Deloitte.

Production of livestock products

Sector teaser

August 2021

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This report is not an evaluation in accordance with local or international standards. Any value analysis presented in this report are provided solely for information purposes.

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This document does not consider the probable impact of COVID-19 on sales, production, the supply chain or any other business aspect that may have a negative impact on the Company's performance. The recipient should take into consideration the most extensive impact of COVID-19 on the Company's financial position due to its negative impact on the Republic of Kazakhstan and the global economy and major financial markets.

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Sector overview

- According to the common classifier of economic activities of the Republic of Kazakhstan, the livestock sector corresponds to code 01.4 and is divided into 8 main groups. Livestock products include meat, milk, eggs and other products obtained from the economic use of livestock and poultry. Under this teaser, the main focus is on meat and by-products.
- Commodity markups for a number of livestock products are established by law. The list approved by Decree No. 145 of the Kazakhstan Government dated 1 March 2010 On Approval of the List of Socially Significant Food Products includes beef and chicken, pasteurised milk 2.5% fat in soft packaging and chicken eggs.
- It is worth noting that there is an increase in the production of poultry, mutton, beef and veal in the world. China is a leader in imports of frozen cattle meat (35%), pork (34%), mutton or goat meat (32%) and horse meat (20%).
- About 56% of enterprises in the agricultural, forestry, and fishery sectors are concentrated in Turkestan (25%), Almaty (17%) and Akmola (14%) regions.
- Domestic producers of meat products and by-products cover the domestic demand of the country by 86%, milk producers - by 39% and egg producers - by 99%. Given the growing consumer demand and government support, the meat and dairy sector has the potential for further development, as well as reducing imports dependence and expanding exports to neighboring countries.

Resource base

- Kazakhstan has a sufficient resource base: in 2020, the number of sheep and goats was more than 20,000 thousand units, cattle - 7,850 thousand units, horses - 3,140 thousand units, pork - 817 thousand units and camels - 228 thousand units. In order to provide domestic meat processing enterprises with raw materials and load idle production facilities in January 2020, the Kazakhstan Ministry of Agriculture introduced a ban on the export of live cattle and small cattle of all age and sex groups. Taking into account the existing measures of state support, the number of livestock has the potential to increase.

Import substitution/export potential

- The share of domestic production of meat, poultry and edible by-products at the end of 2020 amounted to 84%, which is 30% higher than the threshold level for ensuring the national security.
- Imports dependence is recorded in the production of meat and other edible meat by-products, salted, brined, dried or smoked meat products and fat of cattle, sheep, goats and pigs. Moderate deficit and imports dependence are noted in the production of ready-made or canned foods and sausages and similar meat products. There is an insignificant imports dependence in the production of meat, poultry and edible by-products.
- Given the geographic proximity of the country to such capacious sales markets as the countries of Central Asia, the countries of the Middle East, Russia and China, domestic meat producers need to vigorously develop exports in order to gain market share.

State support

- Production of livestock products is included in the list of priority sectors of the country's economy, which are eligible for state support measures under the Entrepreneurial Code, the State Programme for the Development of the Agro-Industrial Complex 2017-2021, functioning on the territory of the SEZ, etc. Also, according to the Order of the acting. Of the Minister of Agriculture of the Republic of Kazakhstan No. 317 dated July 23, 2018, the state reimburses up to 50% of investment investments for the construction and expansion of production, the purchase of machinery and equipment for the implementation of projects in the field of animal husbandry, including pig breeding, poultry farming, cattle and small ruminants.

Livestock husbandry classification

Classification of livestock sector according to Common Classifier of Economic Activity 2019

According to Kazakhstan's Common Classifier of Economic Activity, the livestock sector includes 8 main segments. Livestock products include meat, meat products, eggs, milk and other products.

Breeding of dairy cattle

The segment includes:

- raising and breeding of dairy cattle
- production of raw cow's milk and raw milk of other cattle

Breeding of other cattle and buffaloes

The segment includes:

- raising and breeding of cattle and buffaloes for meat
- production of bovine semen

breeding of horses and other equines

The segment includes:

- raising and breeding of horses
- raising and breeding of donkeys, mules or hinnies

Breeding of camels and other camelids

The segment includes:

- raising and breeding of camels (one-humped camels) and other camelids

Breeding of sheep and goats

The segment includes:

- raising and breeding sheep and goats
- production of raw sheep and goat milk
- production of raw (unwashed) wool and fluff

Breeding of pigs

The segment includes:

- breeding of pigs

Breeding of poultry

The segment includes:

- breeding of poultry for meat, breeding stock and young stock
- production of eggs
- mixed production, hatchery

Breeding of other species of animals

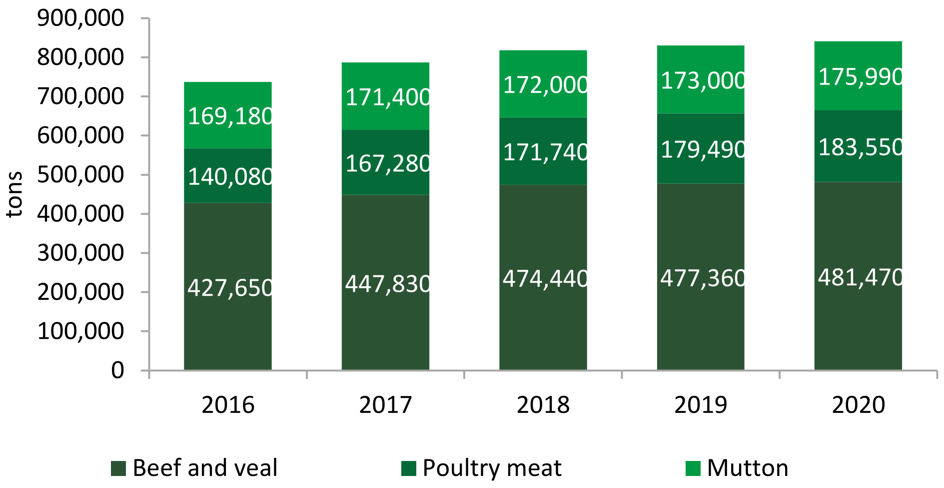
The segment includes:

- raising and breeding other species of animals

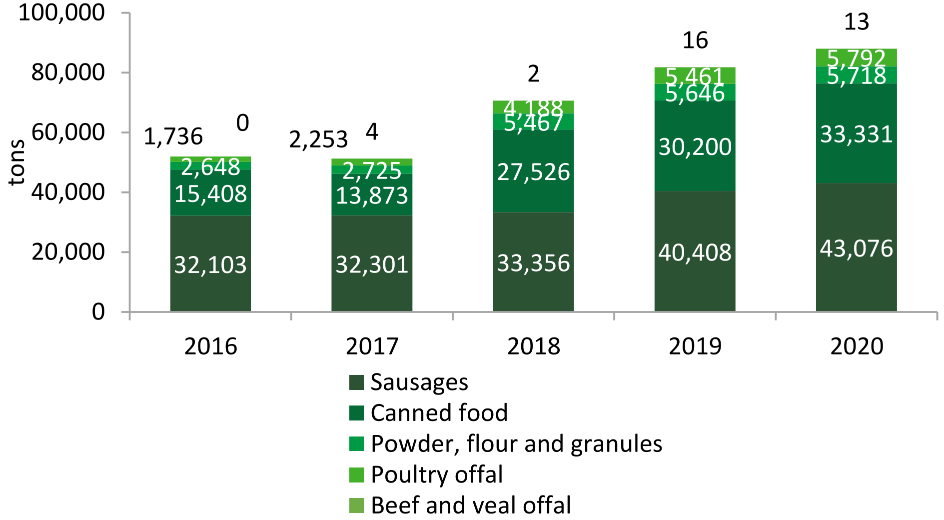
Production of livestock products

Production of livestock products

Dynamics of production of the main types of meat in the Republic of Kazakhstan



Dynamics of production of by-products in the Republic of Kazakhstan



From 2016 to 2020, there was an increase in the production of beef and veal, poultry and lamb. Thus, the total volume of meat production increased 1.1 times over 5 years and increased with an average annual growth rate of 3.4%.

The capacity utilization of processing enterprises was ensured by the moratorium on the export of livestock, introduced by the Ministry of Agriculture of the Republic of Kazakhstan in 2020. The production of poultry meat is growing from year to year due to the expansion of poultry farms.

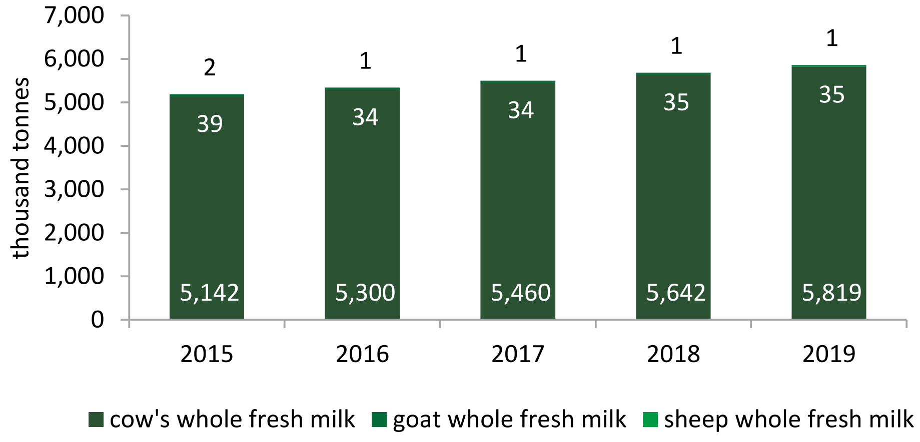
In physical terms, the average production of sausages in the Republic of Kazakhstan amounted to 36,249 tons, canned food - 24,081 tons, powder, flour and granules - 4,441 tons.

For 5 years, the production of canned food and powder, flour and granules has increased more than 2 times, and the production of poultry by-products more than 3 times. The growth in the production of domestic products is due to an increase in state aid in the areas of animal husbandry and meat processing.

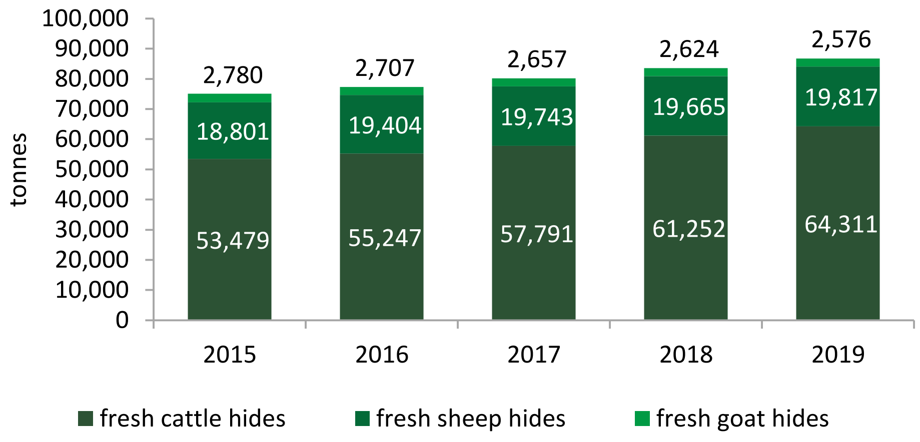
Source: Kazakhstan Statistics Committee, oecd, kapital.kz, primeminister.kz

Production of livestock products

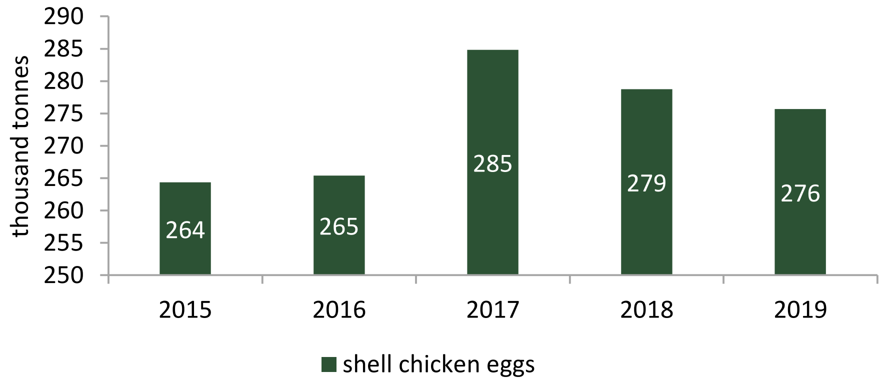
Change in milk production in Kazakhstan



Change in hides production in Kazakhstan



Change in shell egg production in Kazakhstan



From 2015 to 2019, there was an increase in the production of cow's milk and hides of cattle and sheep. The average production of cow's milk was 5,473 thousand tonnes. In 2019, eight industrial and fourteen family farms with a capacity of 44 thousand tonnes of milk were commissioned. The Ministry of Agriculture plans to build 25 industrial dairy farms annually.

