

A top-down view of a white ceramic bowl filled with thick, vibrant red tomato paste. The paste has a slightly textured surface with some swirls. The bowl is set on a dark grey, textured fabric. Scattered around the bowl are several fresh, bright red cherry tomatoes and a few large, green basil leaves. The lighting is soft, highlighting the colors of the ingredients.

Tomato paste production

Preliminary

March 2023

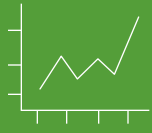
Summary

- We propose to build a full cycle tomato paste production plant with tomato growing in the south of Kazakhstan. Processing capacity of tomato plant will be 3 thsd tons of raw tomatoes per day (minimum economically viable capacity), which corresponds to 225 thsd tons of raw tomatoes processing or **30 thsd tons of tomato paste production per year**, with an option to expand production up to 2-3 times
- The main markets for tomato paste will be internal market of Kazakhstan and Russia. Currently both Kazakhstan and Russia are net importers of tomato paste with import volumes exceeding 20 thsd tons and 120 thsd tons per year respectively. The main suppliers of tomato paste to Russia and Kazakhstan are China, Italy and USA
- Currently there are only 2 full cycle processing plants (full cycle is from tomato growing to tomato paste manufacturing) in Russia. Due to sanctions and restrictions on equipment supplies from EU producers no new manufacturing facilities are expected in Russia in the nearest future
- Approximately 7% of global production of tomato paste belonged to Ukraine, whose exports decreased by 65% in 2022. Quick recovery of export from Ukraine is impossible, thus it is reasonable to expect a period of high prices for the nearest 3-5 years
- Although Kazakhstan has an extreme continental climate, with long, hot summers and cold winters, the southern part of the country (where the project will be implemented) has a mild and warm climate with a lot of rainfall which is perfectly suitable for tomatoes growing
- Total volume of investments for the project is estimated around ~132 M USD, and will be financed through the following sources:
 - 40 M USD equity (26 M USD of CAPEX will reimbursed by the state after commencement of the plant)
 - 92 M USD of debt financing (rate 4-7%, period 10 years)
- Average revenue (incl ramp up period) - 53 M USD. Construction period – 2 years.
- FCFE key investment numbers: NPV – 30,3 M USD, IRR – 26%, PP – 5 years, DPP – 8 years since start of the project

