



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



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

PROJECT OF CULTIVATION OF WHEAT AND PLANTING OF APRICOT AND ALMOND ORCHARDS

“MOL-TUSHUM” COMMODITY AND SERVICE
COOPERATIVE



KYRGYZSTAN



Project Initiator:

Mol-Tushum Commodity and Service Cooperative (CSC)

Brief Project Description:

The project involves developing Mol-Tushum CSC capacity related to wheat cultivation and apricot and almond garden planting in Batken district, Batken region.

The following areas are planned for cultivation of the above crops:

- ✓ 100 hectares for wheat cultivation
- ✓ 50 hectares for apricot garden planting
- ✓ 20 hectares for almond garden planting

Project Initiator Description:

The Project initiator is Mol-Tushum Commodity and Service Cooperative of 2,500 farmers from all three districts in Batken region.

The main services of the Cooperative include:

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- ✓ Train farmers on effective methods of crop cultivation
- ✓ Provide crop processing services
- ✓ Provide microfinance services to the cooperative members
- ✓ Sell products of cooperative members – dried apricots, rice, apples under Dary Batken (Batken Gifts) brand name

Mol-Tushum CSC Chair: Abdirashit Halmurzaev

- ✓ The Cooperative Board Chair since 2004
- ✓ Ph.D. in Biology
- ✓ Honored Worker of Agriculture of the Kyrgyz Republic

Project Cost: USD \$214,118

- ✓ Seedlings – USD \$52,941
- ✓ Agricultural machinery – USD \$29,412
- ✓ Drip irrigation system – USD \$30,000
- ✓ Working capital – USD \$101,765

Investment Required: USD \$214,118

Payback period: 4 years

PROJECT DESCRIPTION

The project implies the development of the directions in the wheat cultivation and planting of apricot and almond orchards in Batken district, Batken region.

The following areas are assumed for the cultivation of the above-mentioned crops:

- ✓ 100 ha for wheat
- ✓ 50 ha for apricot trees
- ✓ 20 ha for almond trees

The drip irrigations systems should be installed for the apricot and almond orchards. The systems are necessary for efficient use of water resources and getting good harvests. It is planned to plant 15,000 apricot and 9,000 almond seedlings. A full harvest for apricot and almond orchards is expected in the seventh year.

Mol-Tushum assumes the use of modern technology «zero tillage» for wheat, which allows cultivating crops on rainfed land without plowing. Mol-Tushum has been successfully using this technology since 2016.

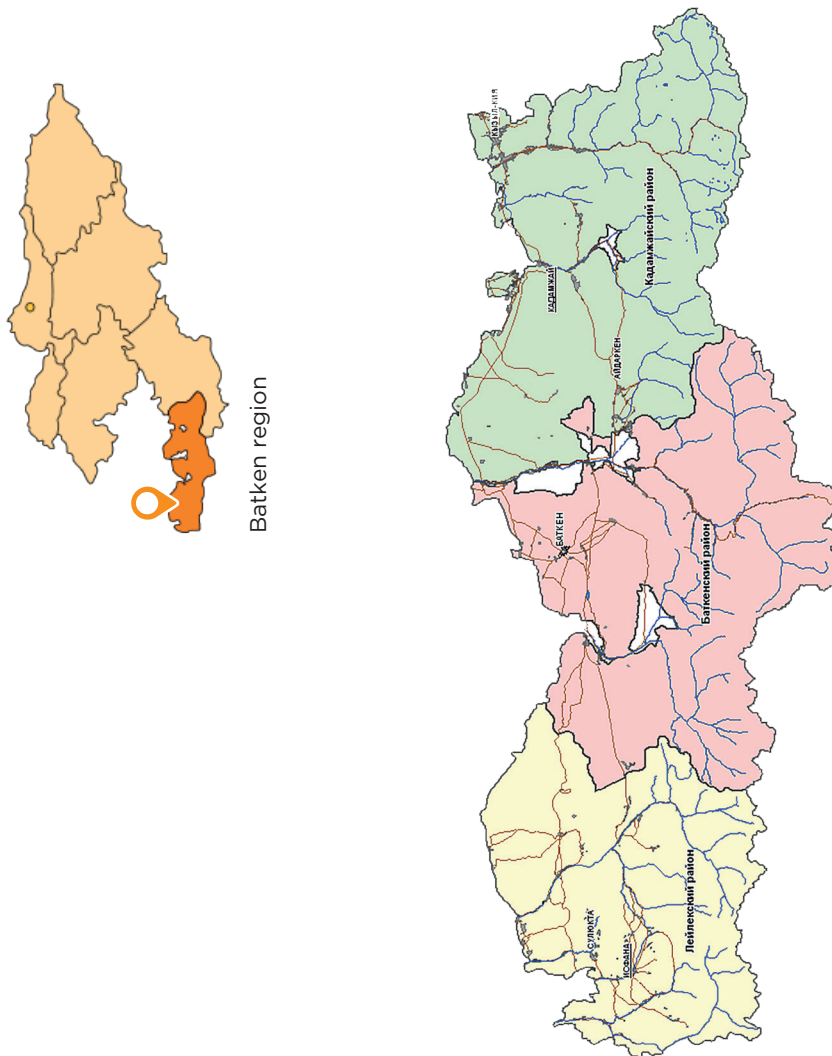
The cultivation of almonds is a new direction. It is not practiced in Kyrgyzstan on commercial basis.

