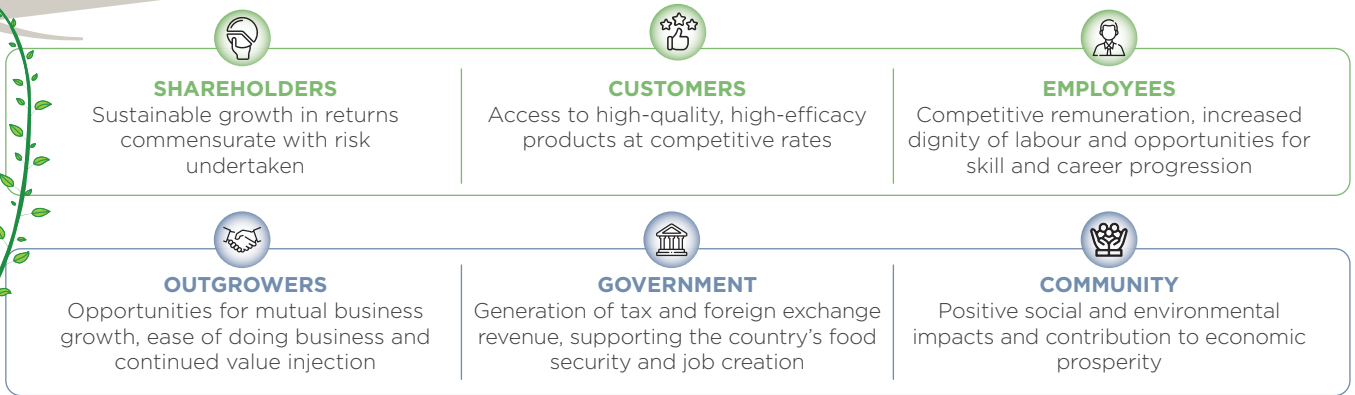
### ESG IN ACTION

The Sector’s ESG agenda is aligned to that of the Hayleys Lifecode with key areas of focus including sustainable water sourcing, increasing energy efficiency and driving economic empowerment through outgrower programmes. During the year, measures were taken to strengthen the Sector’s ESG governance and reporting mechanisms. Key interventions include,

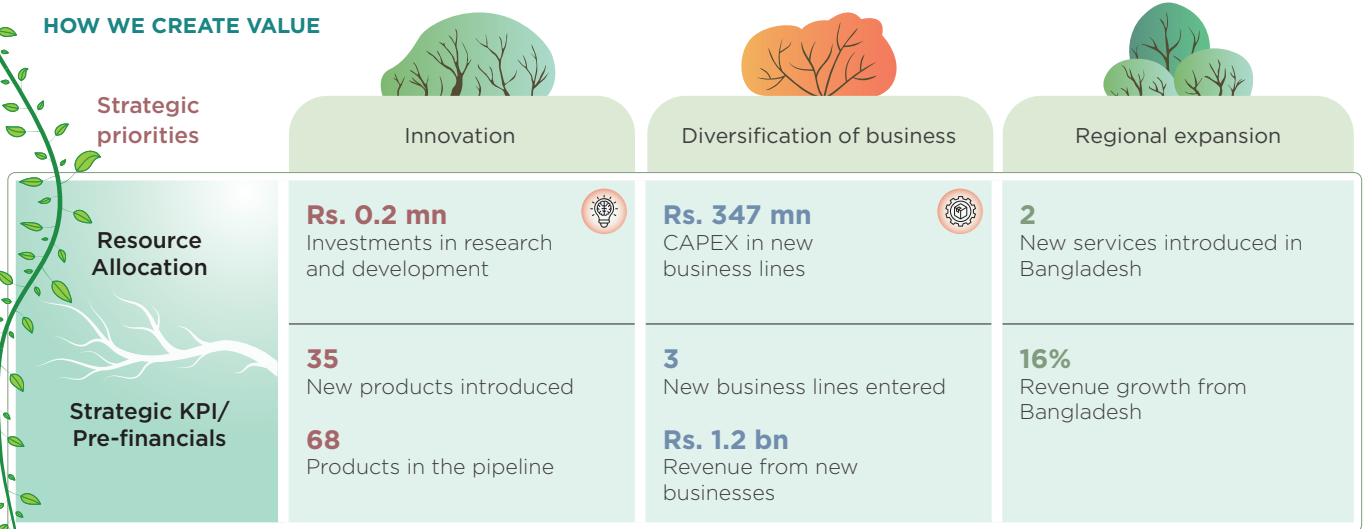
- Establishment of Sector ESG Steering Committee
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2022/23)