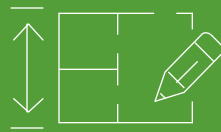
Project at a glance

Project parameters

Production volume



Area of the plot of land



Investments



Personnel

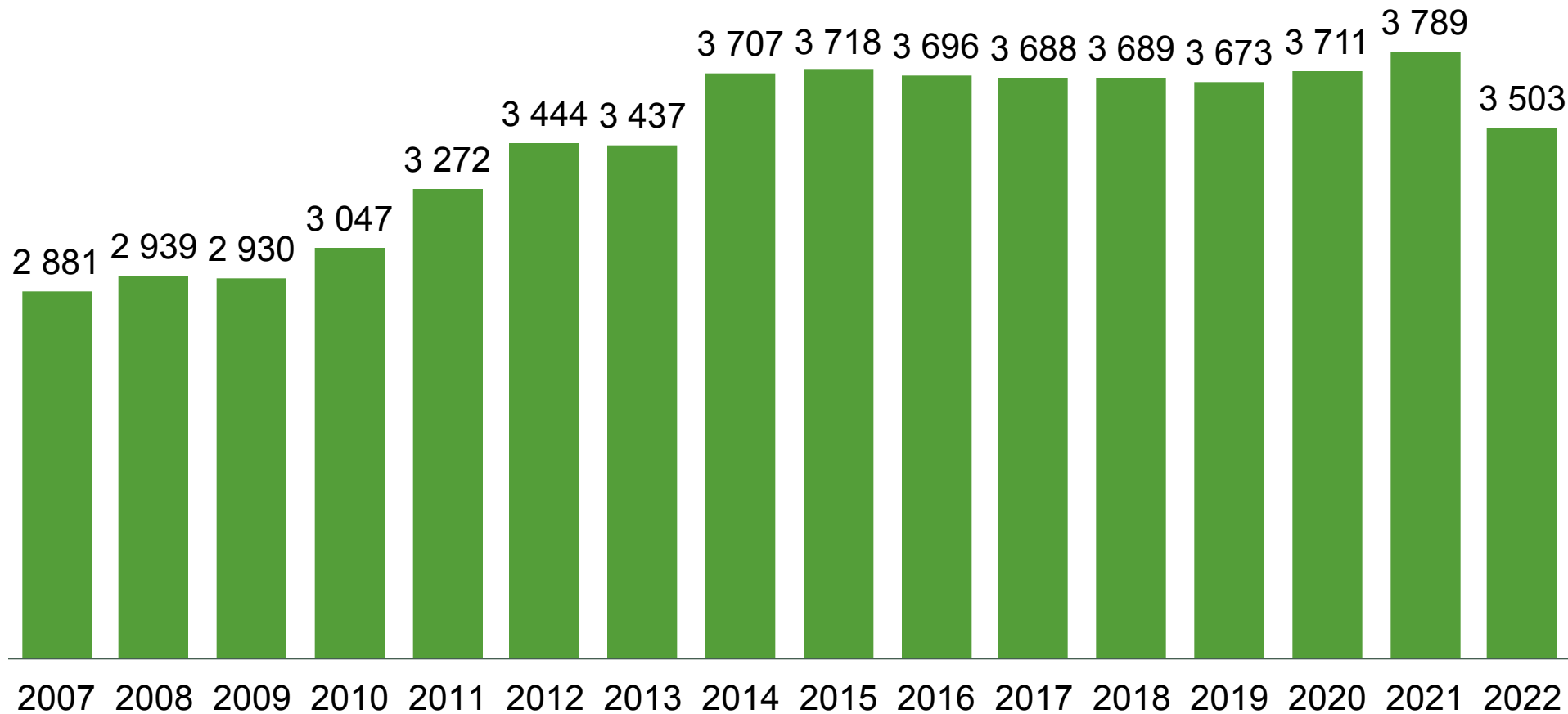


Description

- **Processing capacity 225 thsd tons** of raw tomatoes annually (3 thsd tons of raw tomatoes per day for 75 operational days a year)
- **Production 30 thsd tons** of tomato paste brix 36-38
- **6 thsd hectares for growing**, enable to grow tomatoes while obeying crop rotation
- Option to expand production by acquiring larger plot of land (10-12 thsd hectares)
- Land plot for a plant – 20-25 hectares
- **108 M USD - CAPEX**
 - Land acquisition – 2 M USD
 - Plant building – 51 M USD
 - Greenhouse building – 5 M USD
 - Drip irrigation installation – 38 M USD
 - Agricultural equipment acquisition – 11 M USD
- **24 M USD – land preparation, project office and other costs**
- **300+ employees** for the whole complex including plant, greenhouse, agriculture workers
- 50% permanent, 50% seasonal workers
- In case of plant expansion the number of employees grows at a lower pace (starting from 530 employees for a plant processing 6 thsd tons of raw tomatoes per day)

Global consumption of tomato paste is expected to grow in line with the growth of world population