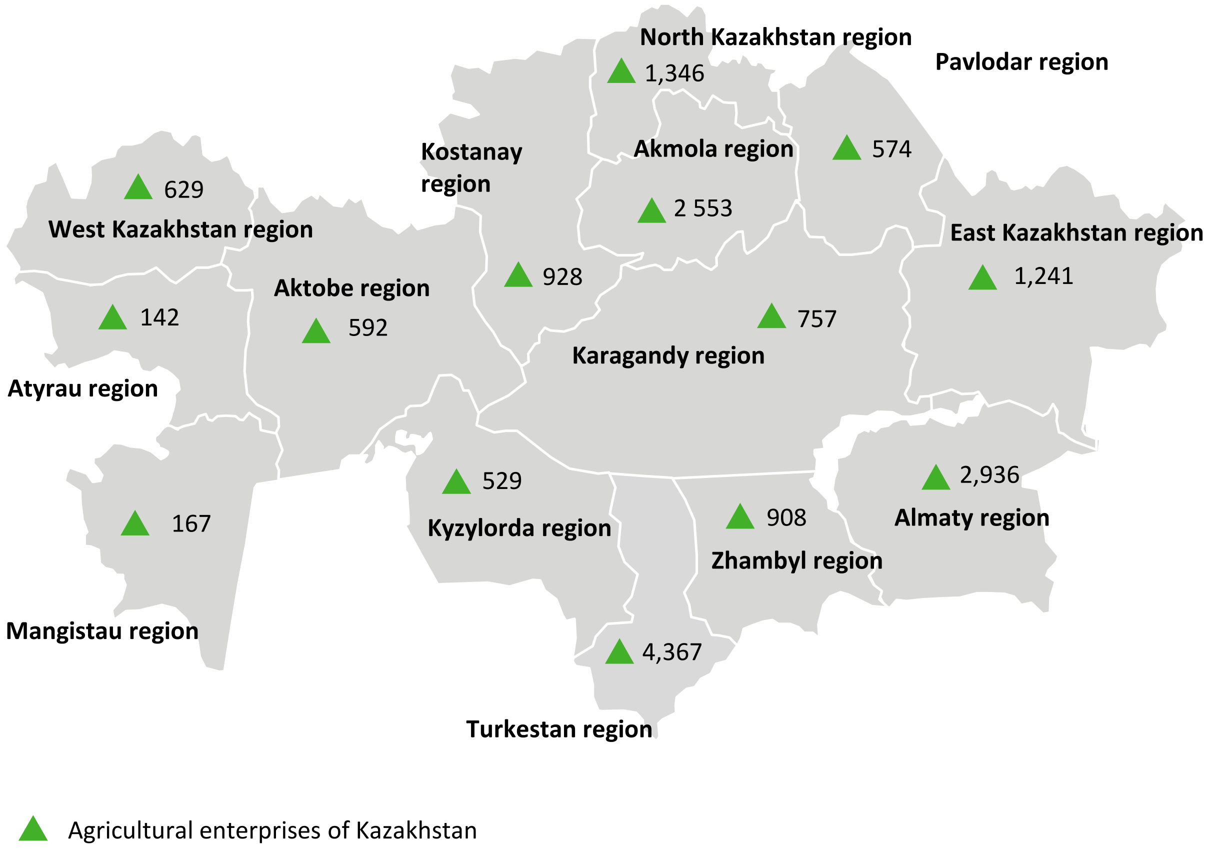
The average production of shell chicken eggs amounted to 274 thousand tonnes. A decline in production and an increase in prices in the industry were due to the situation with the spread of bird flu.

The average production of cattle hides was 58,416 tonnes, sheep hides - 19,486 tonnes and goat hides - 2,669 tonnes over a 5-year period. The growth was due to various credit facilities for priority projects in consumer industry.

Source: FAO Statistics, forbes.kz

Types of enterprises

Agricultural organizations of Kazakhstan by regions as at April 2021 (excluding forestry and fisheries)



Source: kazdata.kz

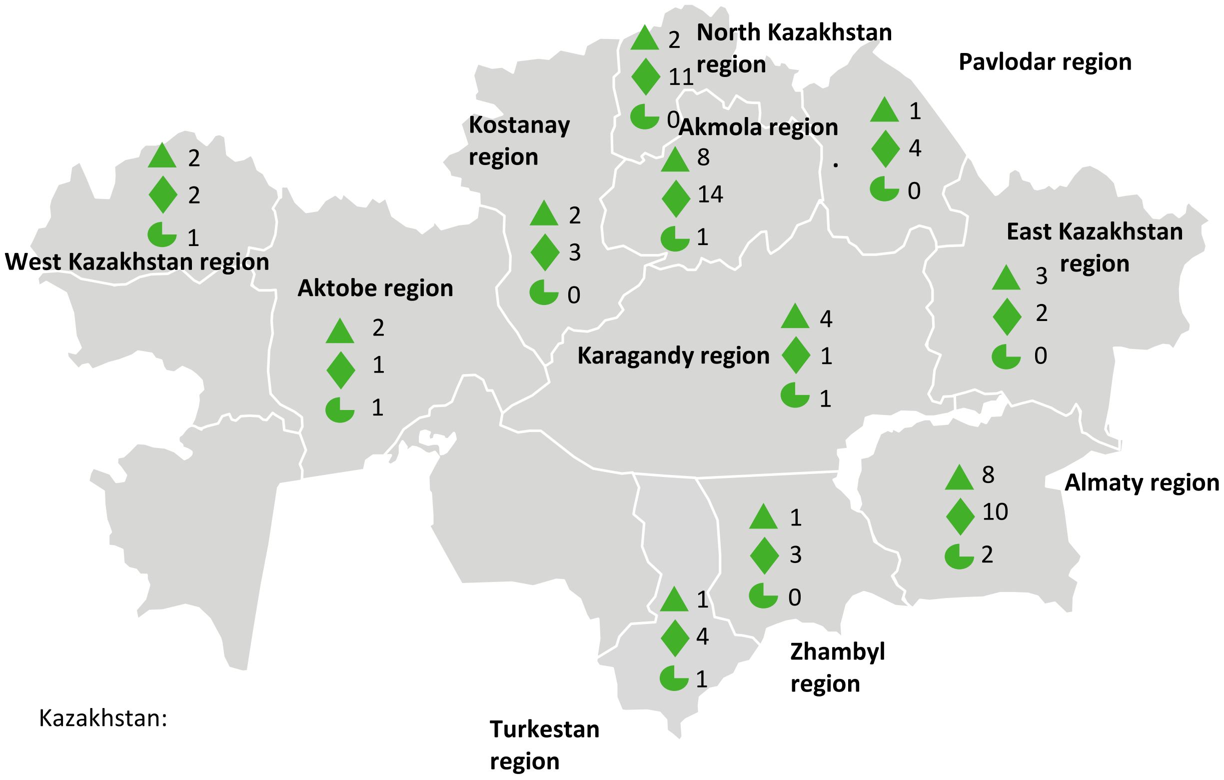
Number of agricultural enterprises in Kazakhstan by industries

Industries	Number
Growing seasonal crops	7,450
Animal husbandry	4,153
Mixed farming	3,722
Ancillary activities in crop cultivation	1,708
Growing of perennial crops	406
Hunting and trapping, including provision of services in these areas	140
Production of nursery products	90

As at April 2021, 17,669 organisations engaged in agricultural activities were registered in Kazakhstan, which is 3.8% of the total number of registered legal entities in the country. The largest number of agricultural organisations are located in Turkestan (25%), Almaty (17%) and Akmola (14%) regions. In the first three months of 2021, 563 new agricultural organisations (excluding forestry and fisheries) were registered in Kazakhstan, of which 165 enterprises are engaged in livestock husbandry.

Local producers

Regional distribution of feedlots, breeding units and meat processing plants included in the Meat Union of Kazakhstan



Kazakhstan:

Feedlots

Breeding units

Meat processing plants

Source: Meat Union of Kazakhstan

Meat Union of Kazakhstan

The association of individual entrepreneurs and legal entities Meat Union of Kazakhstan was established in 2014 by industry participants in order to protect the interests and consolidate efforts for the dynamic development of animal husbandry in Kazakhstan.

Today the Meat Union of Kazakhstan includes the following domestic agricultural producers:

- breeding farms and the Kazakhstan Republican Chamber of Angus with an aggregate livestock of about 100,000 units of cattle;
- industrial feedlots with a capacity from 3,000 units to total capacity of about 100,000 units;
- commercial farms with an aggregate livestock of about 1,000,000 units of cattle;
- certified industrial meat processing plants with a total capacity of 50,000 tonnes of meat products per year.

There are 96 enterprises in the Meat Union of Kazakhstan, including:

- 34 feedlots;
- 55 breeding units;
- 7 meat processing plants.

Most of the enterprises are located in Akmola (24%) and Almaty (21%) regions.

Local producers

Feedlots

№	Feedlot name and location	Capacity (stalls)
	Almaty region	
1	Al-Augat Meyirzhan LLP	3,000
2	KazMyaso LLP	3,000
3	Shadiyev	10,000
4	Farm Agro LLP	800
5	Meat Processing and Service LLP	3,000
	Karagandy region	
6	Zhenis Breeding Plant LLP	20,000
7	Zhake LLP	10,000
8	Zhuantobe BIF LLP	3,000
9	APH Saryarka LLP	3,000
	Akmola region	
10	AgroExport LTD	3,000
11	SC Food LLP	3,000
12	KazBeef Ltd	5,000
13	Bastau LLP	3,000
	East Kazakhstan region	
14	Sembell LLP	3,000
15	Algabas Farm	3,000
	Aktobe region	
16	AKTEP LLP	22,000

Meat processing plants

№	Company name	Capacity, tonnes per year	Location (region)
1	Capital Project LTD LLP	19,000	Akmola
	Aytas-MP LLP	12,000	East Kazakhstan
2	Ontustik Halal taqamdary LLP	10,560	Zhambyl
3	Becker and K LLP	10,263	Almaty city
4	Rubikom LLP	10,000	Pavlodar
5	Meat Processing and Service LLP	10,000	Almaty
6	MPK LLP Abaya	10,000	Pavlodar
7	Kubley LLP	7,700	West Kazakhstan
8	LLP Aktep	7,200	Aktobe
9	Aktobe Meat Cluster LLP	7,200	Aktobe

Poultry farms

№	Company name	Capacity, tonnes per year	Location (region)
Meat direction			
1	Kazros-Broiler JSC	2,600	Almaty
2	Makinskaya Poultry Farm LLP	50,000	Akmola
3	Aitas-MP LLP	25,000	East Kazakhstan
4	Capital Projects LTD	20,000	Akmola
Egg direction			
1	TPC Sary Bulak	300 mln eggs	Akmola
2	Alsad Kazakhstan LLP	210 mln eggs	Almaty

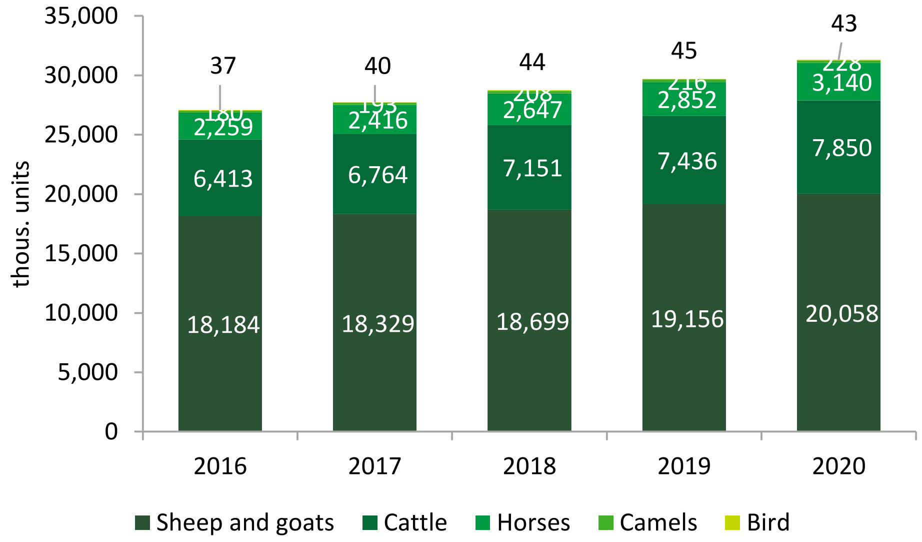
Currently, there are 171 meat processing companies in Kazakhstan, specialising in "red" meat (excluding poultry). The aggregate annual capacity of these meat processing companies is about 293 thousand tonnes of meat. However, according to the Kazakhstan Ministry of Agriculture, in 2020 the average workload of such enterprises in the country was 56%. The main problem for meat processors is the lack of raw materials.

There are 64 poultry farms in Kazakhstan. The largest volumes of white meat production are concentrated in Almaty, Akmola and East Kazakhstan regions.

Source: open sources, forbes.kz, kapital.kz, eldala.kz

Availability of raw materials

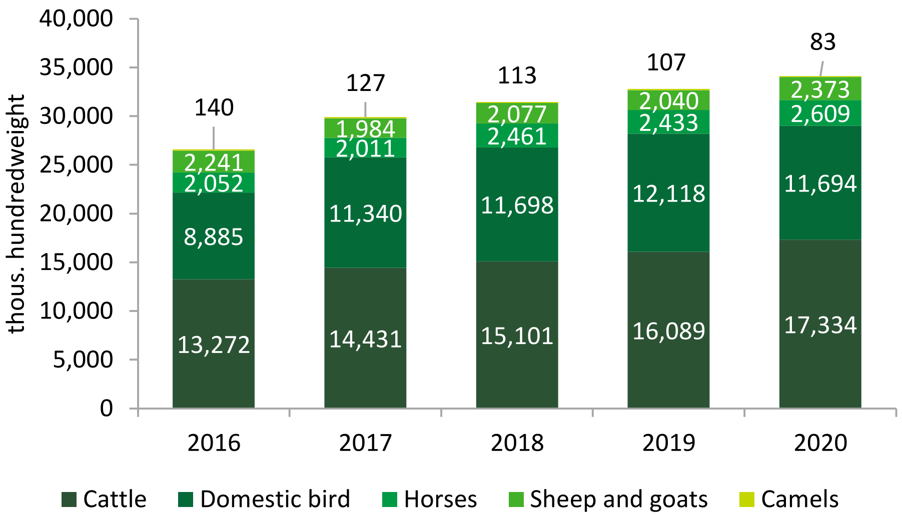
Livestock and poultry population in Kazakhstan



From 2016 to 2020, there was an increase in the number of cattle, sheep, goats, horses and camels. One of the reasons for this growth is the government support. As part of the development of the agro-industrial complex in 2017–2021, about 30% of total investments in the agricultural sector, or 35.9 billion tenge, are aimed specifically at subsidising investment projects in animal husbandry. The main long-term priority for the development of the agro-industrial complex was determined to be meat farming.

The main factor in the decline in the number of birds is the outbreak of bird flu from September to November 2020 in private and inductrial poultry farms.

