

# ADVANCED MEAT PROCESSING PROJECT

«REINA KENCH» LIMITED LIABILITY COMPANY



# KYRGYZSTAN



### Project initiator:

«Reina Kench» LLC

### Brief project description:

The project involves the launch of a sausage shop on the basis of the existing slaughterhouse of Reina Kench LLC in Karakol, Issyk-Kul region. The project plans to produce premium quality sausage products with minimal addition of unnatural components. The estimated capacity of the sausage shop is 4 tons/day. The production area of 1200 m<sup>2</sup> located on the ground floor of the slaughterhouse has already been prepared for the launch of the sausage shop.

### Project initiator description

The project initiator is Reina Kench LLC, which has been operating in the agricultural sector since 2001. The main activities include breeding of cattle and small ruminants, slaughtering of cattle and small ruminants, regional training center for farmers, crop production. The Company has three retail outlets in Bishkek.

### Representative of Reina Kench LLC Aydin Dzhumadilov

- Designed and maintained the Reina-Kench project from inception to commissioning
- Full support of further stages of the Company's development

### Project cost: \$1,000,000

- Repair of the production shop - \$285,000
- Equipment - \$450,000
- Utility networks - \$200,000
- Staff training and certification - \$15,000
- Other - \$50,000

### Investment required: \$1,000,000

### Payback period: 2.01 years



# PROJECT DESCRIPTION

The project involves the launch of a sausage shop based on the existing slaughterhouse of Reina Kench LLC in Karakol, Issyk-Kul region. The project plans to produce premium quality sausage products with minimal addition of unnatural components. The estimated capacity of the sausage shop is 4 tons/day. The sausage shop is one of the key links in meat production and processing.

The production area of 1200 m<sup>2</sup> located on the ground floor of the slaughterhouse has already been prepared for the launch of the sausage shop.

Raw materials for the sausage shop will come from the slaughterhouse, where after slaughtering the meat is sorted into three grades:

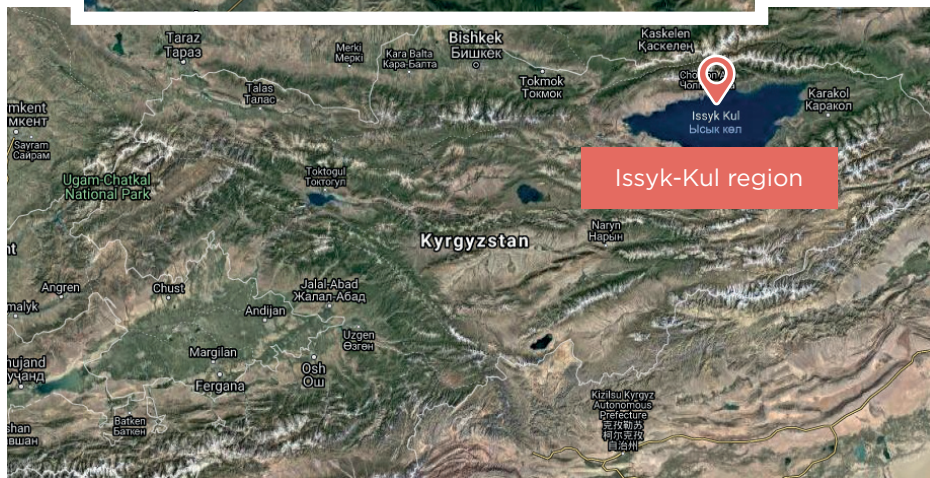
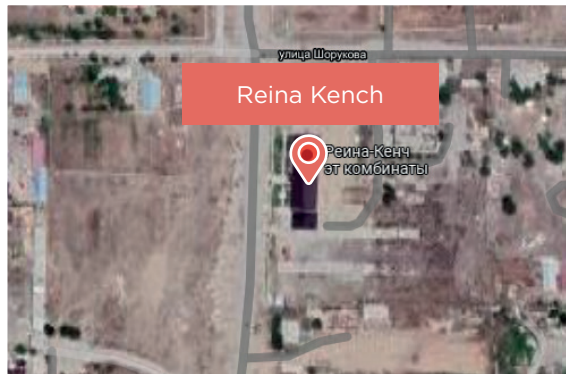
- ✓ Top grade – for further deboning and sale by portions
- ✓ 1st grade – for production of sausages
- ✓ 2nd grade – for production of sausages

Raw materials for the slaughterhouse come both from the population and from Reina Kench's own fattening farm, where only thoroughbred Angus beef bulls are bred.

Sales of sausage products are expected through distributors and own retail stores in Bishkek. In addition, sales are also expected to Kumtor Gold Company OJSC, which is a large consumer of meat and meat products.