Global production of tomato paste, thousand tons

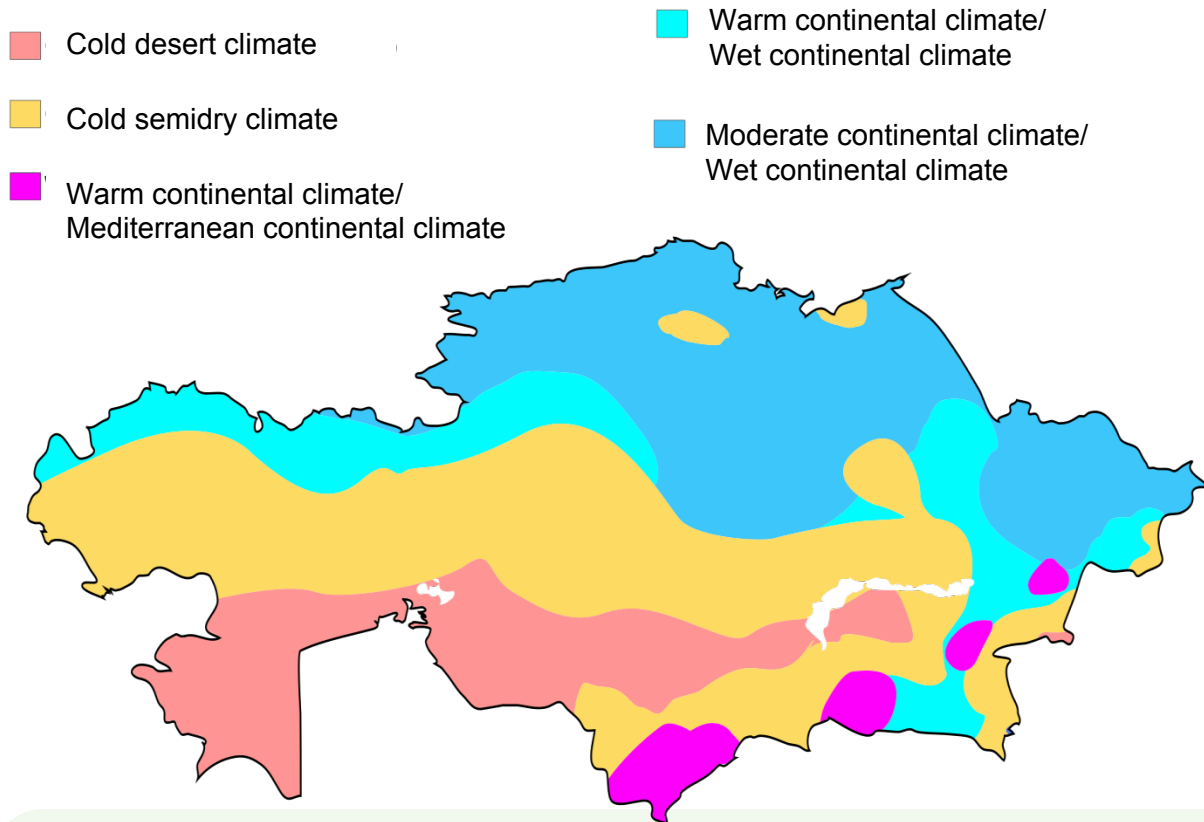


Comments

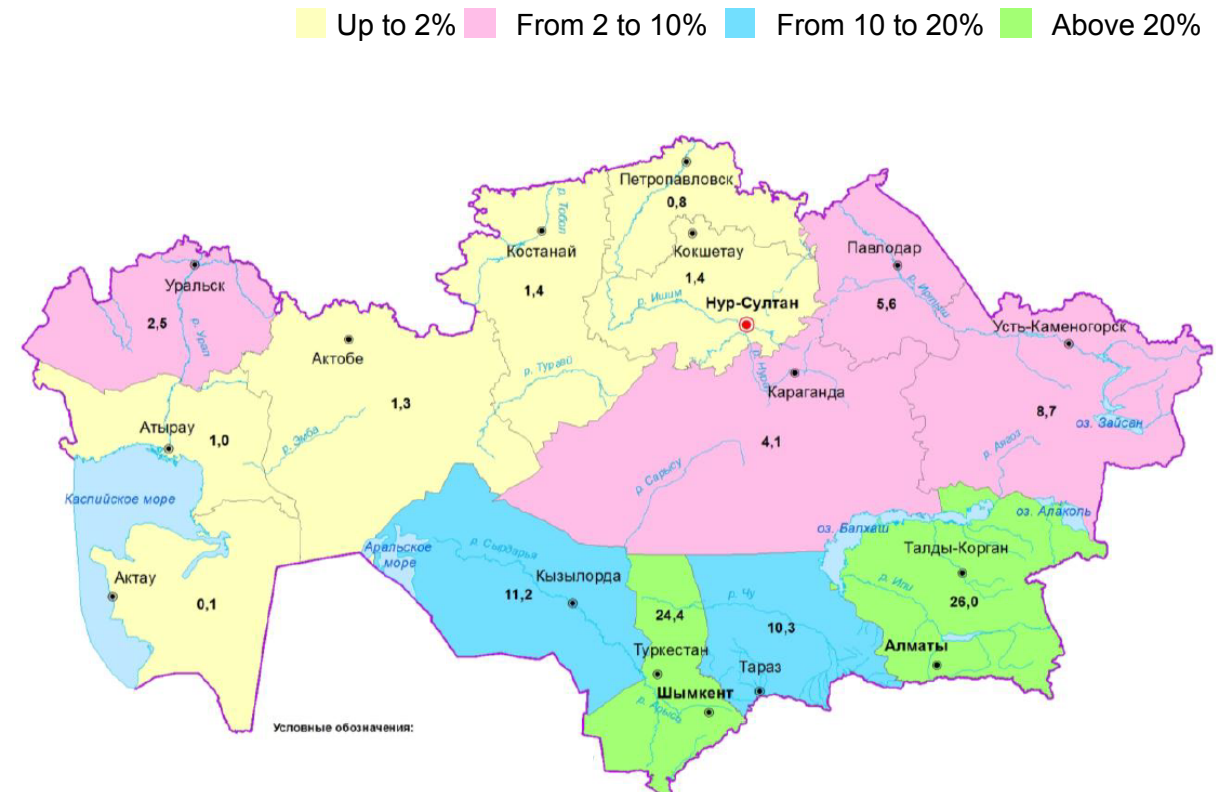
- Global production of tomato paste grew up with CAGR 1,3% since 2007
- Decrease in production in 2022 is related to the armed conflict in the Ukraine, which accounted for 7% of global production