Feed consumption in agricultural enterprises by type of livestock



From 2016 to 2020, there was an increase in consumption of feed for cattle, sheep, goats and horses. The Kazakhstan Ministry of Agriculture has developed a Programme for the Development of Livestock Breeding, one of the key financial operators of which is the Fund for Financial Support of Agriculture. Thus, along with the bioactive, the farms are renewing their machine and tractor fleet, purchasing the necessary equipment, and storing feed.

The consumption of feed for camels is reduced. Agricultural enterprises have also reduced the consumption of feed for birds and camels.

Source: Kazakhstan Statistics Committee, forbes.kz, kapital.kz, informburo.kz, energyprom, kt.kz

Human resources (1/2)

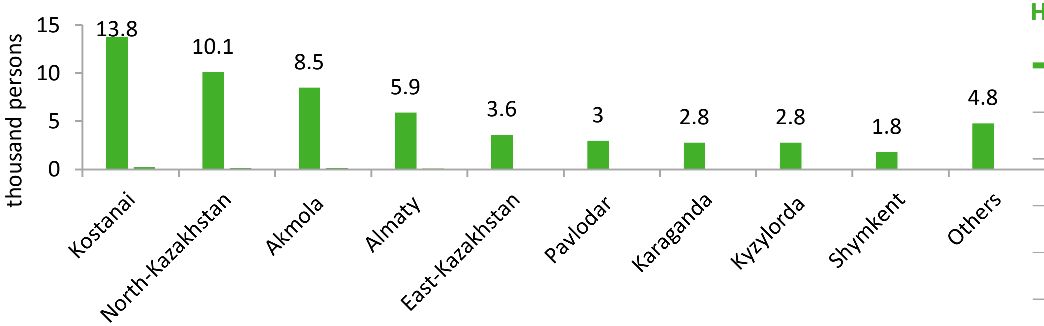
Kazakhstan work force

9.2 million people in 2020

9.8 million people in 2024

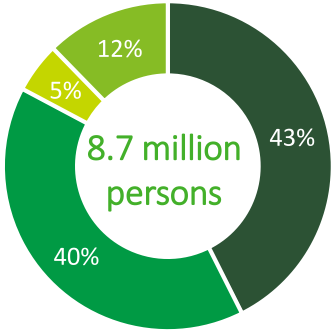
The Kazakhstan work force is made up of 9.2 million people, of whom 95% (8.7 million) are employed and 5% (0.5 million) are unemployed.

People working in plant and animal breeding, hunting and related services by oblast for 2021 Q1



By region, the greatest number of people working in plant and animal breeding, hunting and related services are in Kostanai Oblast – 23%, North-Kazakhstan Oblast – 18% and Akmola Oblast – 15% of total employees in the sector for the country

Allocation of employed persons, by level of education, 2020 QIV



In this respect, the working population (8.7 million persons) includes 3.7 million persons with higher and subsequent education; 3.5 million persons with secondary (specialised) professional education; and 1.5 million persons with initial professional or secondary general education.

Headcount by economic activity, thousand persons

Index	2020 Q1	2021 Q1
Construction	151	130
Agriculture, forestry and fishing industries	58	57
Wholesale and retail trade	195	202
Education	999	1,011
Transportation and storage	223	214
State management and defence	397	395
Professional, academic and technical activities	78	75

Source: Kazakhstan Statistics Committee

Human resources (2/2)

Number of people working in plant and animal breeding, hunting and related services in 2021 QI

57

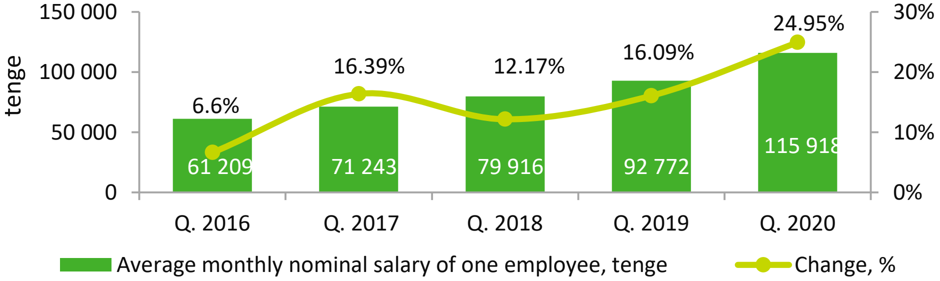
thousand persons

96%

share of persons working in the agriculture and forestry industries, fishing

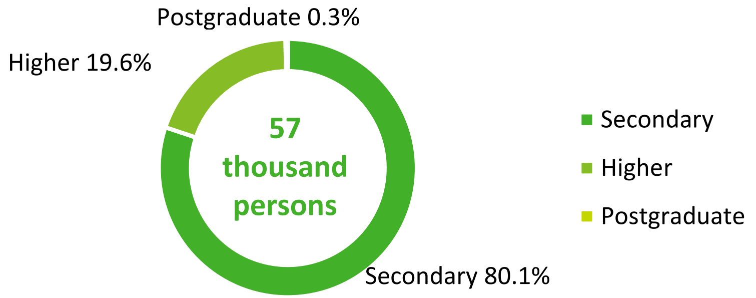
People working in plant and animal breeding, hunting and related services make up 4.9% of total agricultural workers as at 2021 QI.

Average monthly nominal salaries of employees in plant and animal breeding, and hunting and related services for the country as a whole



Average annual growth in nominal salaries was approximately 14%. Salaries grew significantly (by 23 thousand tenge) in 2020.

Allocation of people working in plant and animal breeding, by level, as at 2021 QI



The working population in plant and animal breeding (57 thousand) includes 46 thousand with secondary education; 11 thousand with a higher education; and 166 with a post-graduate education.

Agriculture and forestry industry, fishing worker headcount, by position

	2017 Q1	2018 Q2	2019 Q1	2020 Q1	2021 Q1
Agriculture, forestry and fishing industries	60.0	59.1	60.0	58.3	59.1
Plant and animal breeding, hunting and related services	57.9	57.2	57.9	56.6	56.6
Forestry and lumbering	1.6	1.6	1.7	1.3	2.1
Fishing and aquaculture	0.5	0.3	0.3	0.4	0.4

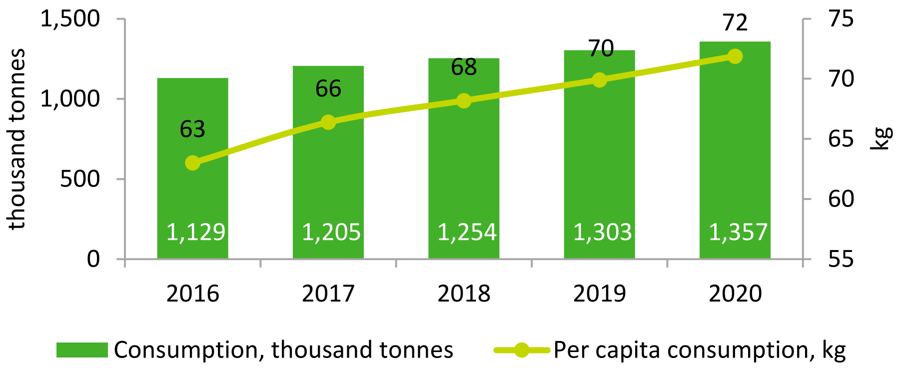
Average annual growth in the number of people employed in the agriculture, forestry and fishing industries between 2017 Q1 and 2021 Q1 was -0.3%. In this respect, plant and animal breeding employees accounted for 96% of the total.

Source: Kazakhstan Statistics Committee

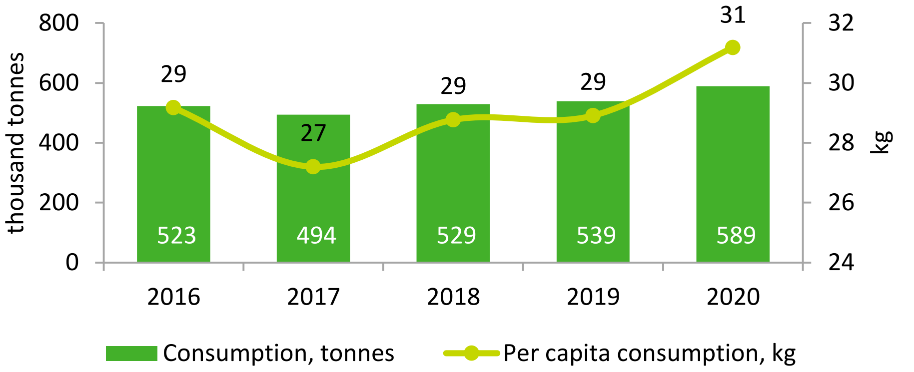
Consumption of livestock products in Kazakhstan

Consumption of meat, milk and eggs

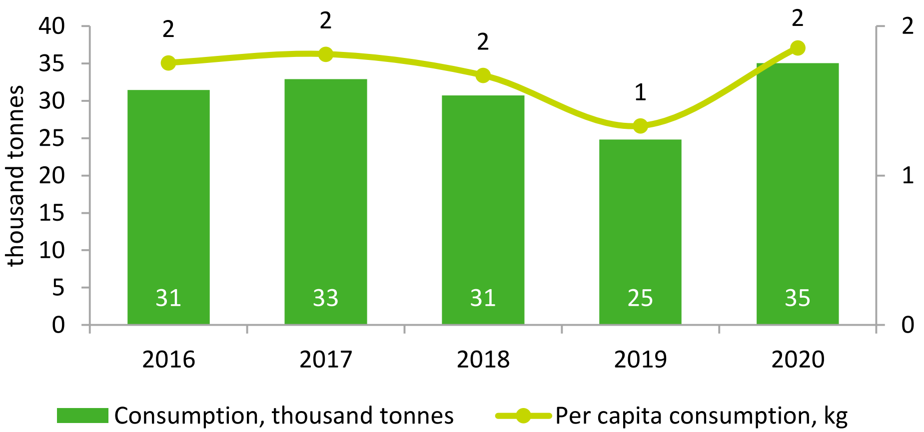
Change in consumption of meat, poultry and edible by-products, thousand tonnes



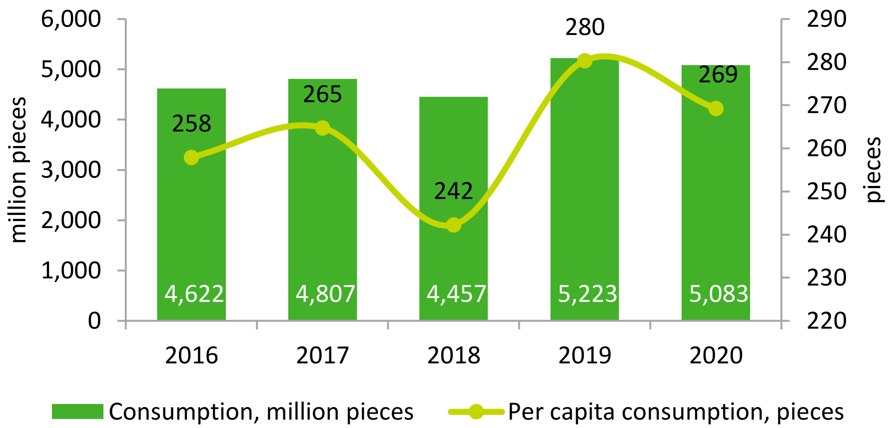
Change in consumption of processed liquid milk and cream, tonnes



Change in consumption of powder milk, thousand tonnes



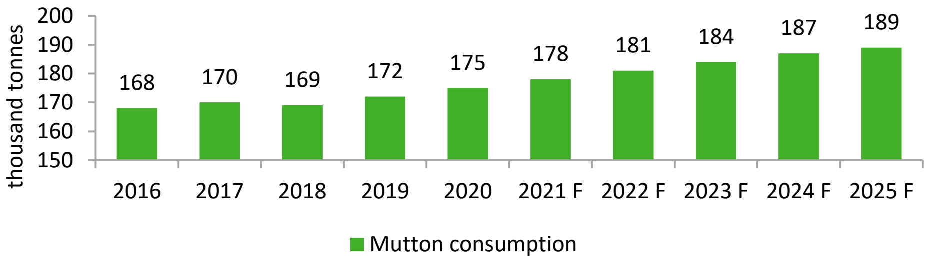
Change in consumption of shell eggs, mln pieces



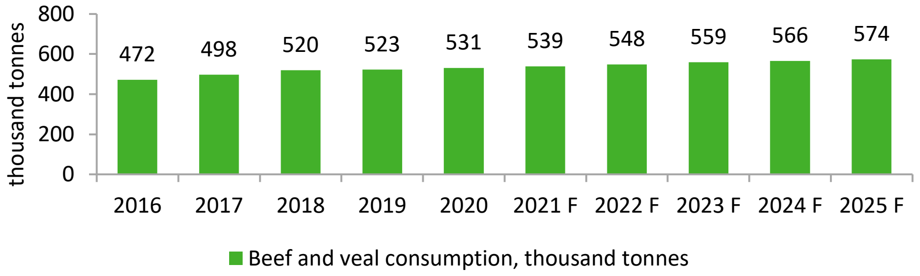
Source: Kazakhstan Statistics Committee, EIU

Meat consumption in Kazakhstan and potential for growth in consumption

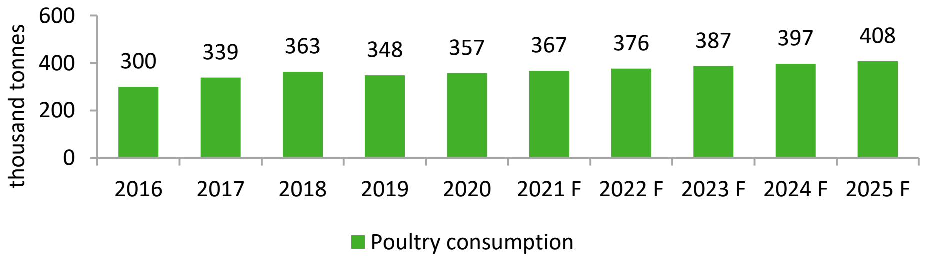
Change in mutton consumption in Kazakhstan, thousand tonnes



Change in consumption of beef and veal in Kazakhstan, thousand tonnes



Change in poultry meat consumption in Kazakhstan, thousand tonnes



Source: OECD.org

In the period from 2016 to 2019, a stable positive dynamics of meat consumption was recorded in Kazakhstan. This fact is associated with the migration of the population to cities, which leads to an increased consumption of meat. In terms of consumption, beef, poultry and lamb are considered the most demanded in Kazakhstan at the moment.