The almonds and apricots are supposed to be exported to the EAEU countries. Wheat will be sold in Kyrgyzstan.



GEOGRAPHIC LOCATION

Mol-Tushum CSC plans to grow wheat, almonds and apricots in Batken district, Batken region.



PROJECT

INITIATOR DESCRIPTION

The initiator of the Project, «Mol-Tushum» Commodity and Service Cooperative, unites 2500 farmers and is represented in all three districts of Batken region:

- ✓ «Mol-Tushum Batken», focused on apricot processing and wheat cultivation
- ✓ «Mol-Tushum Kadamjay», focused on rice processing
- ✓ «Mol-Tushum Leylek», focused on rice and apple processing

The main services, provided by Cooperative:

- ✓ Sales of products of the members of the Cooperative under the trade brand «Dary Batkena», i.e.dried apricots, rice, apples
- ✓ Training farmers in effective crop cultivation techniques
- ✓ Providing apricot, apple and rice processing services
- ✓ Waste disposal
- ✓ Providing microfinancing services to Cooperative members



2004	<ul style="list-style-type: none"> ✓ Establishment of Cooperative ✓ 25 members
2005-2010	<ul style="list-style-type: none"> ✓ Cooperative supplied fertilizers on preferential terms to its members
2010	<ul style="list-style-type: none"> ✓ Launch of apricot processing ✓ Development of the trade brand «Dary Batkena» with the support of UNDP Kyrgyzstan
2012	<ul style="list-style-type: none"> ✓ Acquisition of a Turkish apricot processing line with the support of USAID
2016	<ul style="list-style-type: none"> ✓ Conclusion of supply contracts with retail chains «Globus», «Frunze», «Korzinka» ✓ Implementation of “zero tillage” technology in Batken province with the support of GIZ
2019	<ul style="list-style-type: none"> ✓ Consultant to GIZ on the implementation of the «zero tillage» technology in the Jalal-Abad region

SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND PROJECT



Extensive practical experience.

The main task of the Cooperative is to provide consultations and services for its members. Mol-Tushum has over 10 years of experience in apricot processing. It is the first cooperative in Kyrgyzstan to launch rice processing in Kadamjay district. In addition, the Company has successfully implemented a «zero tillage» technology in Batken district. At the moment, Mol-Tushum is a GIZ consultant on the implementation of this technology in Jalal-Abad region.

Access to retail. Since 2016 Mol-Tushum has been supplying the products of cooperative members, dried apricots and rice, to the Globus and Frunze Retail Chains, which have points of sale in every region of Kyrgyzstan. In addition, the products are delivered to the Korzinka retail stores in Osh. The Cooperative supplies products under the “Dary Batkena” trademark.

Wide coverage. The Cooperative unites over 2,500 farmers. The total area of apricot orchards of all members of the Cooperative is 500 hectares, rice fields - 5,000 hectares, apple orchards - 2,000 hectares. In case of favorable climatic conditions, the maximum annual harvest volumes can reach:

- ✓ Apricot – 3,500 tons
- ✓ Apples – 50,000 tons
- ✓ Rice – 30,000 tons

Own production workshop. Mol-Tushum owns a production workshop equipped with a line for washing, cleaning, grading, sorting and packing apricots. In addition, the Cooperative has equipment for «zero tillage» of the soil.

MANAGEMENT TEAM



KHALMURZAEV ABDURASHIT
Chairman of the Board

- ✓ Chairman of the Board since 2004
- ✓ Higher education, Veterinarian. PhD in Biological Sciences
- ✓ Honored Worker of Agriculture of the Kyrgyz Republic



ABDYLDAEV BOLOT
Director of the apricot processing workshop

- ✓ Since 2012 works for a Company
- ✓ Higher education, Technologist

HISTORICAL FINANCIAL PERFORMANCE INDICATORS

Key financial indicators, USD	2017	2018	2019	2020	6 months 2021
Sales	109 503	100 446	172 072	60 977	28 931
EBITDA	2 697	4 681	4 844	2 390	188

In 2020, due to the COVID-19 quarantine, the Cooperative did not work. In 2021, due to frosts, there were bad harvest of apricot in Batken district, Batken region. All enterprises stand idle. Only the orchards located in the mountains of the Batken region got small harvest. Mol-Tushum processed a small volume of apricots harvest.