Southern part of Kazakhstan is favorable for tomato growing

Climate map of Central Asia¹



Share of irrigated land to the total area by region, 2021

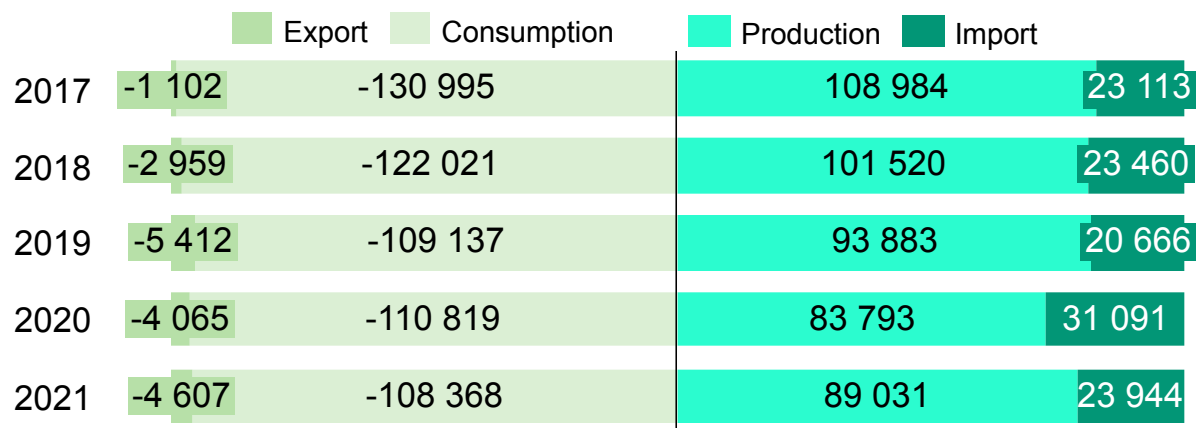


- Although Kazakhstan experiences an extreme continental climate, with long, hot summers and cold winters the southern part of the country has a mild and warm climate with a lot of rainfall which is perfectly suitable for growing tomatoes
- The project is planned to be implemented in the south region of Kazakhstan – Turkestan region. **Local team has already chosen a suitable land plot and signed preliminary agreement with the state authorities**

¹ Koppen classification

Currently internal production in Kazakhstan is not sufficient to satisfy internal consumption

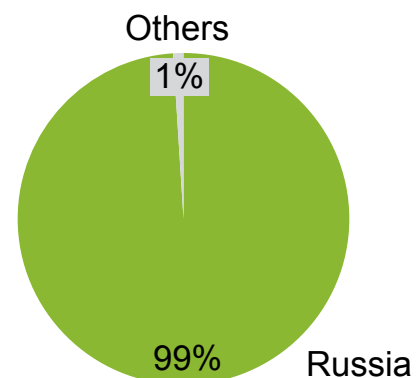
Tomato processing products balance¹, 2017-2021 гг., tons



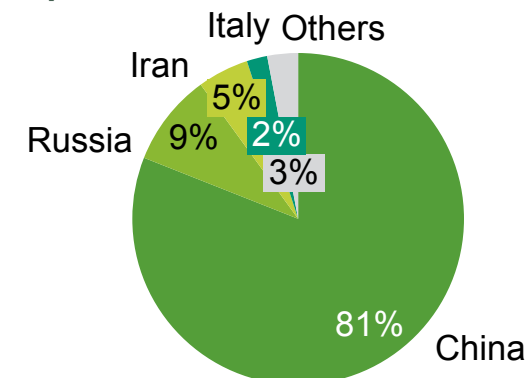
- Includes not only tomato paste, but also sauces, tomato concentrate, etc.
- Market size in 2021 – ~413 M USD
- Approximately 1/3 of volume of tomato paste (38 thsd tons in 2021) is sold through B2C channels, 2/3 of volume (75 thsd tons in 2021) – through B2B channels