According to the forecast data of the OECD, the volume of meat consumption in Kazakhstan will grow in the context of all considered types of meat: mutton - by 11% per year, beef and veal - by 21% per year and poultry - by 36% per year.

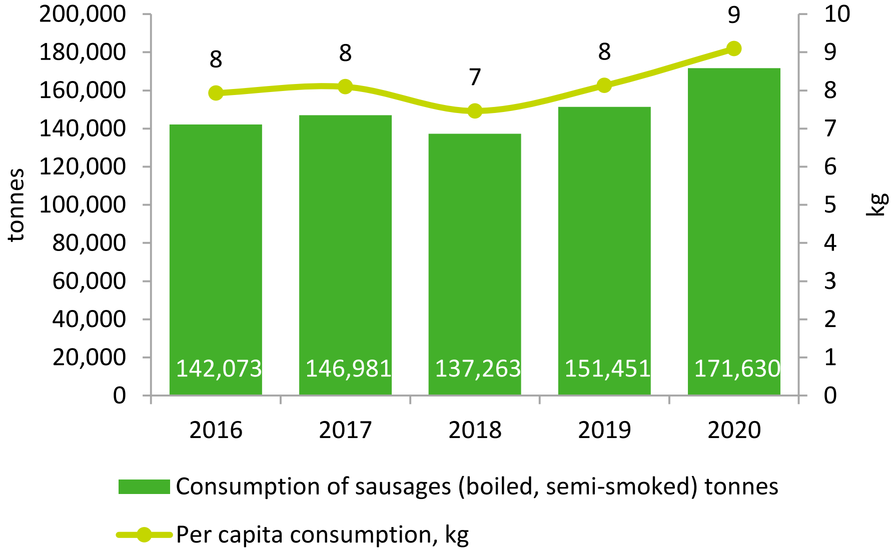
Mutton consumption has increased over the last 3 years, reaching 125 thousand tonnes in 2020. The OECD forecasts a 6% growth in mutton consumption by 2025. In 2025, the level of mutton consumption will reach 189 thousand tonnes. Over 10 years (2016-2025), mutton consumption will increase by 11%.

Consumption of beef and veal has increased over the last 5 years and reached 531 thousand tonnes in 2020. The OECD forecasts an 8% growth in cattle meat consumption by 2025. In 2025, the level of beef and veal consumption will amount to 574 thousand tonnes. Over 10 years (2016-2025), the consumption of beef and veal will increase by 21%.

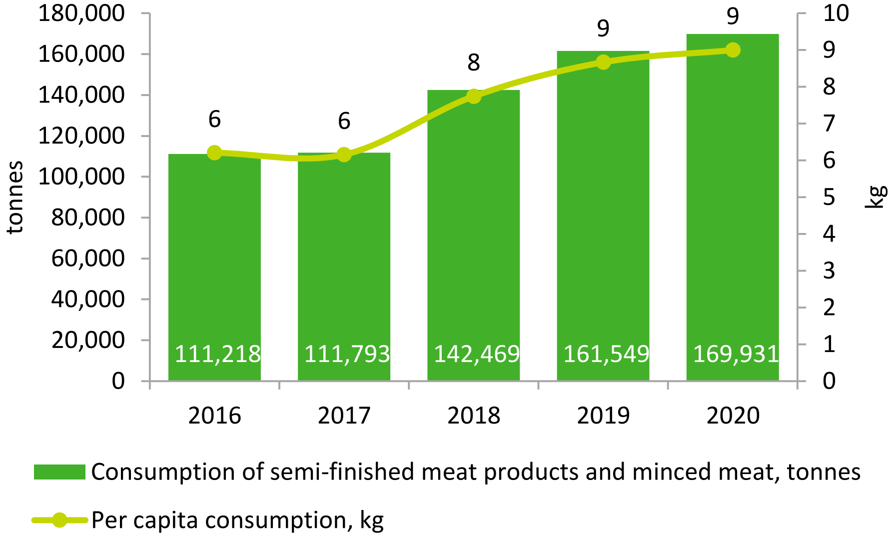
Over the last 5 years, the peak level of poultry consumption was recorded in 2018 - 363 thousand tonnes. In 2020, consumption amounted to 357 thousand tonnes. The OECD forecasts an increase in poultry consumption by 14% by 2025, when the volume of poultry consumption will reach 408 thousand tonnes. Over 10 years (2016-2025), the consumption of poultry will increase by 36%.

Consumption of meat by-products in Kazakhstan

Change in consumption of sausages (boiled, semi-smoked) in Kazakhstan



Change in consumption of semi-finished meat products and minced meat in Kazakhstan



Consumption of boiled and semi-smoked sausages increased over the last 3 years and reached 171,630 tonnes in 2020. Per capita consumption also increased over the period between 2018 and 2020 and amounted to 9 kg per person in 2020.
Over the last 5 years, the consumption of sausages has grown by 20%, and the average volume is 149,880 tonnes.

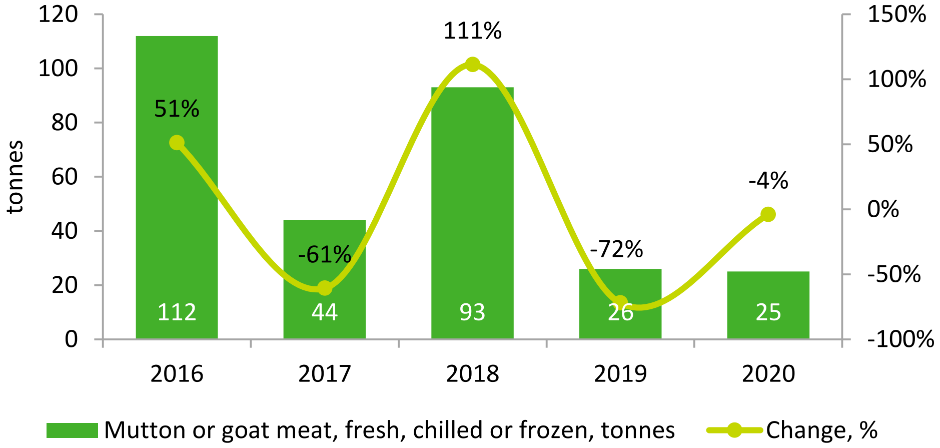
The consumption of semi-finished meat products and minced meat has increased over the last 5 years. The largest growth was recorded in 2018 - by 27% compared to the previous year.
Over the last 5 years, the consumption of sausages has increased by 53% and amounted to 169,931 tonnes in 2020. Per capita consumption also increased over this period, to 9 kg per person in 2020.

Source: stat.gov.kz

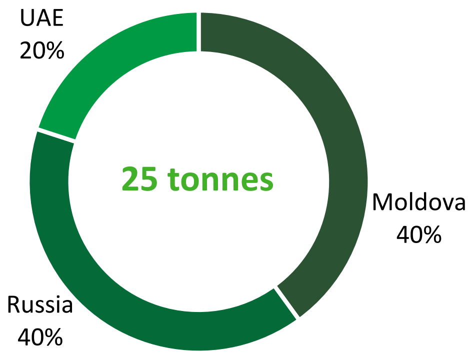
Imports of livestock products

Imports of cattle meat into Kazakhstan

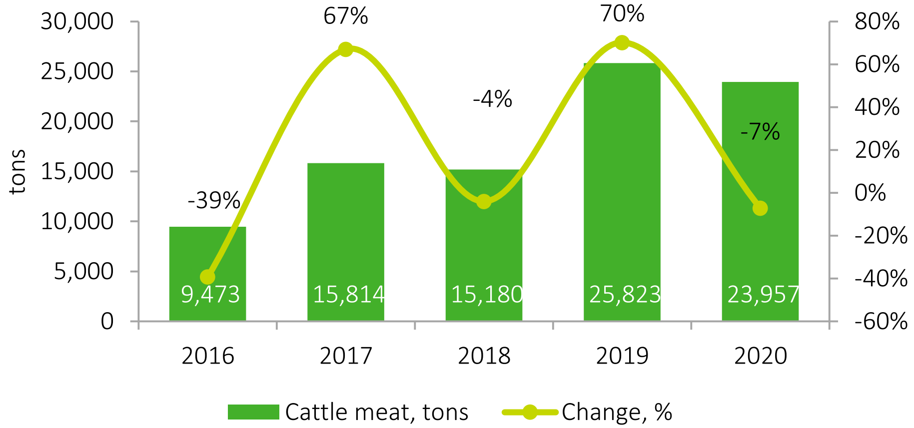
Change in imports of fresh, chilled or frozen mutton or goat meat



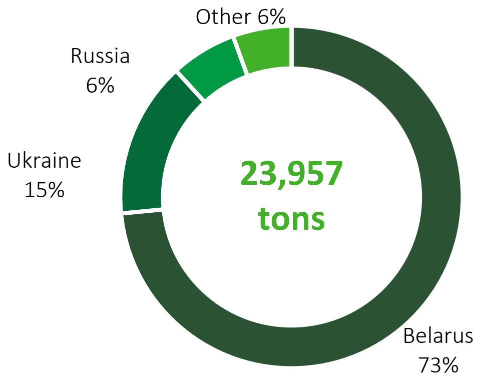
Structure of imports of fresh, chilled or frozen mutton or goat meat in Kazakhstan in 2020



Change in imports of fresh, chilled and frozen cattle meat

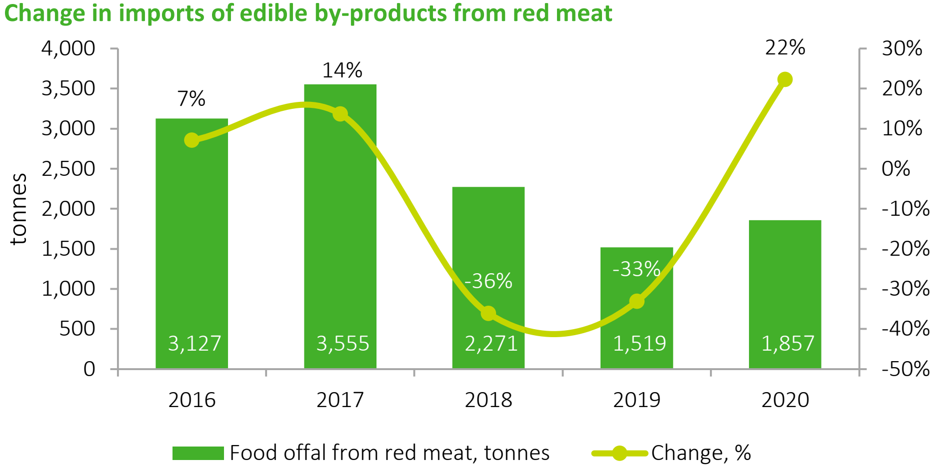


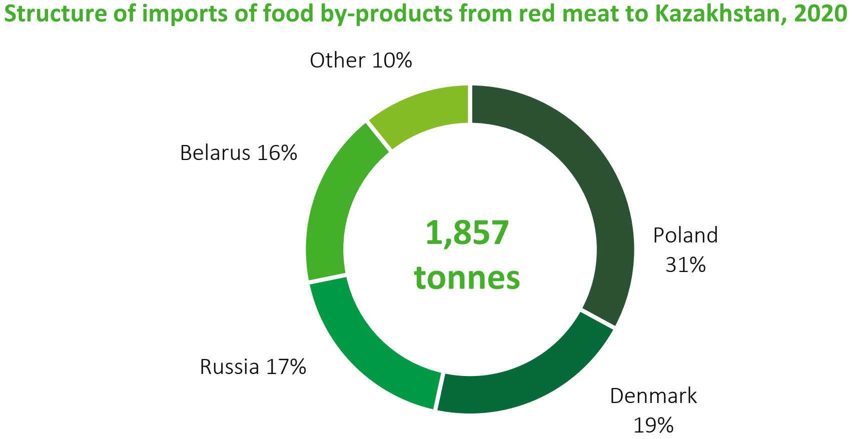
Structure of imports of fresh, chilled and frozen cattle meat

