



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



Organization for Security and
Co-operation in Europe
Programme Office in Bishkek

PROJECT TO LAUNCH A FRUIT AND VEGETABLE PROCESSING ENTERPRISE

GROUP OF COMPANIES “AZRA”





Name of the company:

Azra Group

Brief description of the Project:

The project provides for the construction and launching of a fruit and vegetable canning enterprise in the Talas Region. The Azra Group exports up to 15,000 tons of beans annually (95% of products) and has a 40-hectare apple orchard. In the Talas Region the sufficient volumes of plums and other agricultural products for processing are also grown. The enterprise is to be built on a 0.3 hectare plot at the existing production base. There are plans to purchase a 3,000 kg/hour canned food production train and 1,600 kg/day of industrial drying equipment. It is planned to manufacture different types of canned beans, jams, dried plums, dried apples.

Description of the Project Initiator:

The Project Initiator is the Azra Group, which started operating in 1997 as a bean receiving and selling point with a 100 ton warehouse. Over 20 years of work, the Azra Group has grown from a small point to a major agricultural products exporter and importer. It is a major exporter of beans and apples. Every year it produces 15,000 tons of beans and 100 tons of apples, and exports to more than 25 countries, including the Balkans, India, Iran, Iraq, Turkey, Russia, Uzbekistan and Kazakhstan.

Head of the enterprise Mirgazy Omorov

More than 30 years of experience in the business.

Founder of more than 20 businesses in various fields.

20 years of experience in agriculture

Project cost - \$663,000

- ✓ Construction - \$94,000
- ✓ Equipment- \$336,000
- ✓ Working assets and other expenses - \$233,000

Amount of investments - \$663,000

Payback period - 2.58 years



DESCRIPTION OF THE PROJECT

The project provides for the construction and launching of a fruit and vegetable canning enterprise in the Talas Region. The construction of the enterprise is the next stage in building the technological process (cultivation - raw materials - processing - finished products) and involves the use of key competitive advantages (raw material base, location, favorable natural and climatic conditions) of the Talas Region. In particular, the Group of companies "Azra" exports up to 15,000 tons of beans annually (95% of products). It has a 40-hectare apple orchard. A large volume of plums and other agricultural products are also grown in Talas Region.

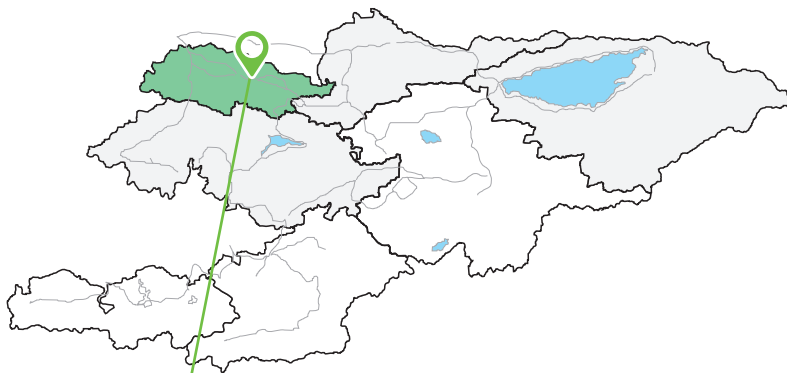
The enterprise is to be built on a 0.3 hectare plot at the existing production base in Orlovka village, Bakay-Ata District, Talas Region. The relevant communications and infrastructure are available. There are plans to purchase a 3,000 kg/hour canned food production train and 1,600 kg/day of industrial drying equipment.

The Company plans to manufacture different types of canned beans, jams, dried plums, dried apples. Finished products will be sold in the Company's existing markets through established distribution channels (the Balkans, India, Iran, Iraq, Turkey, Russia, Uzbekistan and Kazakhstan).

The production and sales process depends on season of the year, related to the harvesting periods in the region and the purchase of raw materials. Consequently, this requires a sufficient space of storage facilities for annual production capacity.



GEOGRAPHICAL LOCATION



DESCRIPTION OF THE PROJECT INITIATOR

The Project Initiator, the Group of companies “Azra”, has been operating since 1997 as a receiving and selling point of beans with a 100-ton warehouse. Over the 20 years the Group has grown from a small point to a major exporter and importer of agricultural products. It is a major exporter of beans and apples. It produces 15,000 tons of beans and 100 tons of apples annually and exports them to more than 25 countries, including the Balkans, India, Iran, Iraq, Turkey, Russia, Uzbekistan and Kazakhstan.

