



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



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

CHEESE PRODUCTION DAIRY FARM

IE B.O.TUUGANBAEV (“TALAS DAAMY” TRADEMARK)



KYRGYZSTAN



Name of the company:

IE Tuuganbaev B.O. (trade mark "Talas Daamy")

Brief description of the Project:

The project involves the construction of a modern dairy farm in the Talas Region to produce raw milk for the production of the "Talas Daamy" cheese products.

It is planned to build a dairy farm and purchase 500 high-yielding cattle of the Holstein-Friesian breed, the most common dairy cow breed in the world. The cows of this breed produce 60-65 kg of milk per day, and the average annual milk yield is 7,500 kg. A land plot (10 ha) will be purchased for the farm construction. Increasing the cattle headcount up to 1,000 head is planned under the project.

Description of the Project Initiator:

The Project Initiator, the "Talas Daamy" Cheese Company, was established in 2002. Since 2005, the Company has performed full re-equipment. The old equipment was replaced by Italian and French devices in the production complex. The Company has adopted European standards of production of dairy products in terms of processing the raw materials and final product technologies.

General Director

Baktybek Tuuganbaev

Founder

More than 19-years experience in dairy production

Project cost - \$3,165,000

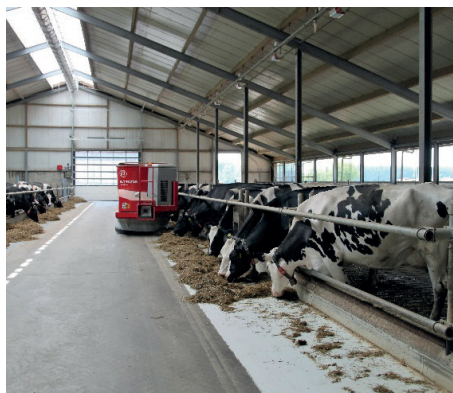
- ✓ Purchase of high-yielding cattle - \$1,500,000
- ✓ Construction of the dairy farm - \$765,000
- ✓ Equipment- \$570,000
- ✓ Purchase of a land plot - \$30,000
- ✓ Working assets- \$300,000

Amount of investments - \$3,165,000

Payback period - 3.46 years

PROJECT DESCRIPTION

The project involves the construction of a modern dairy farm in the Talas region for the production of raw milk for the «Talas Daamy» cheese products.



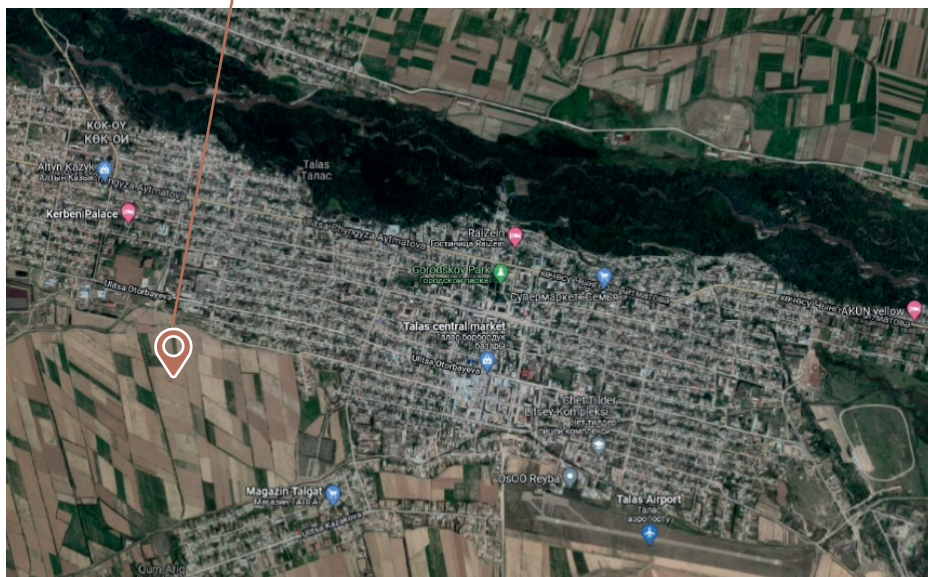
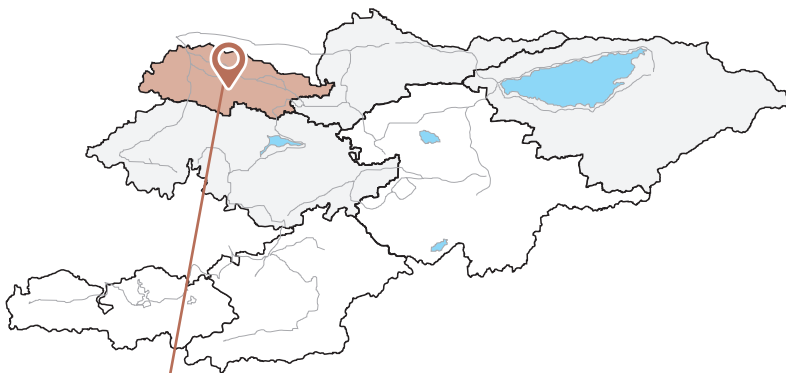
The purpose of the project is creation of the the own raw material base to complete utilization of the production facilities of the Talas Daamy plant, as well as the implementation of long-term projects to expand production. Currently, the company processes about 30 tons of raw milk per day in the summer and up to 15 tons in the winter. The lack of a stable volume and quality of raw milk prevents concluding long-term contracts and increasing production.