FORECAST FINANCIAL INDICATORS

Sales plan in kind, tons	2022	2023	2024	2025	2026	2027	2028	2029	2030
Almond	0	0	0	5,4	9	14,4	21,6	27	36
Dried apricot	0	0	12,5	37,5	62,5	75	87,5	87,5	87,5
Wheat	180	180	180	180	180	180	180	180	180

Financial indicators, USD	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sales	43 380	43 380	102 204	251 615	390 439	481 027	582 204	613 968	666 909
EBITDA	6 507	6 507	15 331	37 742	58 566	72 154	87 331	92 095	100 036

- ✓ IRR 13.17%
- ✓ Project payback period 4 years. Discounted payback period 6.7 years

FUNDING SOURCES AND USE OF FUNDS

Funding sources	Amount, USD
Финансовый инвестор	214 118
Total:	214 118

Use of funds	Amount, USD
Seedlings (almonds, apricots)	52 941
Harvesting equipment	29 412
Drip irrigation system	30 000
Working capital	101 765
Total:	214 118

BRIEF OVERVIEW OF THE APRICOT AND WHEAT MARKET IN KYRGYZSTAN

✓ Apricot

Apricot production makes up a significant part of the Kyrgyz horticulture. According to various estimates, Kyrgyzstan has more than 15 thousand hectares of apricot plantations. More than 10 thousand hectares are located in Southern regions, including more than 5 thousand hectares in Batken region. Early apricot is mainly grown in Batken district, Batken region. The gross harvest of early apricot is approximately 2,000 tons.

There are different apricot ripening zones, so fresh apricots is present on the domestic market for three months. The first apricot ripens in Batken region in the first half of June, the last apricot comes to markets in early August from Issyk-Kul region.

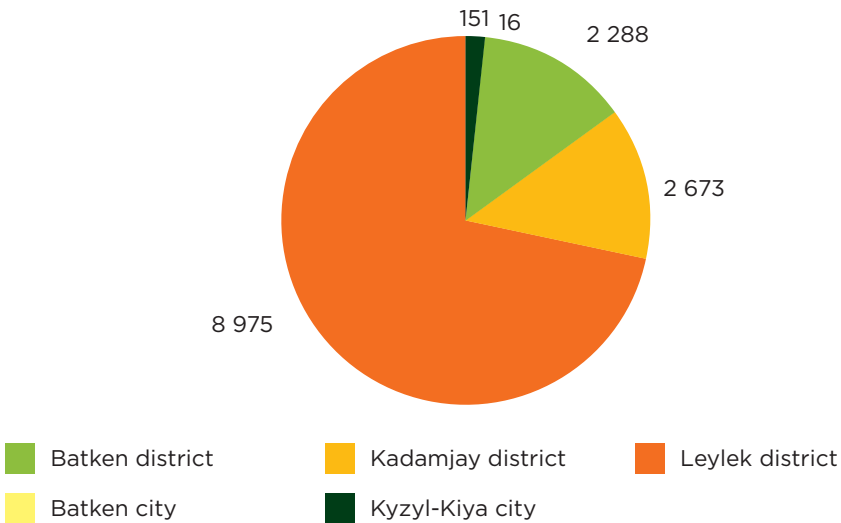
Key indicators for apricot in Batken region	2018	2019	2020
Total area of apricot orchards, ha	4 641,0	5 011,0	5 675,0
new orchards, 1-5 years	462,0	764,0	868,0
middle-aged orchards, 5-15 years	785,0	2 065,0	2 303,0
old orchards, 15 years and more	3 394,0	2 182,0	2 504,0
Total harvest of apricot, tons	49 828,6	54 381,9	53 572,5
Total volume of dried apricot, tons	13 898,9	14 601,5	14 782,5
unpitted	6 055,8	5 651,2	5 664,8
pitted	7 843,1	8 950,3	9 117,7
Total export of apricot, tons	5 886,6	6 468,5	5 478,0
unpitted (dried)	1 222,8	1 390,0	1 514,4
pitted (dried)	1 639,8	1 869,0	2 211,6
fresh	3 024,0	3 209,5	1 752,0
Types of apricot processing			
jam	13,3	13,9	15,0
juice	7,0	7,5	8,1

✔ Wheat

The sown area in Kyrgyzstan over the past 10 years has been declining. In 2020, 247.5 thousand hectares were sown, which is 52 percent less than in 2010. In addition, in 2020, the sown area for wheat in Batken region decreased by 70 percent compared to 2010.