The Company also provides lab soil testing services and produces organic fertilizers from local raw materials. The Group of companies “Azra” has 2 production sites, office, storage and cold storage facilities, apple orchards and other agricultural lands.

The Group specializes in 2 main areas:

- Beans cultivation and export;
- Fruit (apples) cultivation and export.

Assets and capacities of the Company:

- ✓ **Sorting of beans:** 2 large bean sorting, calibration and packing plants with a capacity of 250 tons/day;
- ✓ **Procurement of beans:** More than 30 points for collecting quality beans from farmers;
- ✓ **Apple orchards:** 90,000 seedlings of intensive apple trees have been planted on 40 hectares of land. Mainly five sorts are reared: “Idared”, “Golden Delicious”, “Red Chief”, “Granny Smith”, “Gala”;
- ✓ **Plant nursery:** More than 300,000 apple seedlings on rootstock MM106, M9;
- ✓ Storage facilities and cold storage facilities with a capacity of up to 500 tons;
- ✓ Specialized gardening equipment;
- ✓ Field lab for soil and water analysis.



SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND THE PROJECT

- ✓ Established distribution channels in more than 20 countries around the world. The Group of companies “Azra” has established distribution channels for beans and apples in more than 20 countries around the world. This network will be actively used in securing sales of the processing enterprise’s products.
- ✓ Availability of raw materials. Every year, the Talas farmers have a surplus of plums, apples, peppers, beans and other agricultural products. Farmers cannot fully sell them on domestic and foreign markets. Thus, they are keenly interested in opening the enterprise, which will buy their products for further processing. Moreover, the raw materials will be supplied from own production facilities, as the Group has one of the largest bean processing enterprises in the Kyrgyz Republic, as well as 40-hectare apple orchard.



- ✓ Industrial site with established communications, good location. The Group of companies “Azra” has its own production base in Orlovka village, Talas Region. The total area is 3.5 hectares, which has vacant land for the construction of various production facilities. A bean processing enterprise is located on the site and operates successfully. The area is fenced and secured. There are communications and office space in place. The site has good geographical location, as it is situated along a main road and in the center of many villages engaged in agriculture.
- ✓ Extensive practical experience in agriculture. With more than 20 years of experience, the management and individual employees of the Group have extensive practical experience in farming, they are certified professionals. The Company has been awarded certificates of appreciation and recognition letters many times.
- ✓ Established communication with local farmers. Considering many years in bean harvesting and the sale of apple seedlings in the Talas Region, the Group of companies “Azra” has established good relationships with local farmers. Regular field seminars and courses for local people and the general public are held.

MANAGEMENT TEAM



Mirgazy Omorov
Founder and director

- ✓ More than 30 years of business experience
- ✓ Founder of more than 20 businesses in various fields
- ✓ 20 years of experience in agriculture
- ✓ Member of various regional and national public and business associations. He is actively involved in community projects and social life of the local community.

HISTORIC PRODUCTION AND FINANCIAL INDICATORS OF THE COMPANY

Number of products produced, tons/ year	2019	2020	2021
Beans	8 580	7 761	14 287
Apple		409	1 230
Total	8 580	8 170	15 517

Key Financial Indicators, USD	2019	2020	2021
Sales revenue	6 756 021	4 750 325	8 368 902



PROJECTED PRODUCTION AND FINANCIAL INDICATORS OF THE PROJECT

Number of products produced, kg/year	Year 1	Year 2	Year 3	Year 4	Year 5
Different types of canned beans	120 000	204 000	310 000	382 000	402 000
Dried plums	3 000	3 800	5 000	6 000	6 500
Dried apples	35 000	84 000	148 000	230 000	300 000
Jams	2 000	2 700	3 400	4 200	4 800
Total	160 000	294 500	466 400	622 200	713 300

Key Financial Indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5
Sales revenue	432 353	870 588	1 000 000	1 176 471	1 411 765
EBITDA	47 559	174 118	287 000	352 941	423 530

- ✓ IRR at the end of Year 5 is 20.21%
- ✓ Project payback period is 2.58 years, discounted payback period is 3.66 years

SOURCES OF FINANCING AND APPLICATION OF FUNDS

Source of financing	Amount, USD
Financial investor	663 000
Total:	663 000

Application of funds	Amount, USD
Construction	94 000
Equipment	336 000
Other expenses	33 000
Working assets	200 000
Total:	663 000

A BRIEF OVERVIEW OF THE BEAN AND CANNED FRUIT AND VEGETABLE MARKET IN KYRGYZSTAN

In Kyrgyzstan, beans have been grown for more than twenty years. This agricultural product has become the main crop in the Talas Region. Beans provide jobs for more than 75% of the region's population, with almost half of the agricultural land in the region used for cultivating beans, almost entirely for export.