Main exporters/importers¹, 2021 гг., %

Export

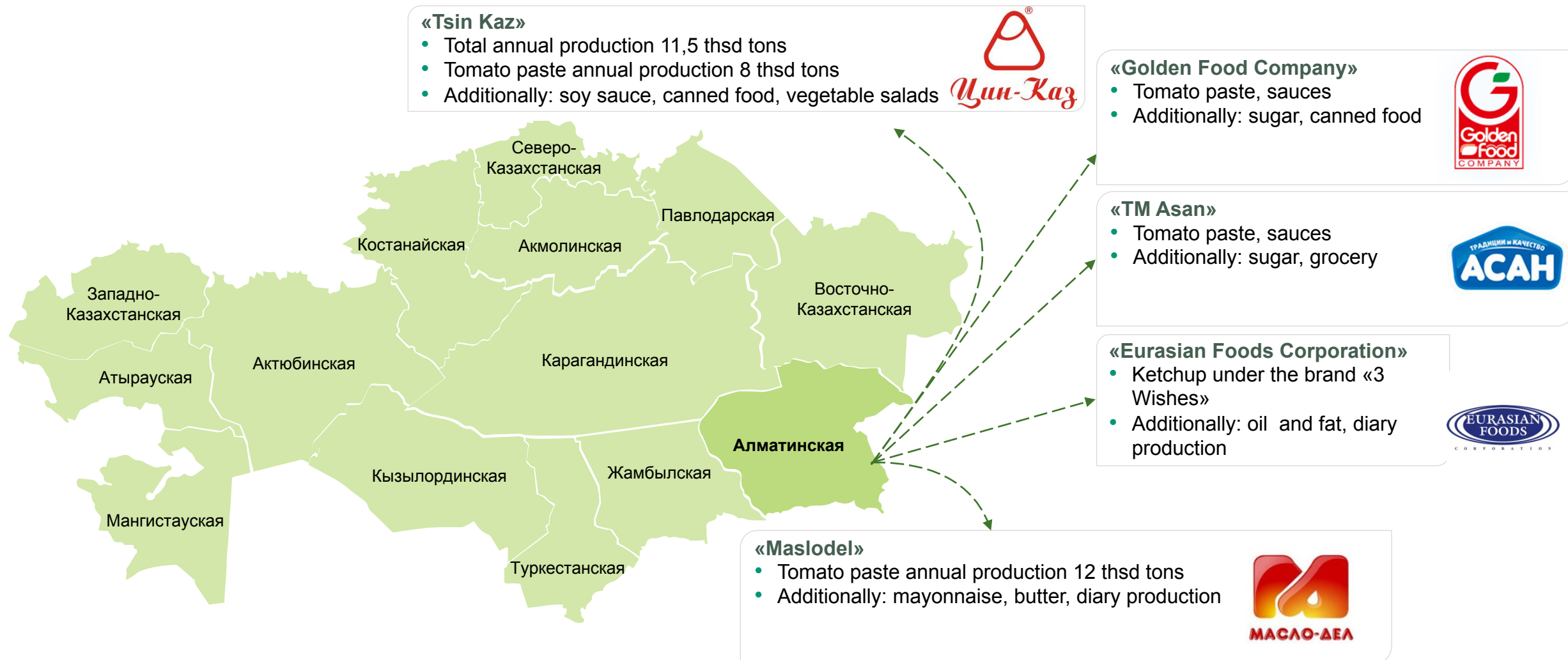


Import



- Export is neglectable and goes to Russia
- Import is dominated by China and has the following structure:
 - **51%** products with dry content more than 30% (**wet/dry concentrates** – for further processing)
 - **49%** products with dry content less than 30% – supposedly, **tomato paste and tomato sauces**

Main tomato processing facilities are located in Almata region, all of them a part of a larger holdings that primarily focus on sauces production



1 Откуда черпает сырье компания «Цин Каз»? , доступ по ссылке: <https://kz.kursiv.media/2017-09-29/otkuda-cherpaet-syre-kompaniya-cin-kaz/>

Key sales channels for tomato paste in Kazakhstan

Industrial consumers – 70%

Industry – 60%

- Mainly used for **production of juices and ketchups**
- Consumed mainly by the same companies which manufacture tomato paste: MasloDel, Eurasian Food Corporation and Tsin-Kaz

HoReCa – 10%

- Hotels
- Restaurants
- Cafés
- Canteens
- Food courts

Individual consumers – 30%

- Retail stores
- State organizations: schools, hospitals, kindergartens, military units, universities
- Some large processing companies prefer to sell products through large retail chains, while others have their own transportation, storage and sale units within companies

Main manufacturers:



MasloDel – brand «Tomato paradise»



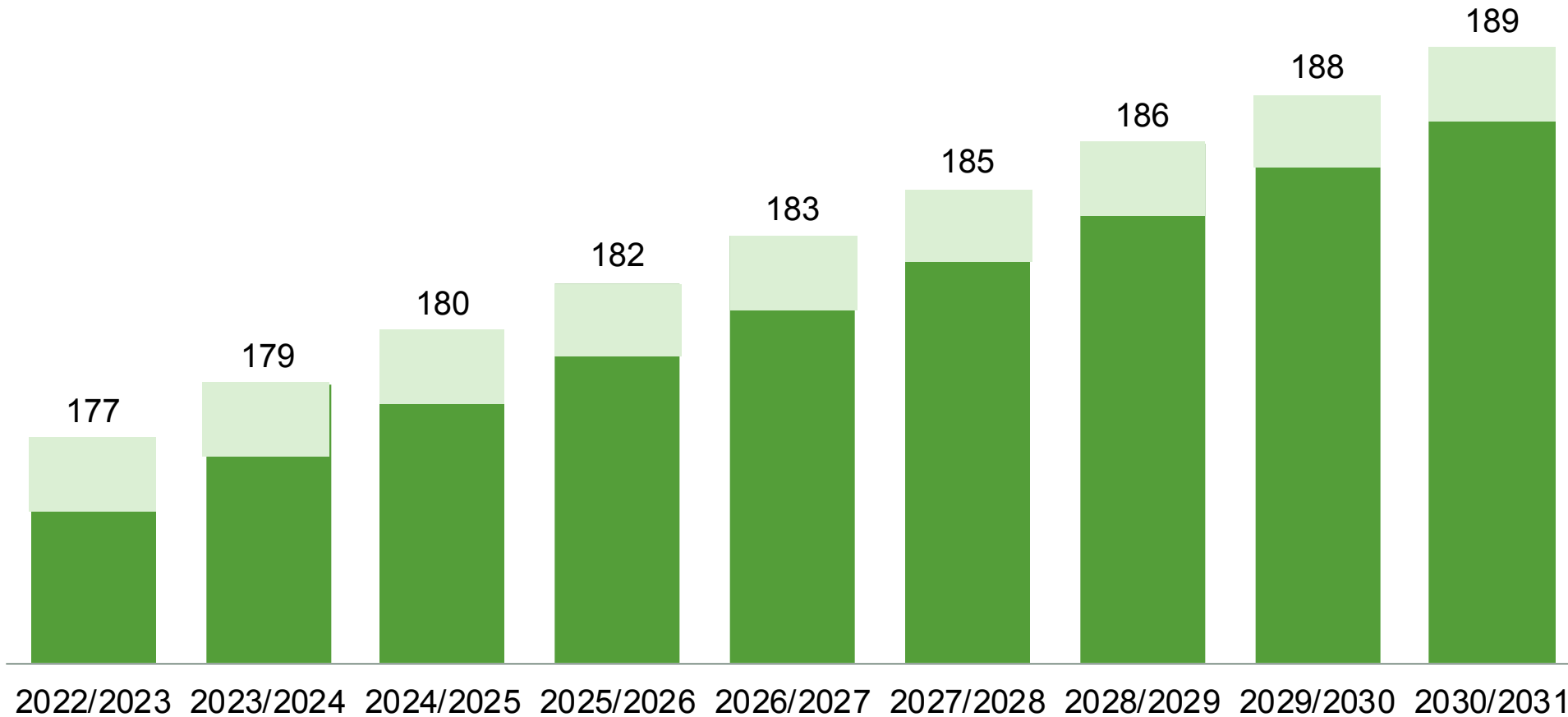
Eurasian Food Corporation – brand «3 wishes»