Wheat indicators	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sown area in Kyrgyzstan, thousand ha	376,7	377,4	324,5	346,6	339,5	297,3	270,6	250,2	253,8	240,1	247,5
Sown area in Batken region, thousand ha	21,7	22,7	17,8	17,1	17,4	16,0	13,5	13,1	12,5	12,2	12,7
Productivity in Batken region, wheat, c / ha	20,1	15,1	17,6	17,7	15,8	17,8	17,0	17,4	17,8	20,9	20,6

Nevertheless, in 2021, wheat was harvested in Batken region from 14.1 thousand hectares.



At present, due to the reduction in the cultivated areas of wheat and drought, the Cabinet of Ministers of the Kyrgyz Republic has established restrictions on the export of wheat.

Export of peeled almonds from the Kyrgyz Republic	2015		2016		2017		2018		2019	
	thousand USD	tons	thousand USD	tons	thousand USD	tons	thousand USD	tons	thousand USD	tons
Turkey	5,43	4,72	102,08	108,60	79,28	70,09	54,71	66,88	18,09	25,88
Mongolia	0,00	0,00	0,03	0,03	0,00	0,00	0,00	0,00	0,00	0,00
Iran	0,00	0,00	209,74	136,00	199,78	131,67	0,00	0,00	0,00	0,00
China	4,67	4,77	0,87	2,16	1,20	2,00	2,35	3,95	90,27	81,82
India	0,08	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Italy	0,07	0,05	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Iraq	0,00	0,00	45,19	21,52	171,80	129,53	0,00	0,00	0,00	0,00
Afghanistan	0,00	0,00	31,81	20,52	0,00	0,00	0,00	0,00	0,00	0,00
Kazakhstan	0,00	0,00	0,00	0,00	2,53	0,23	0,00	0,00	0,00	0,00
Russia	0,00	0,00	0,00	0,00	0,00	0,00	0,35	1,10	0,05	0,70
Other	0,00	0,00	0,00	0,00	2,31	0,37	3,25	0,27	2,47	0,45

APRICOT EXPORT POTENTIAL

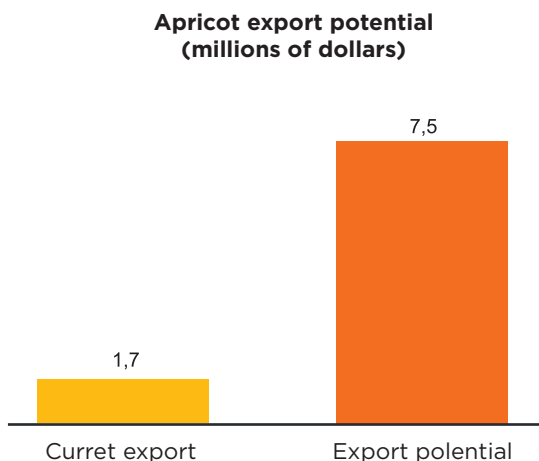
Historically, Kyrgyzstan has always been a net exporter of fresh apricots, which were supplied mainly to the Russian Federation and Kazakhstan. However, the economic crisis that began in these countries in 2014 led to a significant reduction in the export of Kyrgyz apricots. As a result, in 2017, the volume of export supplies amounted to only 2 thousand tons, compared with 14 thousand tons in 2013. The apricot market is estimated at 60 thousand tons

International Trade Center (ITC) estimates also show that fresh apricots have the highest export potential among fresh fruits grown in Kyrgyzstan.

Their export potential is estimated at USD 17.1 million per year, but as of 2018, only 21 percent of it has been realized.

Implementation of the export potential of dried apricots is only 13.5 percent, however, according to ITC's estimates, it is already small - USD 2.6 million.

The main potential sales markets for the export of fresh and dried apricots are the EAEU countries. In addition, there is demand from Europe and Japan, where dried fruit are popular.



INVESTMENT PROPOSAL

LEGAL MECHANISM	✓ Agricultural cooperative
FUNDING TYPE	✓ Direct investment in capital
AMOUNT	✓ 7-10 years
TERM	✓ USD 214,118
NUMBER OF TRANCHES	✓ Tranche No.1 - purchase of seedlings ✓ Tranche No.2 - purchase of equipment ✓ Tranche No.3 - purchase of a drip irrigation system ✓ Tranche No.4 - as required during the entire period
COLLATERAL	✓ 100% of the Company's share