Bean is an irreplaceable crop with a number of unique qualities that improve food security. Because of its drought resistance, it can be grown on low fertility soils. The harvested beans are stored well, with a shelf life of 5 to 6 years in the form of dry seeds.

Each year, more than 90% of the gross bean harvest is exported. The export figures were as follows: in 2019 - 93,500 tons, in 2020 - 99,075 tons, in 2021 - 48,320 tons. Beans were exported to 30 countries of the world, with the main importers being Turkey, Serbia, Russia, Bulgaria, North Macedonia.

The fruit processing industry is one of the priority and export-oriented branches in the agro-industrial sector of the Kyrgyz economy.

At the end of 2020, the production of canned fruit and vegetables involved 22 industrial enterprises and 325 mini-workshops and self-employment enterprises, with a total capacity of 127.0 million conventional cans per year. Taken by region, they are distributed as follows: Batken - 18, Jalal-Abad - 79, Issyk-Kul - 36, Naryn - 2, Osh - 24, Talas - 7, Chuy - 40, Bishkek - 147, Osh city - 14 enterprises.

At the same time, the production capacity of most of the newly commissioned enterprises is insignificant. With the efficient use of installed capacity, it is possible to process up to 100 thousand tons of fruit and berries, 250 thousand tons of tomatoes, and 60 thousand tons of vegetables per year.

Currently, the entire range of products produced by the industry can be divided into 8 groups: fruit juices, jams, fruit puree, tomato paste and puree, tomato juice, canned vegetables, compotes, dried vegetables, spices, wine and wine materials. The main markets are the domestic market and the Kazakh and Russian markets.

Limited financial capacities of the enterprises and seasonal nature of the work influence the growth of the production. Enterprises of the sector are not able to compete with buyers of raw materials from the neighboring countries in terms of their prices.

Fruit and vegetable production is dispersed throughout the Republic, but the main producers are the Chuy, Issyk-Kul, Jalal-Abad and Osh Regions, where vegetable production is close to the places of consumption - these regions have large processing enterprises and population density is higher than in other areas. At the same time, the production capacity of most of the newly commissioned enterprises is insignificant.

The situation with the weak economic industry, have led to the redistribution of raw materials to a more profitable sector - juice production, which has increased by 4.7 times in 10 years. This has had an adverse effect on other types of fruit and vegetable products. Production of canned fruit and vegetables has been fairly stable in the recent years, but remains rather level.



Many enterprises of the industry have problems with selling their finished products. Although the fruit and vegetable production in recent years has tended to grow, it does not meet the demands of the population. The main reasons for the insignificant volume of fruit and vegetable processing are:

- ✓ insufficient financial resources of processing enterprises;
- ✓ insufficient availability of raw materials;
- ✓ lack of an in-house raw material base.

Manufacture of foodstuffs, including beverages	2016	2017	2018	2019	2020
Fruit and vegetable juices, thousand liters	5 529,1	9 411,0	8 880,2	7 805,0	6 668,1
Fruit, vegetables, mushrooms processed, tons	4 240,5	5 859,9	2 182,8	3 404,2	6 004,4

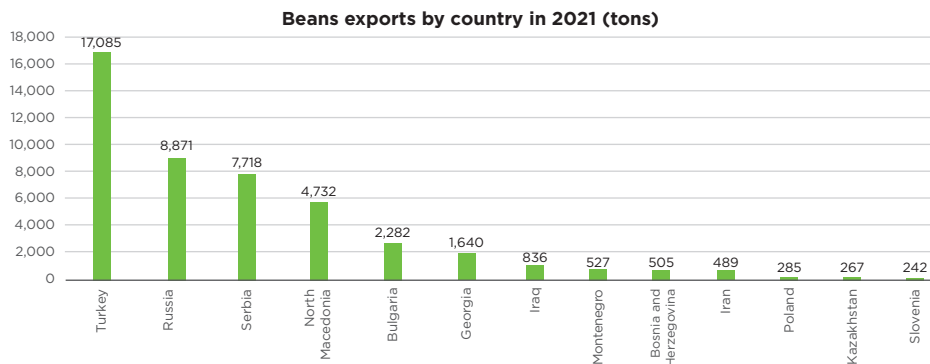
Thus, the implementation of the proposed project would satisfy a significant share of the existing domestic demand for canned fruit and vegetables, as well as enable exports to the EAEU countries.

