

ZDA sells Northern Coffee to Olam International for US\$6.15M

September 19, 2012



Olam International Limited of Singapore has announced today that it has acquired 100% equity interest in Northern Coffee Corporation Ltd, the largest coffee estate in Zambia, for approximately US\$6.15 million through a bidding process organised by the Zambia Development Authority.

A further US\$40 million will be committed as capital expenditure and pre-operative expenditure to fully develop 2,000 hectares of Arabica coffee plantation over the next five years.

The estate is expected to yield approximately 4,500 metric tonnes of Arabica coffee beans by 2021 at steady-state. The first 300 hectares are expected to be planted in 2013.

Northern Coffee Corporation was formed in March 2011 to take over the assets of Kasama Coffee Company, which had been in receivership since 2008.

ZDA and the indebted banks had been shareholders of Northern Coffee Corporation until this acquisition.

Northern Coffee Corporation's assets consist of five estates on 5,866 hectares of land in the Northern Province. Approximately 1,580 hectares on three of these estates were previously cultivated for coffee production with dams, canals and reservoirs for irrigation.

The assets also include dry and wet processing facilities, warehouses, drip irrigation, employee housing and recreational centre, as well as a research centre.

Olam plans to develop a larger area in addition to the 1,580 hectares which were previously cultivated to bring a total of 2,000 hectares into coffee production.

This will translate into an output of approximately 4,500 metric tonnes of Arabica coffee per annum at full yield.

Olam's Managing Director and Global Head of Coffee, Vivek Verma said: "Our successful bid to acquire Northern Coffee Corporation marks another milestone in executing our upstream strategy for Coffee."

"Our selected investments in upstream as well as in processing (soluble coffee) coupled with our strong and growing supply chain business give us a uniquely balanced portfolio. With this portfolio and configuration of assets integrated selectively across the value chain, we are well-positioned for continued sustainable growth with consistent earnings in all price scenarios."

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