# GEOGRAPHIC LOCATION OF THE PROJECT



# PROJECT INITIATOR DESCRIPTION

The project initiator is Reina Kench LLC, which has been working in the agricultural sector since 2001. The main activities are:

- ✓ Breeding cattle and small ruminants focused on meat as well as meat and dairy breeds: Aberdeen-Angus and Simmental breeds of cattle, Arashan breed of small ruminants.
- ✓ Cattle and small ruminants slaughtering. In mid-May 2021, Reina Kench launched a slaughterhouse with a daily slaughter capacity of 100 cattle and 500 small ruminants.
- ✓ A regional training center where farmers receive training in agricultural and financial literacy, as well as improve their practical skills. To date, 2000 farmers have been trained.
- ✓ Crop production. The Company grows wheat, barley and sainfoin for fodder production. In addition, Reina Kench is engaged in seed-growing activities to improve the quality of cultivated crops.

At present, the Company supplies meat to Kumtor Gold Company OJSC and sells meat through its own retail outlets in Bishkek:

- ✓ Meat shop in Frunze Asia Mall hypermarket
- ✓ Meat shop in Frunze Dordoi Plaza hypermarket
- ✓ Meat shop in Globus-33 hypermarket located in the Jal microdistrict.



# MANAGEMENT TEAM



**AYDIN DZHUMADILOV**  
Design Engineer

- ✓ Higher education, Kyrgyz Agrarian Academy, veterinarian
- ✓ Director General of AIMAAN Engineering LLC - development of technological projects, design, engineering
- ✓ Specialist in food safety systems, HACCP, ISO 22000, ISO 22002
- ✓ Animal husbandry and veterinary expert
- ✓ Extensive experience in fish and meat processing
- ✓ Participant of many seminars and trainings of EBRD, GIZ, IFC, AFEW
- ✓ Traineeship in many enterprises in Europe, Uzbekistan, Kazakhstan
- ✓ Designed and maintained the Reina-Kench project from inception to commissioning

# SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND PROJECT

- ✓ **Extensive experience in cattle breeding and fattening.** The Company has been feeding and breeding thoroughbred bulls for 10 years. Reina Kench has established itself as a supplier of quality pedigree livestock. There is a constant demand from the population for the purchase of meat bulls.
- ✓ **Well-organized sales channels.** The Company works in the B2B and B2C segments. The main customer from the B2B segment is Kumtor Gold Company OJSC, which receives meat products once a week. In the B2B segment, the Company is represented by three retail outlets in the Globus and Frunze retail chains. In addition, the Company is constantly approached by large customers who are ready to order meat products.
- ✓ **Own fodder base.** The Company grows wheat, grain and sainfoin on 300 hectares. These crops are the main components of the feed ration for its own fattening farm. The Company was able to achieve high yields in the cultivation of these crops on the rough land.
- ✓ **School of farmers.** Since 2017, the Company has been training farmers from the livestock and crop production sectors to improve literacy in these sectors. Also Reina Kench conducts trainings and seminars to improve the financial literacy of farmers. To date, the Company has trained over 2,000 farmers. In 2019, 600 farmers were trained; in 2020, due to the COVID-19 pandemic, this activity was suspended.
- ✓ **Own raw material base is located 18 km away from Karakol.** The fattening base is intended for fattening and breeding of Angus bulls for meat production and Simmental for meat and dairy production. In addition, the base also breeds sheep of the new Arashan breed, which are distinguished by a large structure and high growth rates.
- ✓ **Cooperation with a commercial bank.** Reina Kench together with Aiyl Bank OJSC developed and launched a new leasing instrument «HBS» (highly productive breeding stock). This instrument is unique for Kyrgyzstan, as it provides an opportunity for farmers to buy breeding cattle on lease.

# FORECAST PROJECT FINANCIAL INDICATORS

Sales plan in kind, kg	Year 1	Year 2	Year 3	Year 4	Year 5
Sausage products	172 800	345 600	403 200	518 400	576 000

Key financial indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	1 728 000	3 456 000	4 032 000	5 184 000	5 760 000
EBITDA	357 807	834 532	993 440	1 311 256	1 470 165
Load level	15%	30%	35%	45%	50%

- ✓ IRR - 31.58%
- ✓ Payback period - 2.01 years, Discounted payback period - 2.63 years

## FUNDING SOURCES AND USE OF FUNDS

Funding sources	Amount, USD	Use of funds	Amount, USD
Financial investor	1 000 000	Repair of the production shop	285 000
		Equipment	450 000
		Utility networks	200 000
		Staff training and certification	15 000
		Other	50 000
<b>Total:</b>	<b>1 000 000</b>	<b>Total:</b>	<b>1 000 000</b>

- ✓ The Project Initiator's contribution is represented by the current infrastructure of the slaughterhouse and the production shop located on the ground floor of the slaughterhouse.