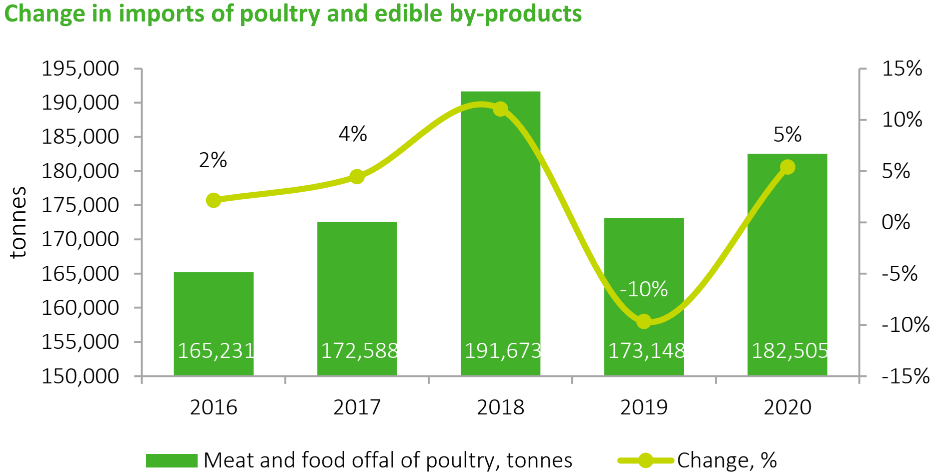


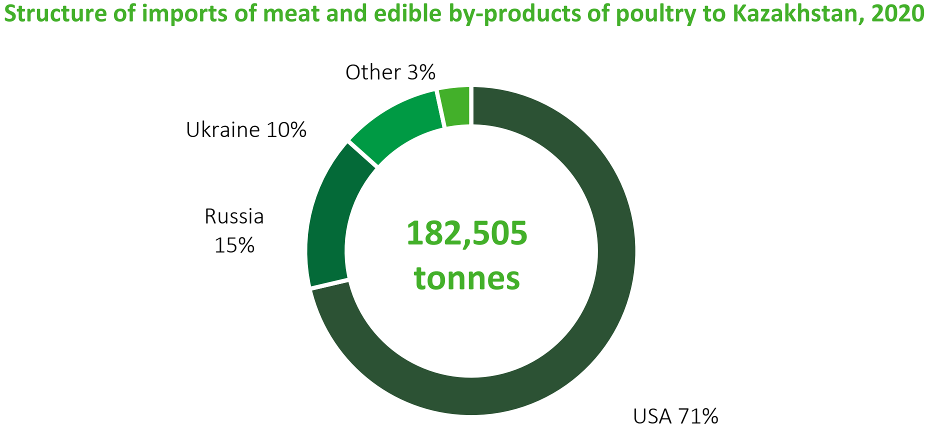
Source: Trademap.org

Exports of poultry and poultry products from Kazakhstan





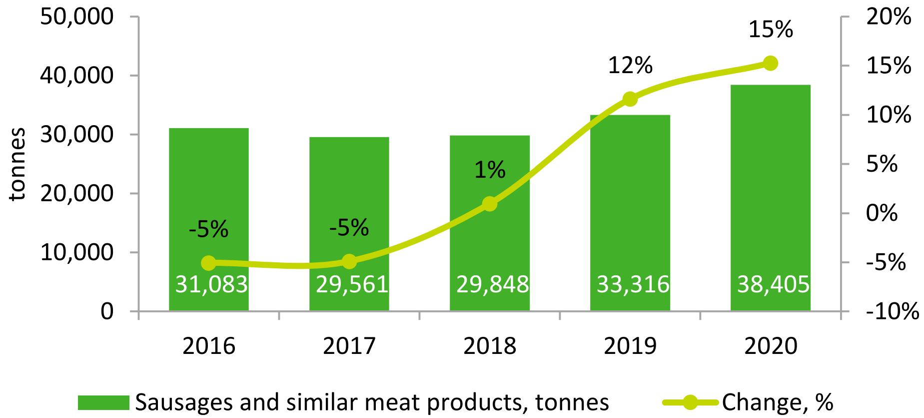




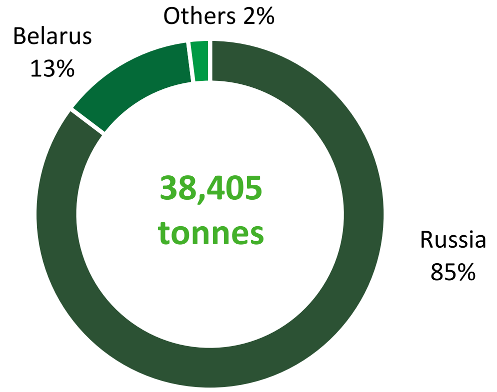
Source: Trademap.org

Imports of sausages and canned meat products into Kazakhstan

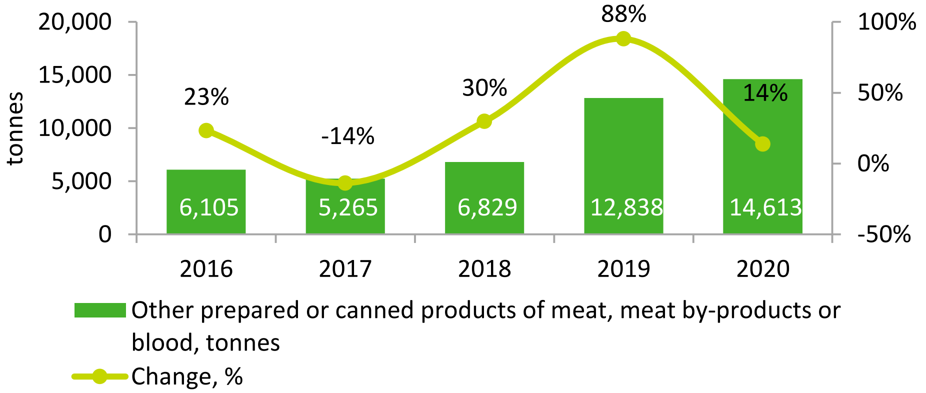
Change in imports of sausages and similar meat products



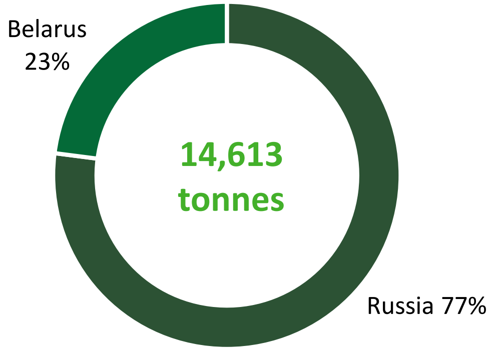
Structure of imports of sausages and similar meat products in Kazakhstan in 2020



Change in imports of other ready-made or canned products of meat, meat by-products or blood



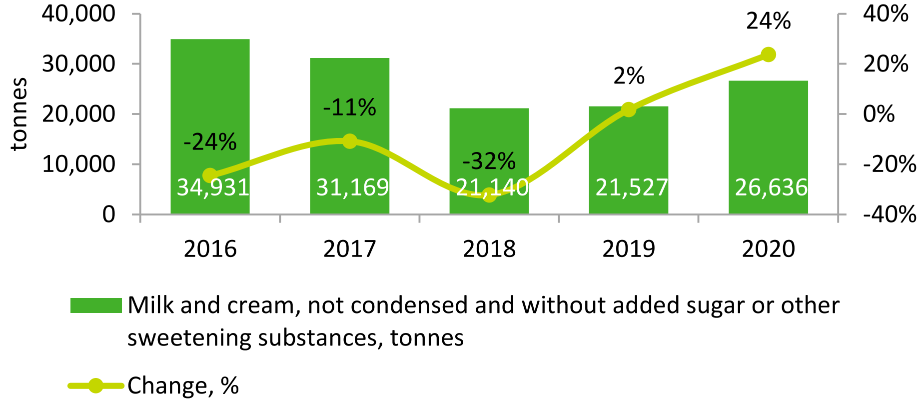
Structure of imports of other ready-made or canned products of meat, meat by-products or blood



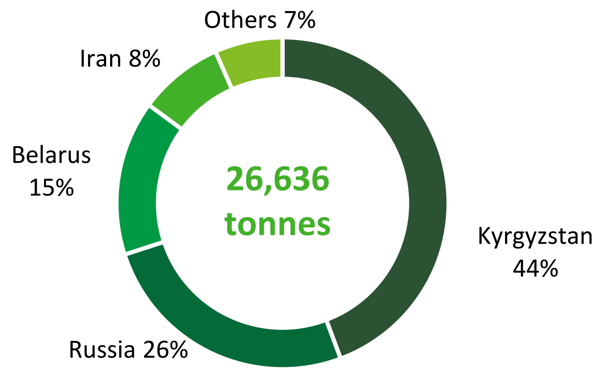
Source: Trademap.org

Imports of milk and eggs into Kazakhstan

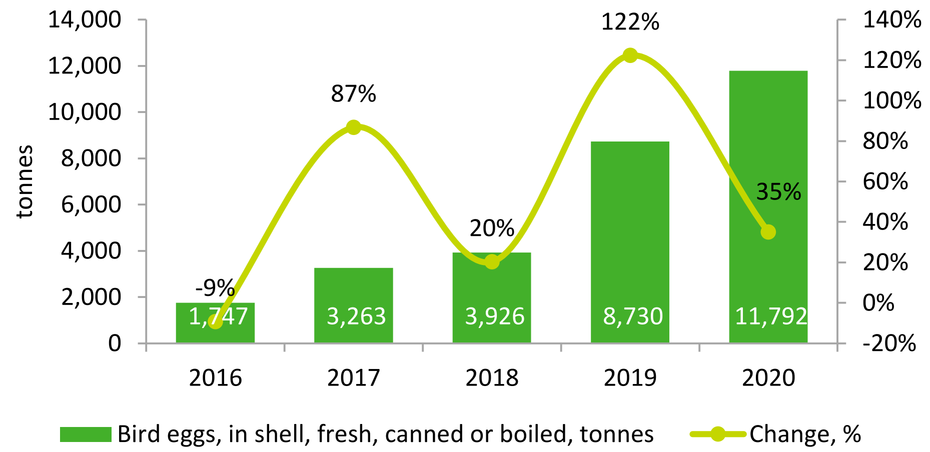
Change in import of milk and cream, not condensed and without added sugar or other sweetening substances



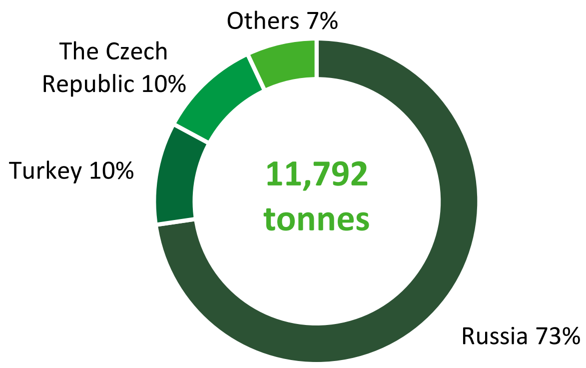
Structure of imports of milk and cream, not condensed and without added sugar or other sweetening substances in Kazakhstan in 2020



Change in import of bird eggs, in shell, fresh, canned or boiled



Structure of imports of bird eggs, in shell, fresh, canned or boiled in Kazakhstan, 2020



Source: Trademap.org

Main competitors among importers of meat and meat products and their advantages

No.	Company	Activity	Additional information
	Russia		
1	Cherkizovo Group	Producer and processor of poultry, pork, turkey, sausages and animal feed	cherkizovo.com
2	Miratorg	Producer and processor of poultry, pork, beef, feed, semi-finished products and ready-made meat dishes	miratorg.ru
3	Group of agricultural enterprises Resource	Producer of chilled and frozen poultry products and compound feed	gapresurs.ru
4	Agricultural holding BEZRK-Belgrankorm	Producer of poultry, pork, beef, feed, sausages, delicacies and eggs	jasnzori.ru
5	Agrocomplex after. N.I. Tkacheva	Producer of pork, beef, poultry, semi-finished meat products, sausage products and canned food	zao-agrokomplex.ru
	Ukraine		
6	Agroindustrial holding MHP	Poultry producer	mhp.com.ua
7	Complex Agromars	Producer and processor of breeding and broiler poultry, compound feed	tripoli.land
	Others		
8	Tyson Foods (USA)	Producer of poultry, beef and pork	tysonfoods.com
9	Cedar Meats (Australia)	Mutton and lamb producer	cedarmeats.com
10	Inalca Eurasia (Italy)	Producer of a full range of beef meat, beef by-products and canned meat	inalca.it

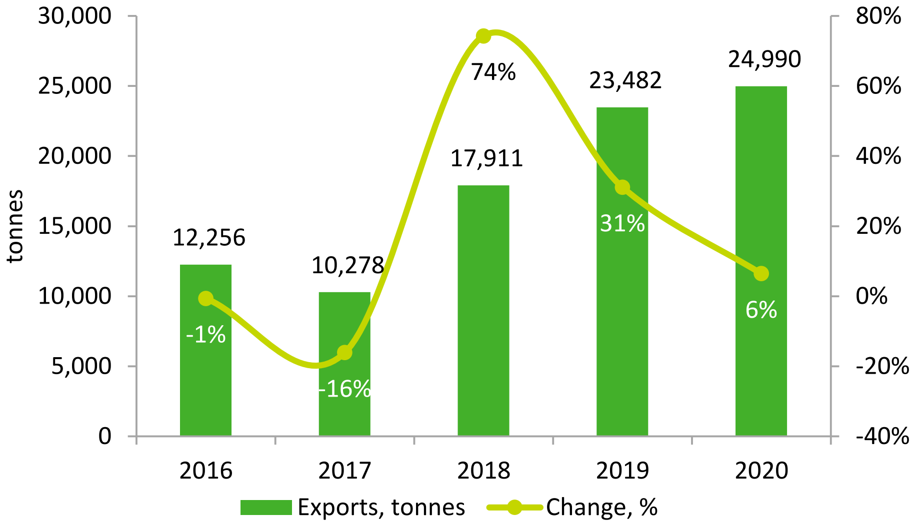
Source: open sources, invest.gov.kz

- The largest supplying companies in the Kazakhstan retail market of meat products are meat producers and processors from Russia and Ukraine. Ukrainian companies specialise in the exports of poultry. Russian companies export various meat products.
- Tyson Fresh Meats, Inc., a beef and pork producer, together with the Kazakhstan company Kusto Group, is implementing a project that provides for the construction of a modern beef processing plant in Kazakhstan with an expected capacity of 2,000 cows per day.
- Cedar Meats is about to begin construction of its meat processing plant in Ayagoz (East Kazakhstan region). The capacity of the project will be 5,700 tonnes of lamb and mutton per year.
- The agro-industrial transnational corporation Inalca Eurasia began construction of the Kazak-Beef meat processing plant in Almaty region in 2018.
- The advantage of the products of exporting competitors is the high quality of meat, the supply of bulkier and more marbled meat, compliance with all international quality and food safety standards, the availability of a large number of livestock breeds, the scale of serial production and an established transport and logistics network.