Tsin-Kaz – brand «Tsin-Kaz »

Consumption of tomato paste is expected to grow in Kazakhstan due to growth of population

Tomato paste consumption forecast, thsd tons



Comments

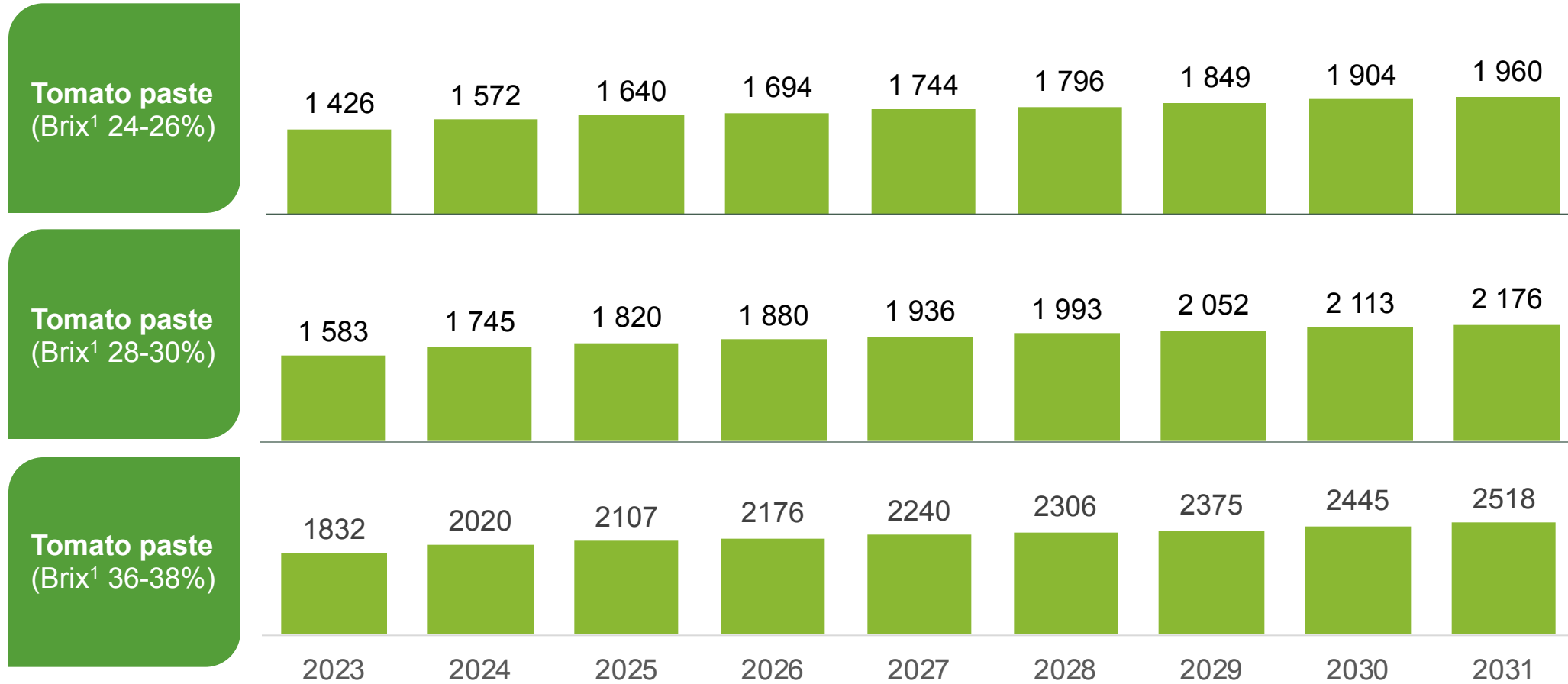
- Consumption of tomato paste is forecasted to grow in Kazakhstan with CAGR 1% due to growth of population
- Due to urbanization and increase of disposable income trends in consumption of tomato paste will gradually shift from “natural” consumption (produced by households) to market consumption (manufactured by industry)
- The current estimate of household consumption is 64 thsd tons