Construction of a dairy farm and purchase of 500 Holstein-Friesian cows, the most widespread dairy breed in the world, are planned. These cows produce 60-65 kg of milk per day. The average annual milk yield is 7,500 kg. It is planned to purchase 10 hectares for construction the dairy farm and reach the indicator of 1,000 cows.

The fodder is planned to be purchased from the local market. The composition of fodder mixtures includes silage, haylage, hay, compound fodder and other fodder and mineral additives necessary for fodder rations. We consider the production of our own feed at the next stages of the development of the enterprise.

It is expected, that implementation of this project, will increase the productivity of animals and the duration of economic use. The labor productivity increased, the cost of production reduced, the quality improved, and the environmental safety of production have been already ensured.

GEOGRAPHIC LOCATION



PROJECT INITIATOR DESCRIPTION

The Project initiator, the Talas Daamy Cheese-Making Company, was founded in 2002 as a milk processing workshop in Talas. In 2003, Talas Daamy was transformed into an enterprise for the production of «Holland» cheese and «Krestyanskoye» butter. High production standards, special requirements for dairy production technologies allowed the Talas Daamy Company to develop very fast and become one of the leaders in the Central Asia region in cheese production. The Company's products are in great demand among cheese lovers in Kyrgyzstan.

Since 2005, the Talas Daamy Cheese-Making Company has carried out a complete re-equipment, the entire production complex has been completely replaced with Italian and French equipment. The technology for processing raw materials, creating the final product of the company has been switched to European standards for the production of dairy products.

The most important priority of the Talas Daamy Cheese-Making Company is to provide a high-quality product using European production technologies for the entire consumer segment. It is European technologies that allow the Company to produce a high-quality and affordable product at the same time. Talas Daamy is expanding the range and increasing the quality everywhere. The Company's products are successfully sold in Russia, which is more than 60 percent of exports. About 40 percent of products are sold in Kyrgyzstan.

The production facilities of the Company allow processing up to 50 tons of raw milk per day.



SUSTAINABLE COMPETITIVE ADVANTAGES OF THE PROJECT

- ✓ **Stable level of production.** A dairy farm will be built on a 10-hectare plot, and 500 high-yielding dairy cows will be purchased. This will provide production of stable volumes throughout the year.
- ✓ **Export-oriented products.** Cheese consumption in Kyrgyzstan is not as high as in the target markets of the Talas Daamy Company. Annually it processes about 6 thousand tons of raw milk, purchased from farmers. After the commissioning of the dairy farm, it is planned to process more than 10 thousand tons per year, which will allow exporting a sufficient volumes of dairy products to neighboring countries.
- ✓ **Experienced dairy producer.** Talas Daamy LLC has been working for 19 years, which allowed for the production of dairy products and the processing of raw milk. For these purposes the modern equipment was purchased that meets international standards.
- ✓ **High quality and natural products.** Honest attitude to customers, employees and milk suppliers are the core values of the company, but the most important thing is quality of the products. This is achieved thanks to high-quality raw materials and the professionalism of the craftsmen, as well as through careful control and supervision of the production process. Products are made exclusively from natural milk, plant impurities and milk powder are not used in the production.





MANAGEMENT TEAM



Baktybek Tuuganbaev
Company's Founder and Director

- ✓ Higher education degree
- ✓ More than 19 years of experience in the dairy industry
- ✓ Extensive experience in dairy production

HISTORICAL PROJECT PRODUCTION AND FINANCIAL PERFORMANCE INDICATORS

Quantity of products, tons / year	2018	2019	2020
Cheese	374,8	408,1	472,6
Butter	141,9	147,3	132,5
Cottage cheese	0,6	2,4	4,5
Total	517,3	557,8	609,6

Key financial indicators. USD	2018	2019	2020
Sales	1 828 373	2 508 254	2 060 748
EBITDA	548 512	752 476	618 224



BRIEF OVERVIEW OF THE DAIRY MARKET IN KYRGYZSTAN



The annual milk production in Kyrgyzstan is over 1.6 million tons. Until now, more than 98% of raw milk for processing is produced at private farmsteads who sell raw materials either through small wholesalers or directly through the plant.