# BRIEF OVERVIEW OF THE MEAT MARKET IN KYRGYZSTAN

The meat market in the country is formed mainly by the products of private subsidiary farms, the lack of organized marketing channels for meat leads to a large number of intermediaries in the sale.

The data from the EU survey of meat sellers showed that meat gets to the counter through resellers, each of them adds their own margin. As a result, the cost of meat increases from 30 to 60 KGS per kilogram from the producer's price. In other regions, according to information provided by territorial subdivisions, there are practically no resellers.

According to Akipress analytical article, out of the total number of cattle in the country, the main population (51.8%) is kept and bred in the South of the country: in Osh region the share is 22.9%, in Jalal-Abad region - 20.1% and in Batken region - 8.8%. In the North of the country, a large share is concentrated in Chui and Issyk-Kul regions - 18.4-13.7% respectively. The basic number of sheep and goats is concentrated in Jalal-Abad region - 19.5%, Osh region - 18.9%, Naryn region - 17.8% and Issyk-Kul region - 14.3%. This is facilitated by the availability and use of extensive mountain pastures.

Number of cattle, heads	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Kyrgyz Republic</b>	<b>1298825</b>	<b>1338583</b>	<b>1367466</b>	<b>1404168</b>	<b>1458377</b>	<b>1492517</b>	<b>1527763</b>	<b>1575434</b>	<b>1627296</b>	<b>1680750</b>	<b>1715776</b>
Batken region	115938	119800	122164	123493	127123	129118	130585	139628	149012	151419	153360
Jalal-Abad region	259010	266614	273136	286313	294557	302659	311925	321334	329623	342403	351223
Issyk-Kul region	179203	184907	191974	199978	209948	212816	216833	226085	237564	248783	255740
Naryn region	129810	133518	136552	138623	141950	145687	153570	163743	174650	182239	187249
Osh region	300282	308488	314647	321239	340891	351601	357448	362140	366327	374659	383180
Talas region	64049	65353	66291	66896	67061	67243	66991	67030	67596	68678	66928
Chui region	239830	248886	251824	256603	265882	272242	278745	283506	289952	299951	305861
Bishkek city	1034	1053	1065	1058	873	734	676	643	589	550	537
Osh city	8887	9046	9123	9275	9471	9831	10284	10670	11362	11402	11189
Particular recording	782	918	690	690	621	586	706	655	621	666	509

# EXPORT CAPACITY (ISR CONSULT RESEARCH)

The dynamics of imports of meat products has a generally positive trend, the net increase in cattle for 2015-2018 was +3.1% tons or +19.8 thousand tons, the increase in GAP (uncovered consumption) was 948 thousand tons in the studied markets (Kyrgyzstan, Kazakhstan, Russia, Belarus, Armenia, Uzbekistan, Tajikistan, Qatar, UAE, Kuwait, Saudi Arabia).

The proportional ratio of growth of the import-export component indicates the growing consumption of cattle in the countries. The most promising markets for small ruminants:

- ✓ Qatar and Kuwait are the most marginal markets
- ✓ for the early launch remain potential Russia (USD 6.22 per 1 kg with per capita consumption of 3 kg per year) and
- ✓ Saudi Arabia (USD 5.40 per kg with per capita consumption of 4 kg per year).

The largest exporter of cattle according to the results of the declared countries is the Republic of Belarus, 76.4% of the cattle export market is in Belarus. GAP shows negative values of the sales market - 262,398 tons of cattle in 2018, which indicates an overproduction of cattle. Looking at the data for the Republic of Belarus, only about 3.7% to 4.2% (for the period from 2015 to 2018) accounted for by-products, which indicates very low exports of by-products due to the specifics of the products.

## **TOP - 3 markets of cattle:**

- ✓ Russia, market GAP +681,156 tons or 71.8% share in the studied markets;
- ✓ UAE, market GAP +215,856 tons or 22.8% share in the studied markets;
- ✓ Armenia, market GAP +179,136 tons or 18.9% share in the studied markets.

## **TOP - 3 markets of small ruminants:**

- ✓ Saudi Arabia, +32,830 tons or 25.2% share in the studied markets;
- ✓ UAE, +50,463 tons or 38.7% share in the studied markets;
- ✓ Qatar, +31,044 tons or 23.8% share in the studied markets.

# INVESTMENT PROPOSAL

<b>LEGAL MECHANISM</b>	✓ Limited Liability Company
<b>FUNDING TYPE</b>	✓ Direct investment in capital or loan
<b>AMOUNT</b>	✓ USD 1,000,000
<b>TERM</b>	✓ 5-7 years
<b>NUMBER OF TRANCHES</b>	✓ Tranche 1 - advance payment for equipment ✓ Tranche 2 - repair and utility networks ✓ Tranche 3 - payment of the remaining amount for equipment and staff training
<b>COLLATERAL</b>	✓ 100% share of the Company