Price of tomato paste is expected to grow in line with inflation in optimistic scenario

OPTIMISTIC SCENARIO

Tomato paste wholesale price excl VAT, USD/ton

Comments



- It is forecasted a stable growth of price for tomato paste with CAGR 4,1%, which is in line with inflation

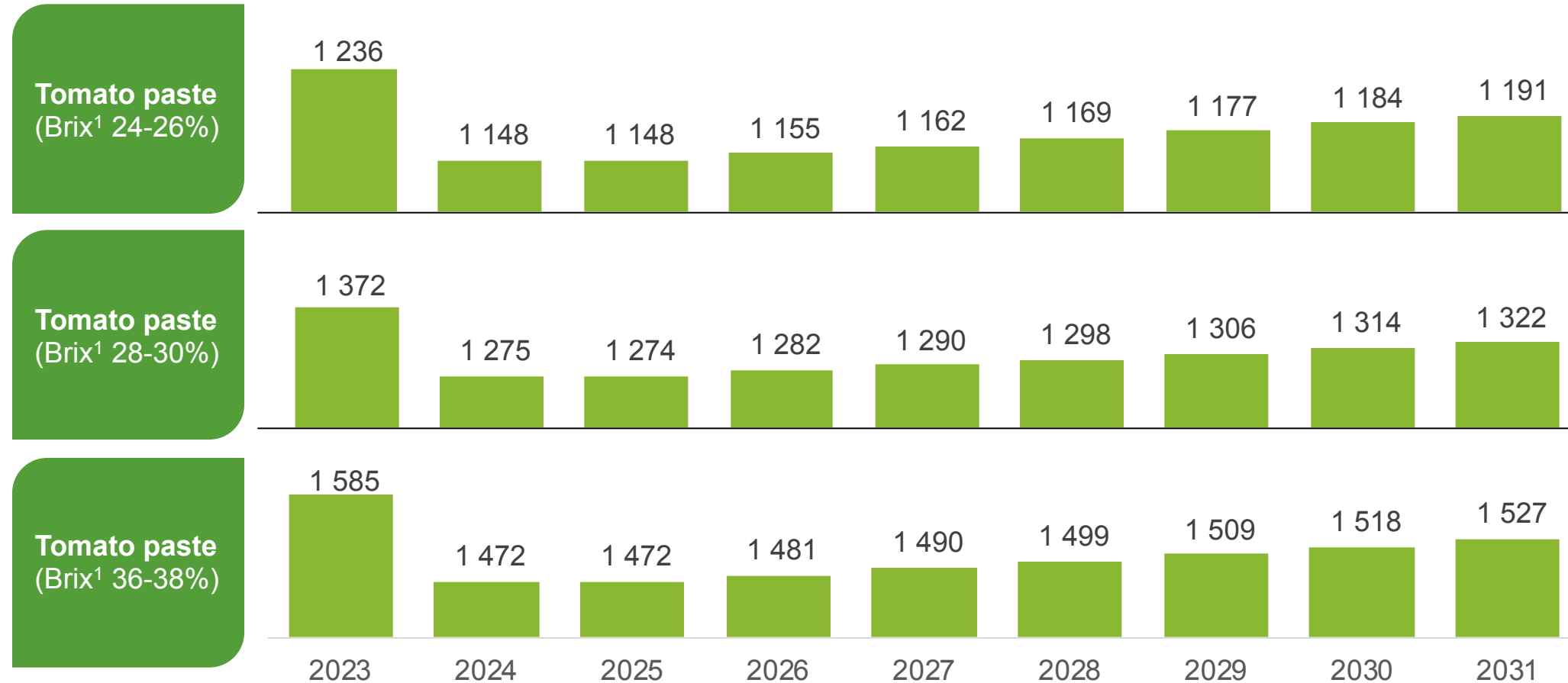
¹ Measure of the mass ratio of sucrose dissolved in water to liquid

In a conservative scenario prices of tomato paste will experience a correction for 2 years with a subsequent annual growth of 1% afterwards