There are 1.71 million cattle in Kyrgyzstan, most of which have low productivity of 2-4 liters of milk per day. Due to insufficient volumes of industrial processing, a significant part of the products on the market - yoghurts, cheeses, butter and other products - are imported from Russia or Kazakhstan.

In 2020, 1.67 million tons of raw milk were produced throughout Kyrgyzstan. The largest amount of milk was produced in Chuy region - 422.9 thousand tons, and the smallest in Talas region - 75.9 thousand tons.

In some countries of the Eurasian Economic Union, there is a situation in which less milk is produced than consumed. For example, Russia covers its needs by 82%. A similar situation is in Armenia and Kazakhstan, where milk needs are covered by 90%. Such data are provided by the Eurasian Economic Commission. But at the same time, production volumes in Belarus and Kyrgyzstan exceed domestic demand (in Belarus - by 2.5 times, in Kyrgyzstan

- by 1.2 times), which gives these countries the opportunity to increase milk supplies both within the EAEU and to third countries.



FORECAST FINANCIAL INDICATORS

Production volumes, tons	1st year	2nd year	3rd year	4th year	5th year
Cheese	519,8	810,7	921,4	1 023,8	1 023,8
Butter	145,8	227,4	258,4	287,1	287,1
Cottage cheese	4,9	7,8	8,8	9,8	9,8
Total:	670,6	1 045,8	1 188,7	1 320,8	1 320,8

Key financial indicators, USD	1st year	2nd year	3rd year	4th year	5th year
Sales	2 266 822	3 451 872	3 923 483	4 359 425	4 359 425
EBITDA	249 350	690 374	980 871	1 395 016	1 395 016

- ✓ IRR 11.84%
- ✓ Payback period 3.46 years. Discounted payback period 4.36 years

FUNDING SOURCES AND USE OF FUNDS

Funding sources	Amount, USD
Financial investor	3 165 000
Total:	3 165 000

Use of funds	Amount, USD
Purchase of high-yielding cows	1 500 000
Building	765 000
Equipment	570 000
Land purchase	30 000
Working capital	300 000
Total:	3 165 000



CHEESE PRODUCTS

EXPORT POTENTIAL

In 2020, Kyrgyzstan exported 4,727 tons of cheese for USD 9.81 million and increased by 64.6 percent compared to 2019. The main importers of Kyrgyz cheese are Russia, Kazakhstan and Uzbekistan. Export of Kyrgyz cheese to the Russian Federation in 2020 amounted to USD 5.4 million or 2,777 tons. Export to Kazakhstan in 2020 amounted to USD 4.39 million or 1,944 tons, and to Uzbekistan - USD 11 million or 6 tons of cheese.

	2016		2017		2018		2019		2020	
	tons	Thous., USD	tons	Thous., USD	tons	Thous., USD	tons	Thous., USD	tons	Thous., USD
Russia	1 567	3 718	936	2 697	1 302	3 790	1 951	6 467	1 944	5 408
Kazakhstan	531	1 272	5 277	13 669	979	2 548	909	2 297	2 777	4 394
Uzbekistan	0	0	0	0	5	8	11	19	6	11
Total	2 098	4 990	6 213	16 367	2 286	6 346	2 871	8 784	4 727	9 813

In 2019, the global cheese market amounted to USD 114.1 billion or 26 million tons, showing growth over the past three years after a two-year decline. The global cheese market is projected to grow with an expected CAGR of + 0.6 percent between 2019 and 2030, which is projected to increase the market size to 27 million tons by the end of 2030.



The largest importers of cheese on the world market in 2019 were Germany (778 thousand tons), Italy (536 thousand tons), Great Britain (495 thousand tons), the Netherlands (390 thousand tons), France (377 thousand tons), Belgium (341 thousand tons), Spain (310 thousand tons), Japan (303 thousand tons) and Russia (284 thousand tons) accounting for 54 percent of total imports. The USA (180 thousand tons), Saudi Arabia (148 thousand tons) and Greece (135 thousand tons) have relatively small shares in the total volume of imports.

Russia, Ukraine, China, Kazakhstan are potential export markets for Kyrgyz cheese. These countries show high growth in cheese imports. Average growth in imports for these countries from 2016 to 2020 is 47 percent.

INVESTMENT PROPOSAL

LEGAL MECHANISM
FUNDING TYPE
AMOUNT
TERM
NUMBER OF TRANCHES
COLLATERAL

- ✓ Private entrepreneur
- ✓ Direct investment in capital or loan
- ✓ USD 3,165,000
- ✓ 5-7 years
- ✓ Tranche No.1 - construction of a dairy farm and purchase of equipment
- ✓ Tranche No.2 – purchase of high-yielding cows
- ✓ Fixed assets