BEANS AND CANNED PRODUCTS EXPORT POTENTIAL

According to the International Trade Center (ITC), Kyrgyzstan exports beans to 30 countries. In 2021, it amounted to 48.32 thousand tons for a total amount of USD 49.3 million.

Most of the beans were exported to Turkey (17.09 thousand tons or USD 19.6 million), Russia (8.87 thousand tons, USD 8.1 million), Serbia (7.72 thousand tons, USD 8.6 million), North Macedonia (4.73 thousand tons, USD 3.4 million), Bulgaria (2.28 thousand tons, USD 2.7 million) and Georgia (1.64 thousand tons, USD 644 thousand).

Kyrgyzstan exports less beans to Iraq (836 tons, USD 678 thousand), Montenegro (527 tons, USD 647 thousand), Bosnia and Herzegovina (505 tons, USD 547 thousand) and Iran (489 tons, USD 301 thousand).



According to the Eurasian Economic Commission and the World Bank's trade indicators, canned fruit and vegetables are mostly exported to Russia and Kazakhstan. Small consignments of products were supplied to the markets of Tajikistan, China and Uzbekistan. Due to the quarantine measures imposed by various governments in 2020 in response to the COVID-19 pandemic, exports were hampered during this period.



Export of canned fruit and vegetables from the Kyrgyz Republic	2017		2018		2019		2020		2017	
	Thous. USD	tons	Thous. USD	tons	Thous. USD	tons	Thous. USD	tons	Thous. USD	tons
Russia	67	19	10	1	12	17	183	93	558	226
Kazakhstan	2	1	55	69	133	83	78	44	197	87
Tajikistan	24	33	24	56	29	38	79	115	46	73
China	1	0	13	4	4	2	4	2	0	0
Uzbekistan	0	0	6	13	18	15	2	4	0	0

The potential of the Russian market is quite high. For example, considering the European consumption experience and the rapid development of the HoReCa segment in Russia, advantage should be taken of the opportunities to expand the product range of vegetable confitures and dressings. Mixed vegetables are also in high demand. For example, in mega-cities (Moscow, St. Petersburg), there has been a reduction in the consumption of home-made canned food and an increase in the consumption of industrially produced canned food. Canned food (vegetables, beans, fruit, snack salads) is very popular and is purchased by 79.2% of the population. The Russian market of canned vegetables is developing dynamically, with annual growth rates of 20% to 30% in value terms

The following opportunities are conducive to a significant advantage and continued positive export performance of processed fruit and vegetable products in Kyrgyzstan, and to ensuring growth of high-level processing products:

- ✔ ongoing structural reform of agriculture, and the creation of conditions for industrial production of agricultural products;
- ✔ restoration of lost positions in the Russian and Kazakh markets (export of processed vegetables, fruit and juices) through the use of comparative advantages, EAEU opportunities, expansion of the product range, increased production volume and improved quality;
- ✔ diversification of product range through high-level processing of beans and walnuts (canned beans, “sweet group” products, dried fruit in retail packaging) with export orientation towards traditional and new markets;
- ✔ diversification of markets, taking advantage of geographical location and open “windows of opportunity” (in particular the Generalized System of Preferences (GSP+)), including expansion of exports to the European Union, China and the Middle East (Gulf countries, Iran, Turkey).

OFFER FOR INVESTOR

LEGAL MECHANISM	✓ Limited liability company
TYPE OF FINANCING	✓ Direct investment in capital/ borrowings
AMOUNT	✓ USD 663,000
FINANCING TERM	✓ 5-7 years
NUMBER OF TRANCHES	✓ Tranche No. 1 - construction of a enterprise and purchase of equipment
FINANCIAL SUPPORT	✓ Fixed assets