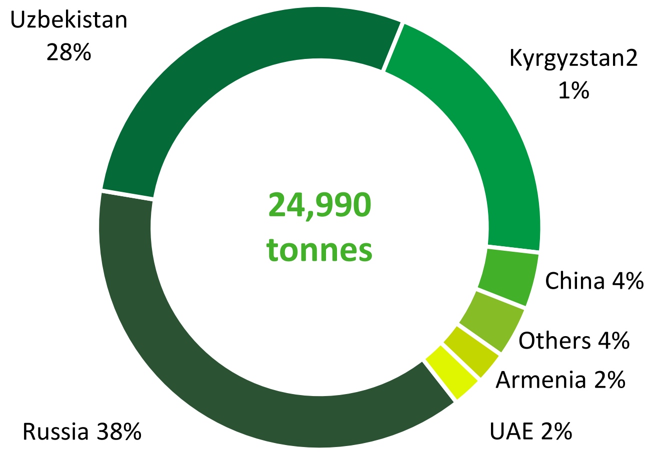
Exports of livestock products

Main competitors among importers of meat and meat products and their advantages

Change in exports of meat and edible meat by-products



Change in exports of meat and edible meat by-products from Kazakhstan, 2020



The exports of meat and edible meat by-products from Kazakhstan was recorded in small volumes, on average, 16,875 tonnes over the last 5 years. A positive trend has been noticeable since 2017, which can be associated with state support for livestock breeding under the agro-industrial complex programme. The main peak of growth in meat exports was in 2018: growth was 74% over the year. The main importers of meat and by-products are CIS countries (22,741 tonnes). Exports to Russia from Kazakhstan amounted to 9,496 tonnes, to Uzbekistan - 6,972 tonnes and to Kyrgyzstan - 5,248 tonnes.

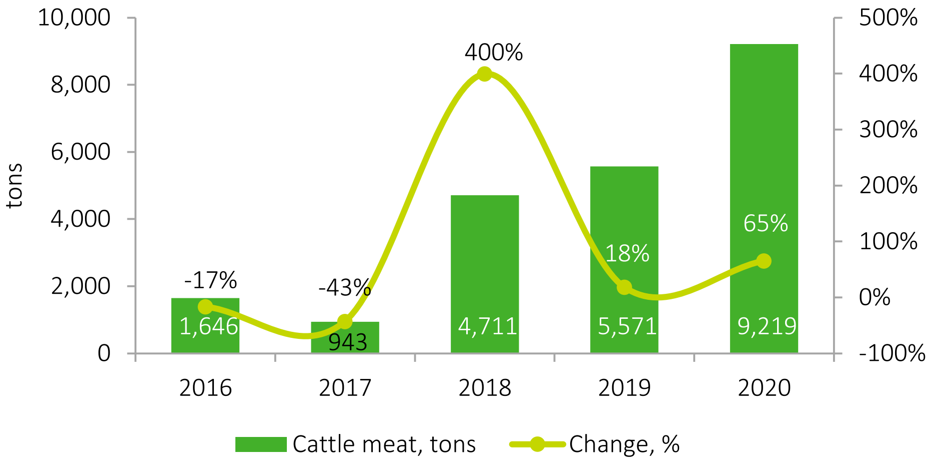
The following are the competitive advantages of Kazakhstan products supplied for export:

- Kazakhstan uses pedigree animals (such as Angus, Hereford and Charolais), which helps to increase the productivity of local livestock and improve the quality of meat. As part of the implementation of the National Strategy for the Development of Beef Breeding for 2018–2027, adopted in 2018, it is planned to import 1 million livestock from 2018 to 2027 and increase the export of processed agricultural products by 2.5 times.
- Livestock in Kazakhstan is environmentally friendly, without the use of GMO.
- Kazakhstan is located in the centre of Eurasia and has an advantageous geographical position, which gives it the opportunity to access large markets in Central Asia, Russia and China. Geographic advantage reduces logistics costs.

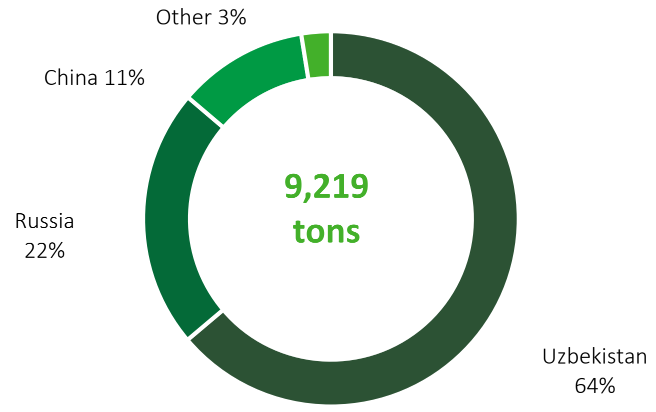
Source: trademap.org, kapital.kz, forbes.kz

Exports of meat and meat products of cattle from Kazakhstan

Change in exports of fresh and chilled cattle meat



Structure of exports of fresh, chilled and frozen cattle meat from Kazakhstan, 2020



The average export volume of fresh, chilled and frozen cattle meat from Kazakhstan amounted to 4,418 tons in 2016-2020. The maximum volume of exports fell in 2020 and amounted to 9,219 tons, an increase of 65% compared to last year. The main volume of Kazakhstan's exports is fresh or chilled beef.

The largest market for cattle meat from the Republic of Kazakhstan is Uzbekistan, where in 2020 Kazakhstan supplied about 64% or 5,885 tons. The main competitor of Kazakhstan in the chilled beef markets is Belarus. It accounts for more than half of the export volume of fresh and chilled beef to Uzbekistan and almost the entire volume to Azerbaijan.

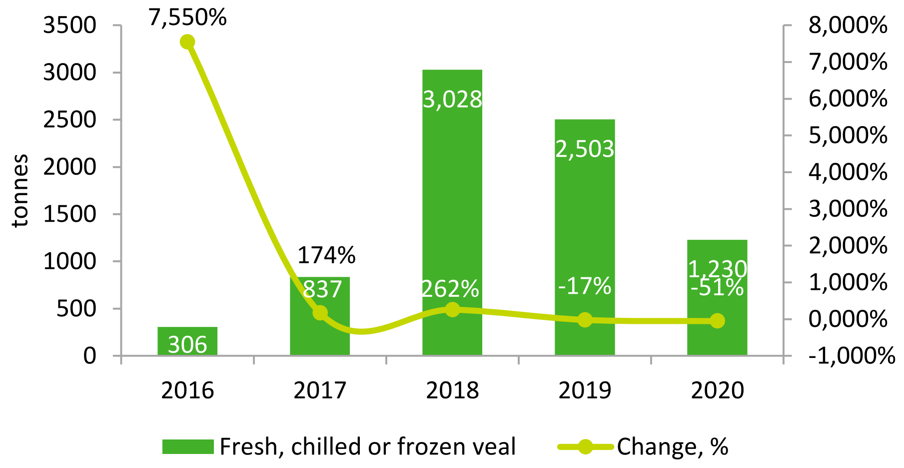
The second direction of export from Kazakhstan of fresh, chilled and frozen cattle meat is Russia, last year there were sent products in the amount of 2,064 tons or 22% of the total volume.

Also, Kazakhstan in 2020 also supplied minor consignments of fresh, chilled and frozen cattle meat to Hong Kong and the UAE in the amount of 38 tons or less than 1%.

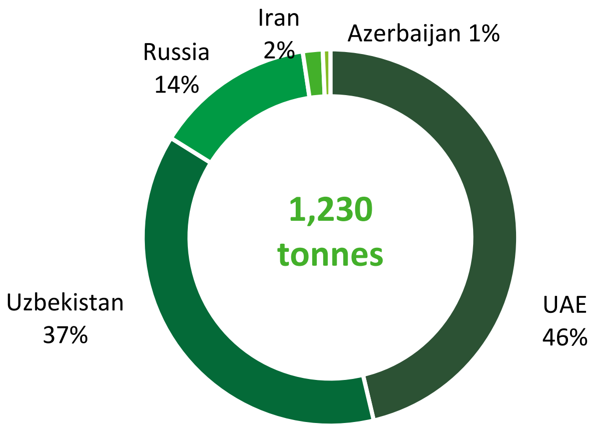
Source: Trademap.org

Exports of mutton or goat meat from Kazakhstan

Change in exports of fresh, chilled or frozen mutton or goat meat



Structure of exports of fresh, chilled or frozen mutton or goat meat from Kazakhstan, 2020



The average export volume of fresh, chilled and frozen lamb and goat meat from Kazakhstan amounted to 1,581 tons in 2016-2020. The maximum volume of exports fell in 2018 and amounted to 3,028 tons, an increase of 262% compared to the previous year. However, the export volumes of lamb and goat meat are on a downward trend since 2019.

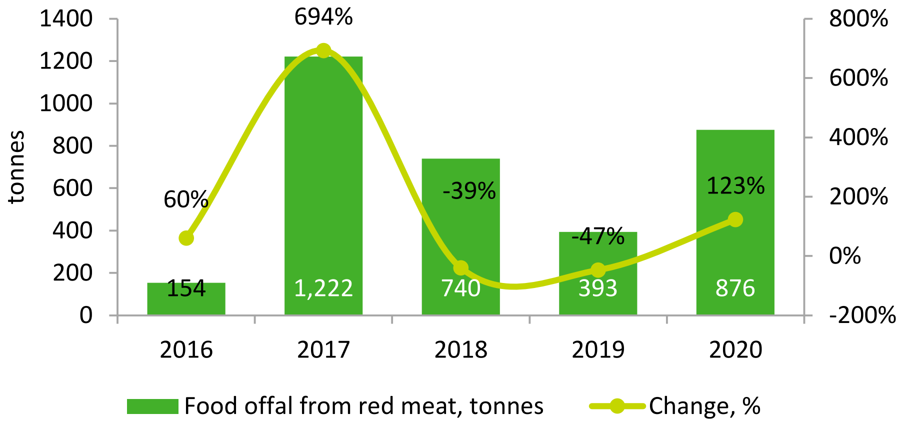
Most of the lamb and goat meat is exported outside the EAEU countries, in contrast to the export of cattle meat. So, in 2020, about 566 tons or 46% of export supplies fell on the UAE. The share of the UAE has increased significantly only since last year, while in previous periods Iran dominated in the export structure. Thus, the share of Iran in the structure of exports of lamb and goat meat was about 45% in 2019.

The other half of the export deliveries of lamb and goat meat in 2020 falls on the EAEU countries: Uzbekistan (37%), Russia (14%) and Azerbaijan (1%). In the structure of the volumes of supplies of lamb and goat meat, there is an increase in supplies to Uzbekistan and a decrease in supplies to Russia. Azerbaijan became a new sales market in 2020

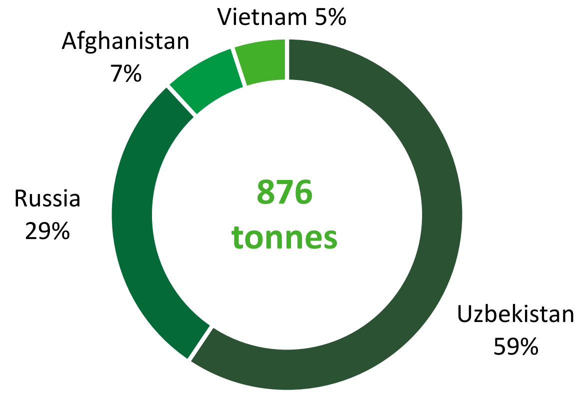
Source: Trademap.org

Exports of poultry and poultry products from Kazakhstan

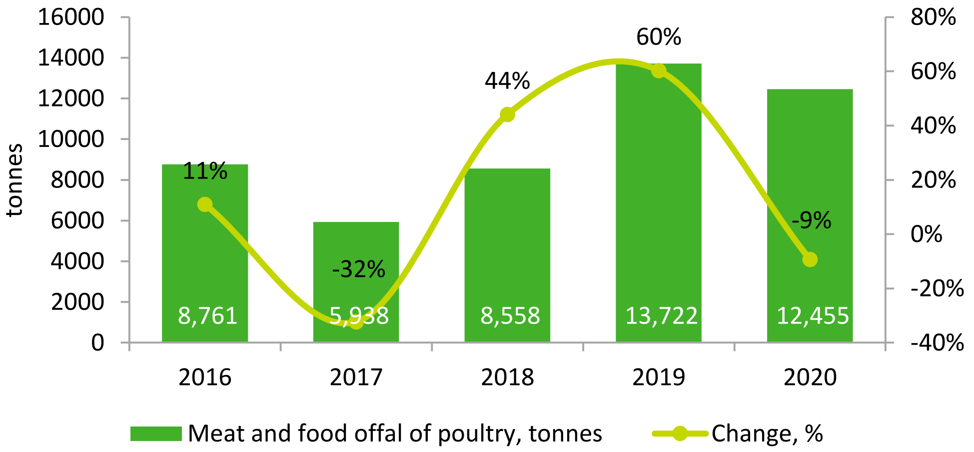
Change in exports of edible by-products from red meat



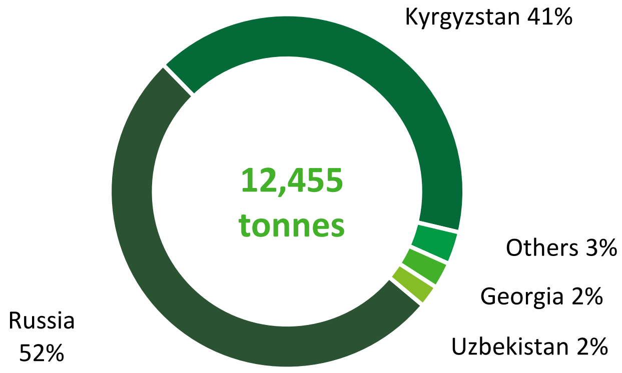
Structure of exports of food by-products from red meat from Kazakhstan, 2020