CONSERVATIVE SCENARIO

Tomato paste wholesale price excl VAT, USD/ton

Comments

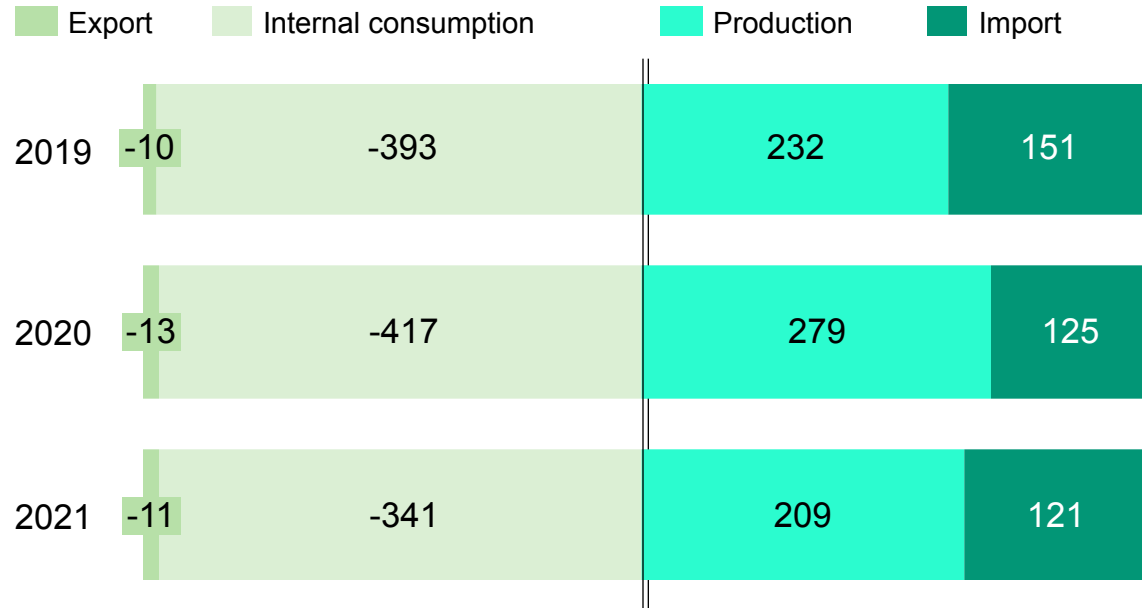


- After achieving its peak in 2023 and price correction for the next 2 years price for tomato paste is forecasted to grow up with historical pace (CAGR 1%)

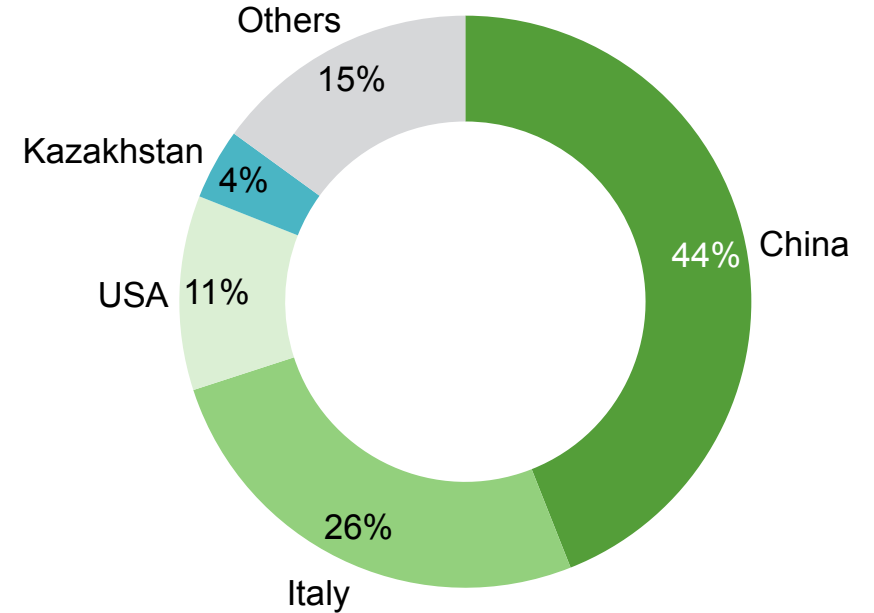
¹ Measure of the mass ratio of sucrose dissolved in water to liquid

Russia is a net importer of tomato paste

Balance of resources and usage of products from processed tomatoes, 2019-2021, thsd tons



Import, 2021



- There are only 2 full cycle processing plants (full cycle is from tomato growing to tomato paste manufacturing) in Russia with total production capacity of 49 thousand tons, the rest of production is based on concentrate use
- Due to sanctions and restrictions on equipment supply from EU producers no new manufacturing facilities are expected in Russia in the nearest future

We are looking for a partner with expertise in agriculture and experience in product processing and sales

What we are looking for:

- Equity partner for 15-49% of equity (6 – 19.6 USD mln)
- Competences in agriculture and experience in building agro business including processing agriculture products
- Expertise and experience in marketing, sales and distribution of processed agriculture products

What we are offering:

- Piece of proper land in the south of Kazakhstan
- Subsidized debt financing (4-7% in Kazakh tenge) for 70% of investment
- Government subsidy up to 25% of investment
- Subsidies on operational costs: seeds, fertilizers, plant protection products
- Project management, team with experience in agriculture and similar projects
- Local expertise, GR and overall support