HOW WE DEFINE VALUE



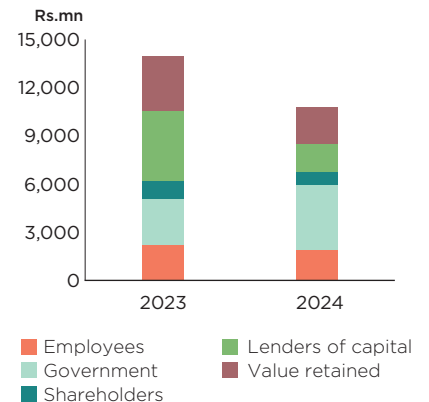
HOW WE CREATE VALUE



HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year decreased by +22% reflecting the appreciation of the Sri Lankan Rupee and normalisation of tea prices
  - Payments to employees decreased by 12% during the year
  - Value generated to Governments amounted to Rs. 4.03 bn and 40% of the total value created
  - Payments to lenders of capital decreased by 59%
  - Value retained in the business for future investment
  - Amounted to Rs 2.30 bn compared to Rs. 3,450 mn the previous year
- 

VALUE DISTRIBUTION



# AGRICULTURE

## FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	34,879	32,998	6	24,089
Earnings Before Interest and Tax	3,937	7,379	(47)	3,011
Net Finance Income/(Cost)	(916)	(2,369)	(63)	(709)
Profit Before Tax	3,020	5,010	(40)	2,302
Profit After Tax	2,089	3,532	(41)	1,715
Assets	25,978	26,323	(1)	25,826
Liabilities	15,313	15,889	(4)	17,754
Operating Cash Flow	2,210	996	122	(2,973)
<b>Performance against targets</b>				
	<b>Target</b>	<b>Actual</b>	<b>Reason for variance</b>	
ROCE	>20%	25%	Exceptional performance in agro chemical and our Bangladesh operations and effective working capital management	
ROE	>20%	28%		
<b>OPERATIONAL HIGHLIGHTS</b>				
	<b>2024</b>	<b>2023</b>	<b>% y-o-y</b>	<b>2022</b>
Energy Intensity (GJ/Revenue Rs.mn)	0.9	1.1	(19)	1.3
Water Intensity (Litres/Revenue Rs.mn)	5,293	5,310	0	8,601
Carbon Intensity (tCO <sub>2</sub> e/Revenue Rs.mn)	0.1	0.1	0	0.1
No. of Employees	1,247	1,205	14	1,157
Revenue per Employee (Rs.mn)	27.9	27	4	21
Remuneration per Employee (Rs.mn)	1.5	2	-	1

## ESG HIGHLIGHTS



### CLIMATE ACTION

- The Sector continues to drive energy efficiency initiatives, particularly across its manufacturing operations
- Improved emission reporting in line with the requirements of the third-party verification

	2024	2023	%Y-o-y	Target
Energy consumption (GJ)	30,968	36,245	(15)	
Carbon footprint (tCO <sub>2</sub> e)	4,422	4,604	(4)	Annual 1% reduction

### Value creation across outgrower networks

Linking local farmers to global supply chains through outgrower networks in Batticaloa, Jaffna, Kilinochchi, Mullativu, Mannar, Vavuniya, Ampara, Anuradhapura, Polonnaruwa, Puttalam, Badulla, Matale and Rathnapura.

## 12,187

outgrowers & smallholders

### Building capabilities across value chains

**Agriculture Training School**  
Agricultural input and technology related training to,

Farmers, Field assistance and field officers students, entrepreneurs

### Agriculture Extension Services

- Island-wide agri ecosystem supported
- Propagation of agricultural skills and knowledge
- Over 150 trained agriculturalists



## CLIMATE-SMART AGRICULTURE SOLUTIONS



Climate-smart irrigation and protected agriculture technologies

Organic and bio fertilizers to improve soil health

Farmer training to propagate sustainable agriculture practices

### Leadership development

The Sector placed strategic focus on developing the next generation of leaders through ongoing opportunities for training.



	2024	2023	y-o-y
Training hours (hours)	2,552	3,278	-22%



## PROSPECTS AND PLANS

Despite short-term volatilities stemming from macro-economic fundamentals and climate impacts, the outlook for the country's Agriculture Sector remains promising given its vital importance in ensuring food security and supporting livelihoods of nearly 30% of the country's population. Consistent and conducive government policy remains a key requisite in driving sustainable growth of the industry and we look forward to engaging and collaborating with industry stakeholders to achieving the true potential of Sri Lanka's Agriculture Sector. The Sector's short, medium and long-term risks and opportunities are summarised below:

## INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

### - Affordability concerns

The increases in income tax as well as imposition of VAT has led to escalating concerns on affordability, which in turn has driven demand for cheaper alternatives. This has also increased the risk of sub-standard and counterfeit products entering the market, inserting further pressure on suppliers of legitimate goods.