Change in exports of poultry and edible by-products



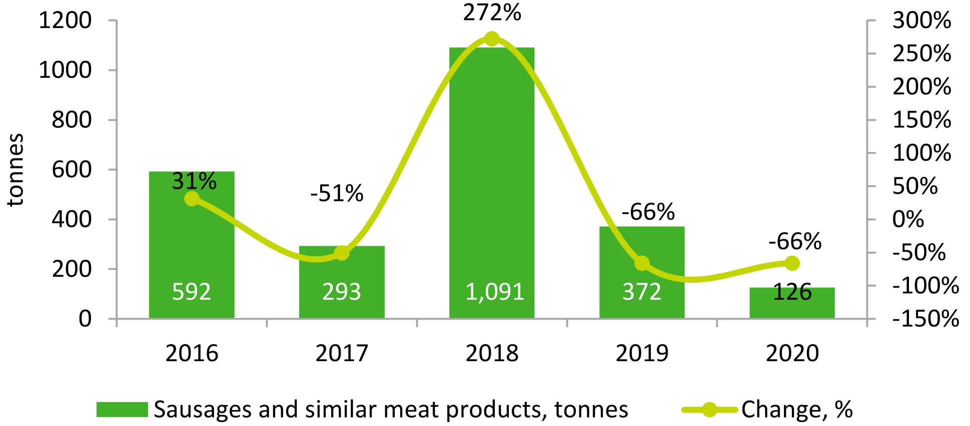
Structure of exports of meat and edible by-products of poultry from Kazakhstan, 2020



Source: Trademap.org

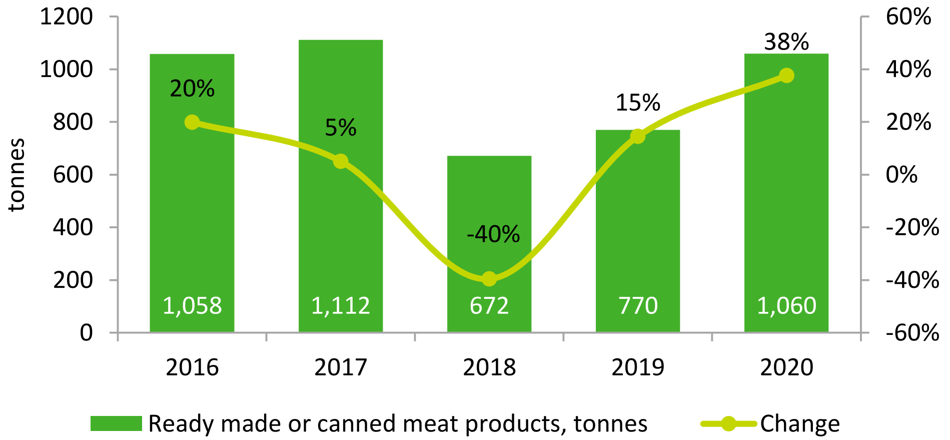
Exports of sausages and ready-made or canned meat products from Kazakhstan

Change in exports of sausages and similar meat products

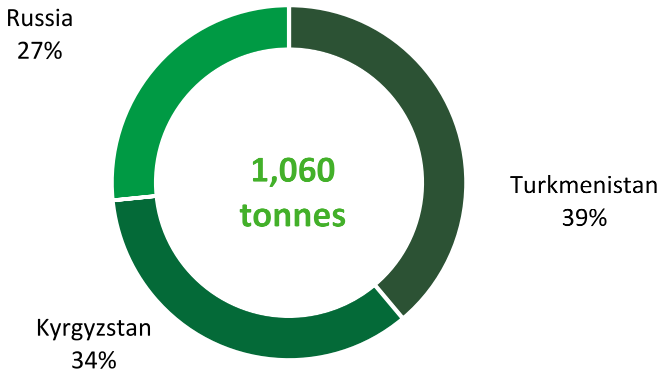


Structure of exports of sausages and similar meat products from Kazakhstan, 2020

Change in exports of ready-made or canned meat products



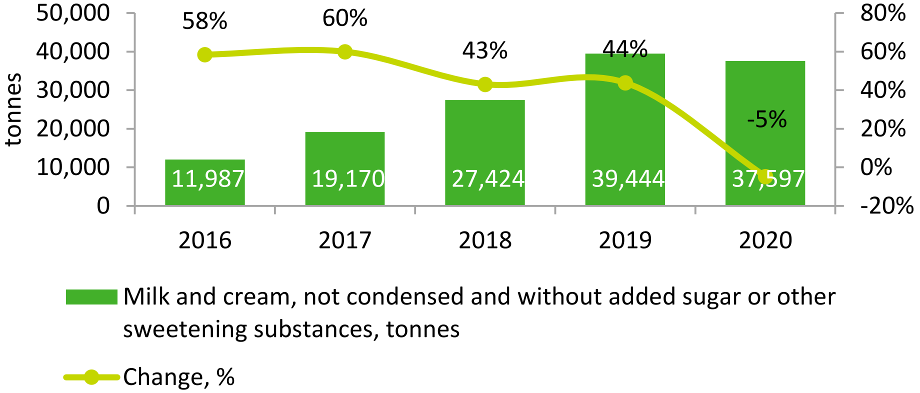
Structure of exports of ready-made or canned meat products from Kazakhstan, 2020



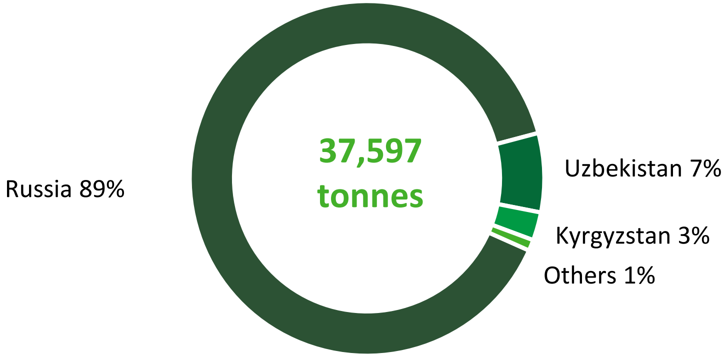
Source: Trademap.org

Exports of milk from Kazakhstan

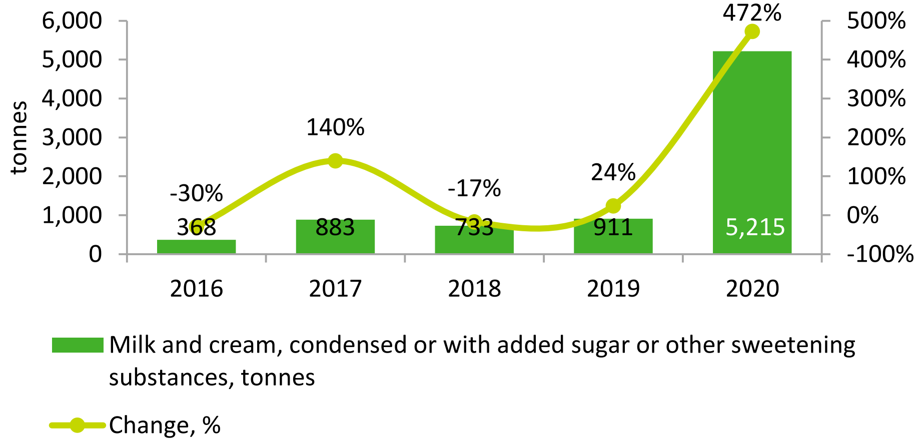
Change in exports of milk and cream, not condensed and without added sugar or other sweetening substances



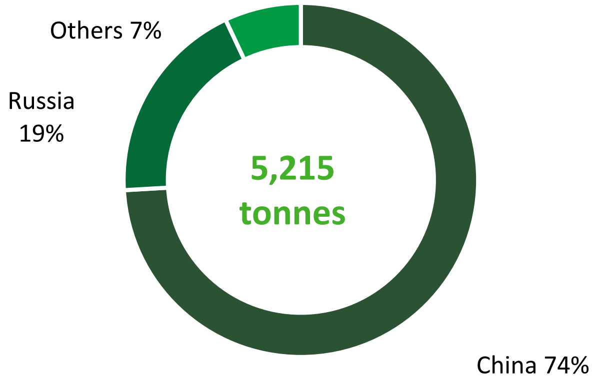
Structure of exports of milk and cream, not condensed and without added sugar or other sweetening substances from Kazakhstan, 2020



Change in exports of milk and cream, condensed or with added sugar or other sweetening substances



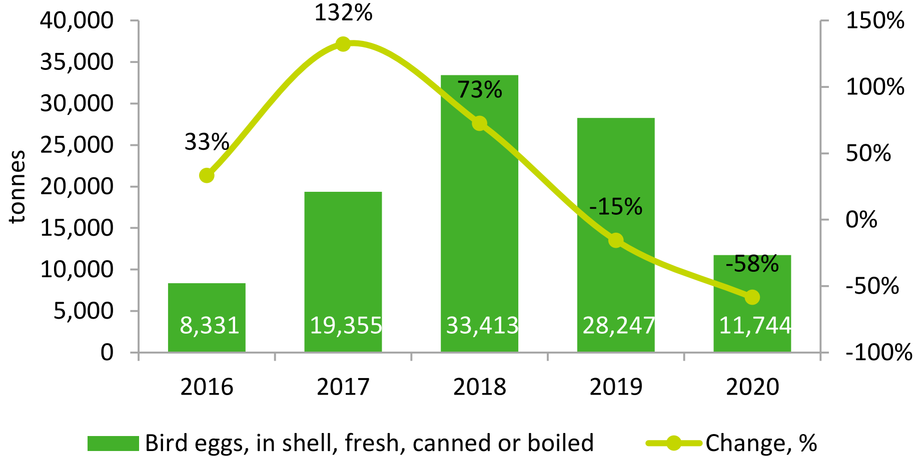
Structure of exports of milk and cream, condensed or with added sugar or other sweeteners from Kazakhstan, 2020



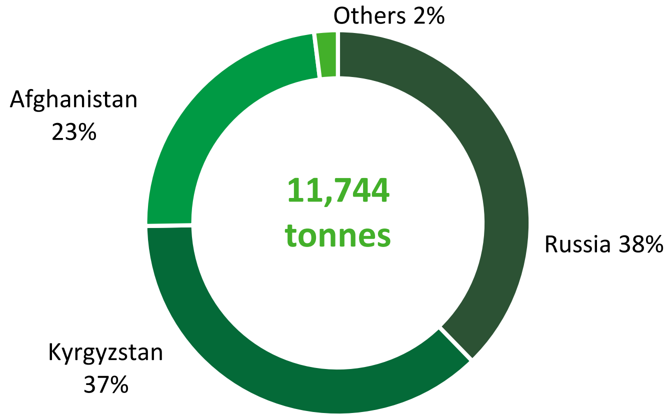
Source: Trademap.org

Exports of eggs and untreated hides from Kazakhstan

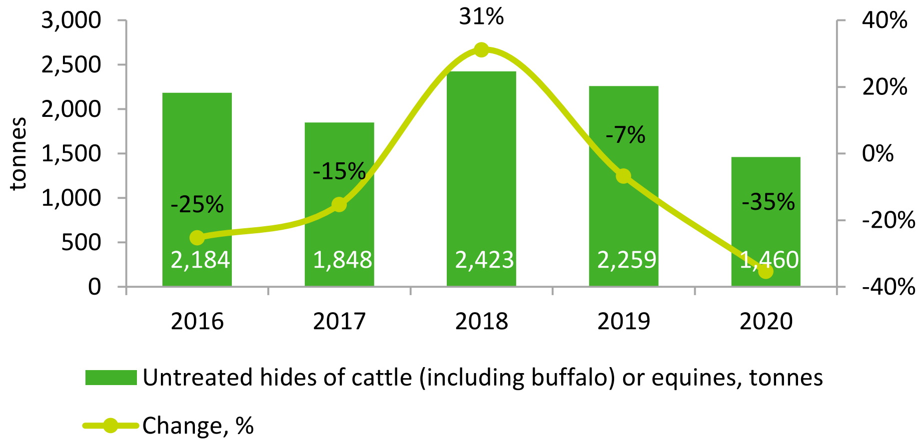
Change in exports of bird eggs, in shell, fresh, canned or boiled



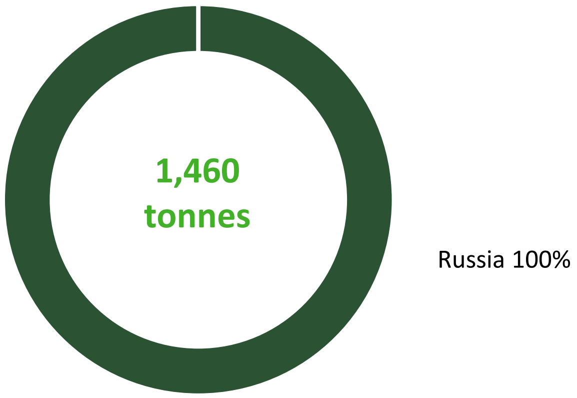
Structure of exports of bird eggs, in shell, fresh, canned or boiled from Kazakhstan, 2020



Change in exports of untreated hides of cattle (including buffalo) or equines



Structure of untreated hides of cattle (including buffaloes) or equines from Kazakhstan, 2020

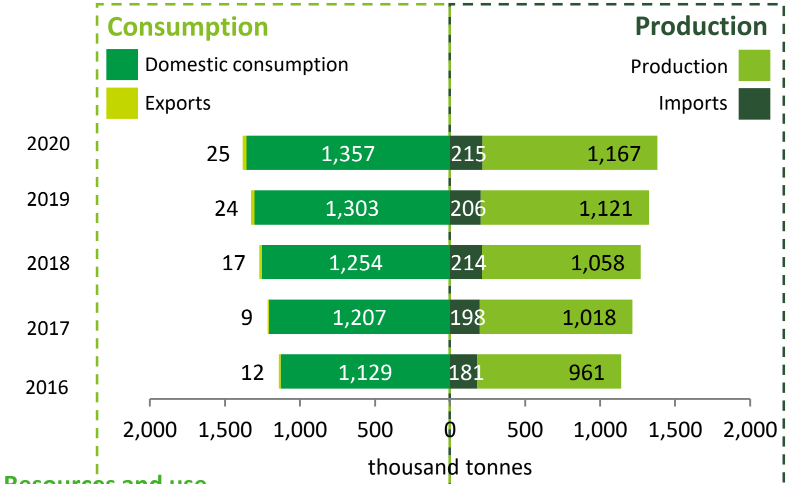


Source: Trademap.org

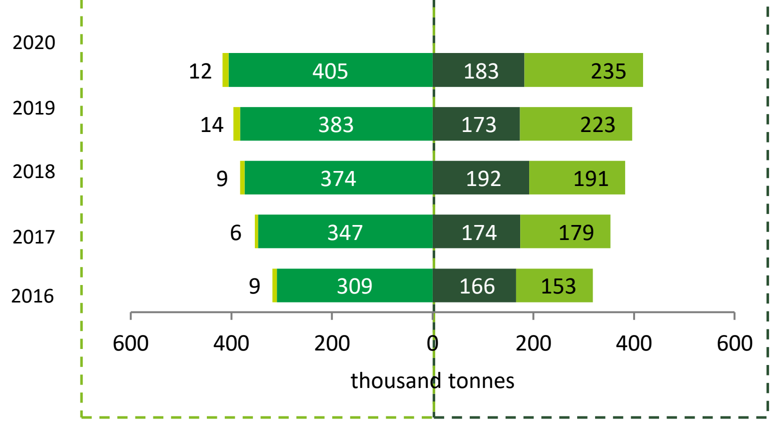
Balance of production and consumption

Meat and meat products

Resources and use



Resources and use



Meat and poultry, edible by-products (slaughter weight)

Deficit Surplus	Low deficit
Deficit level	15%
Supply	Low imports dependence
Imports share	16%

According to the balance of production of meat, poultry and edible by-products in volume terms in Kazakhstan, the demand for products has grown by 1.2 times over the last 5 years. The average level of meat consumption is 1,250 thousand tonnes. The average imports share of products for 5 years amounted to 16% of domestic consumption: imports dependence for these products is low. Local production exceeded imports in the period indicated. In 5 years, internal production has increased by 21%. An insignificant part of products is exported. Thus, production of meat, poultry and edible by-products is characterised by low imports dependence and low deficit.