#### Response

Increased diversification of product and service portfolio, overseas expansion

### + Mechanisation of agriculture

Labour shortages in the industry continues to be a key challenge reflecting the changing aspirations of the youth and increased migration from the Sector. Against this backdrop, mechanisation of agriculture will be essential in ensuring continued growth and supporting the country's food security.

#### Response

Leverage partnerships with global suppliers to provide innovative solutions for mechanisation.

### - Exchange rate dynamics

While the appreciation of the Sri Lankan Rupee remains favourable for imports, this trajectory will impact the competitiveness and profitability of our exports

#### Response

Geographical diversification of operations and strengthening market share across key verticals.

### - Policy inconsistency

Rational and consistent policy is essential for the long-term sustainability and survival of the country's Agriculture Sector as well as ensuring the commercial sustainability of Agriculture Sector operators.

#### Response

Proactive engagement with regulators and industry counterparts in creating a conducive environment which ensures the long-term sustainability of the industry.

### Sustainability related risks and opportunities (SRRO)

#### Implications of weather on agriculture

Escalating implications of climate change have led to significant volatility in rainfall and precipitation levels as well as considerable fluctuations in temperature levels affecting agricultural productivity and crop volumes

< 1 year	Volatility in production levels and variations in quality
1-5 years	More pronounced impacts of volatile weather patterns, which will impact cultivation of key crops
>5 years	Survival of the Agriculture Sector will be threatened if climate adaptation measures are not adopted
Response	Pursuing climate-smart agriculture practices

### Declining land productivity

The productivity in major growing ecosystems in Sri Lanka (dry and intermediate zones) has been stagnant or declining over the last 10 years

< 1 year	Limited impact in short-term
1-5 years	Further declines in yields and resultant escalation will affect industry profitability, thereby affecting demand for our products.
>5 years	If measures are not adopted to improve land productivity, farmer incomes will suffer, resulting in further migration of labour from the Sector.
Response	Raising farmer awareness on sustainable agriculture practices through our network of extension services.

## AGRICULTURE

As a leading player at the forefront of Sri Lanka's Agriculture Sector, we are deeply committed to supporting the long-term growth and survival of the industry by collaborating with our ecosystem of partners in propagating modern and sustainable agriculture practices. We will continue to leverage the collective knowledge of our team, our access to global brands and our extensive networks to support the country's food security aspirations. The short, medium and long-term plans in place are summarised below:

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> <li>Cost management and process efficiencies.</li> <li>Market entry and new customer acquisition in coconut product range.</li> <li>Expand product proposition under food exports.</li> <li>Strengthen distribution networks in fertilizer cluster.</li> <li>Widen product offering in Bangladesh.</li> <li>Strengthen presence in poultry sector in Animal Health Division.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen digital marketing activities in agri-equipment cluster.</li> <li>Elevate market share in animal health division through new products.</li> <li>New product development in agri exports cluster.</li> <li>Development of bio-organic crop protection solutions.</li> </ul>
<b>Short-term goals</b> ROCE > 20% ROE > 20%	<b>Medium-to-long term goals</b> ROCE > 20% ROE > 20%

### SASB DISCLOSURES

Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
<b>Greenhouse Gas Emissions</b>	Gross global Scope 1 emissions	Metric tons (t) CO <sub>2</sub> -e	FB-AG-110a.1	1,805
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	1% reduction of energy consumption related absolute GHG emissions of scope 1 & 2 emission annually. 10% reduction thereafter of energy consumption related GHG emissions of scope 1 & 2 emission
	Fleet fuel consumed Percentage renewable (total renewable energy % from the fleet fuel consumed)	Litre %	FB-AG-110a.3	1) 154,859 2) N/A
<b>Energy Management</b>	(1) Operational energy consumed	GJ	FB-AG-130a.1	1) 30,968
	(2) Percentage grid electricity	%		
	(3) Percentage renewable	%		
<b>Food Safety</b>	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	FB-AG-250a.1	1) <4 % non-conformance 2) (2) a and b HJS Condiments Limited is FSSC 22000 version 5.1 certified and all non-conformances at purchasing is monitored and traced. All the measures are taken to educate farmers to achieve 0% non-conformances at the field/ farm level.
	Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program	%	FB-AG-250a.2	100 % HJS Condiments Limited is FSSC 22000 version 5.1 certified. All products are sourced according to the Food Safety Standards.
	(1) Number of recalls issued (2) Total amount of food product recalled	Number MT	FB-AG-250a.3	1) 0 2) 0 MT
<b>Ingredient sourcing</b>	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Erratic weather patterns, temperature increases, increase in rainfall
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			90% (Fruits and Vegetable) by Sunfrost Pvt Limited and HJS Condiments Limited 100% (Young Plants) by Quality Seed Company Private Limited