Poultry and edible by-products (slaughter weight)

Deficit Surplus	Moderate deficit
Deficit level	46%
Supply	Moderate imports dependence
Imports share	49%

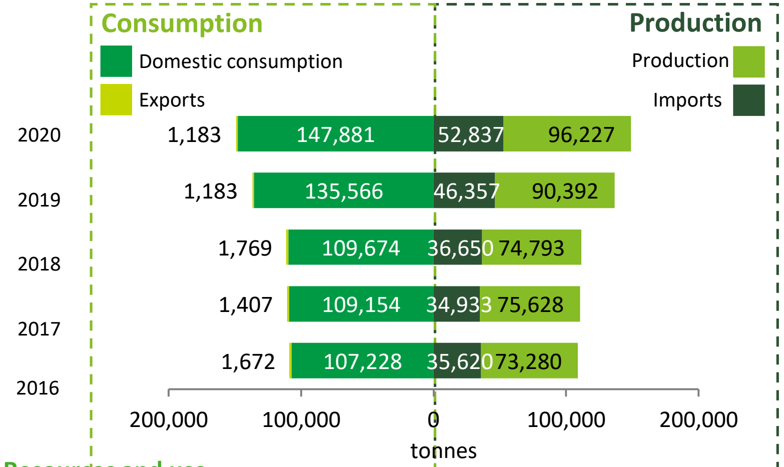
The demand for poultry meat and by-products in Kazakhstan increased by 1.3 times in volume terms over the period between 2016 and 2020. The average consumption level is 364 thousand tonnes. The average imports share of products over 5 years was 49% of domestic consumption: products are moderately imports dependent. The volume of domestic production increased 1.54 times over the specified period. Average deficit level of production for 2016-2020 is 46%, deficit is moderate. Most of the products are sold on the domestic market and exports level is insignificant.

This niche is attractive for investors.

Source: Kazakhstan Statistics Committee

Meat and meat products

Resources and use

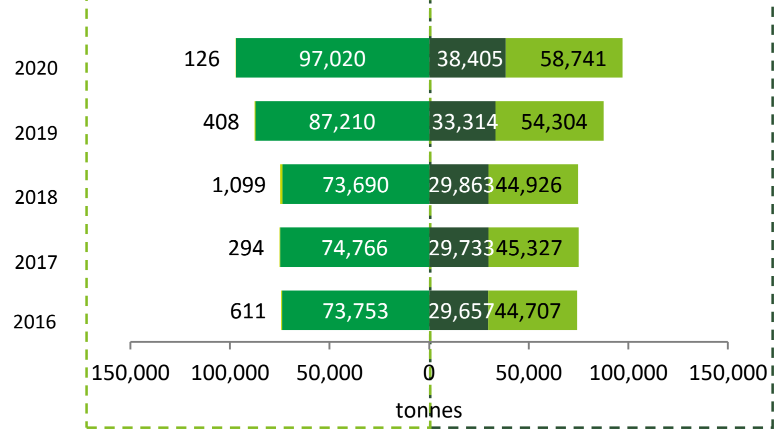


Ready-made or canned products from meat and by-products, other than semi-finished products

Deficit Surplus	Moderate deficit
Deficit level	32%
Supply	Moderate imports dependence
Imports share	34%

The demand for ready-made or canned food in Kazakhstan increased by 1.4 times in 2016–2020. The average consumption level over the last 5 years was 121,901 tonnes. At the same time, the average imports share of products amounted to 34% of domestic consumption: demand is covered by imports and local producers. During the period under review, the volumes of imports and local production increased in the structure of resources. Average deficit level of production for the period is 32%. This niche is attractive for investors.

Resources and use



Sausages and similar meat products

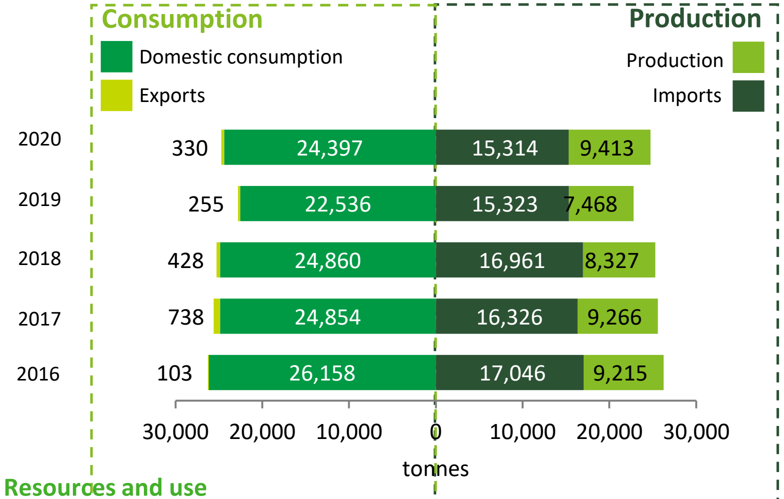
Deficit Surplus	Moderate deficit
Deficit level	39%
Supply	Умеренная Importsо-зависимость
Imports share	40%

The demand for sausages and similar meat products in Kazakhstan increased by 1.3 times in volume terms in 2016–2020. The average level of food consumption is 81,288 tonnes. The average imports share of products for 5 years amounted to 40% of domestic consumption: Kazakhstan is moderately Imports-dependent for this category of products. The volume of domestic products increased 1.3 times over the specified period: demand is covered by imports and local producers. Average deficit level of production for the period is 39%. Most of the products are sold on the domestic market, exports is insignificant.
This niche is attractive for investors.

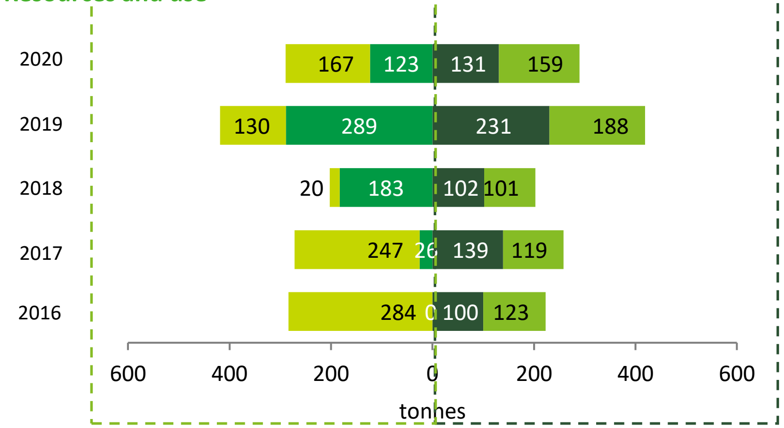
Source: Kazakhstan Statistics Committee

Milk and eggs

Resources and use



Resources and use



Source: *2018-2020, Kazakhstan Statistics Committee

Condensed milk and cream, with or without added sugar or other sweetening substances, not in solid forms

Deficit Surplus	Moderate deficit
Deficit level	64%
Supply	Imports dependence
Imports share	66%

The average consumption of milk and condensed cream amounted to 24,561 tonnes in 2016-2020. The average level of domestic production for the same period was 8,738 tonnes. The average imports share of products over 5 years is 66% of domestic consumption: Kazakhstan is imports-dependent for this type of products. The volume of domestic products increased slightly over the specified period. Average deficit level of production for a 5 year period is 64%. Exports' volumes have increased 3.2 times over 5 years.

The niche of milk and condensed cream production is attractive for investors.

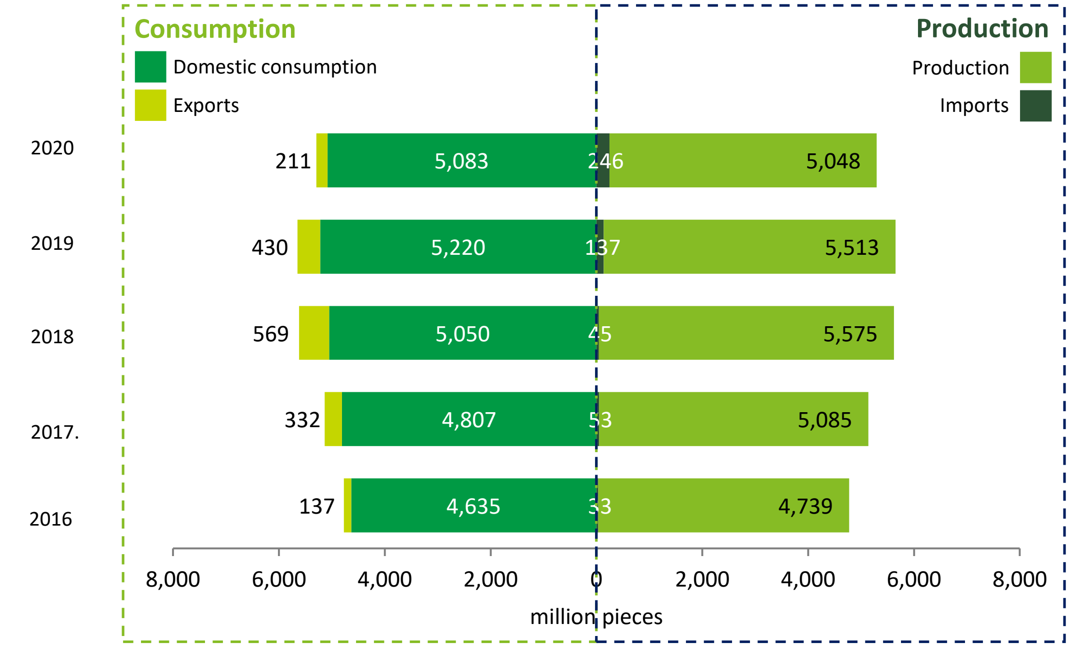
Meat and other edible meat by-products, salted, in brine, dried or smoked (excluding pork and cattle meat); flour and powder from meat or meat by-products

Deficit Surplus	Low deficit
*Deficit level**	17%
Supply	Imports dependence
Imports share	81%

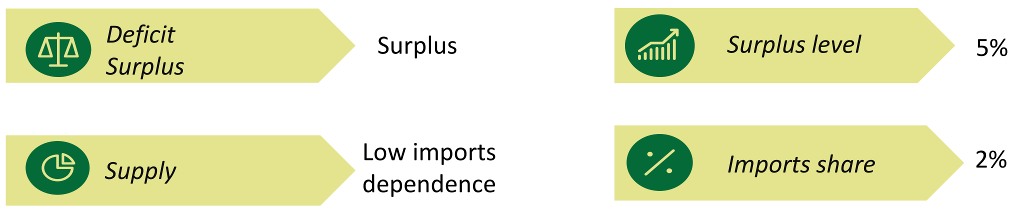
The demand for meat and other edible meat by-products, salted, in brine, dried or smoked, food flour and powder from meat or meat by-products in Kazakhstan increased 1.4 times in volume terms over the period between 2018 and 2020. Average level of food consumption for 2018-2020 is equal to 198 tonnes. The average imports share of products for 3 years was 81% of domestic consumption: products are imports dependent. Nevertheless, the volume of domestic products increased 1.3 times over the period from 2016 to 2020. Average deficit level of production for the period is 17%. Thus, Kazakhstan is imports-dependent and low-deficit: the niche is attractive for investors.

Shell egg

Resources and use



Industry characteristics



Source: Kazakhstan Statistics Committee, informburo.kz, 24.kz

Shell egg

The average annual consumption of shell eggs was 4,959 million pieces for the period between 2016 and 2020. In turn, the average level of domestic production for the specified period reached 5,192 million units, which covers domestic demand. At the same time, the average imports share of products amounted to 2% of domestic consumption: demand is almost completely covered by local products. During the period under review, the volume of imports increased by 7.5 times in the structure of resources. Exports volumes for the period from 2018 to 2020 fell by 63%, local production fell by 10%. A decline in production and an increase in prices in the industry were due to the spread of bird flu, with an increase in feed prices and the abolition of subsidies.

The average level of surplus products over a 5 year period is 5%.

The egg production niche is less attractive for investors compared to the other product categories under review.

Pricing

State pricing regulation

Kazakhstan legislation

According to Order of the Acting Minister for the National Economy of the Republic of Kazakhstan No. 264 dated 27 March 2015 *On the Approval of Domestic Trading Rules* (with amendments from 14 October 2020):

1 Commodity prices

Commodity prices are determined by trading entities themselves, with the exception of prices for socially significant food products.

2 Prices for socially significant goods

According to Order of the Acting Minister for the National Economy of the Republic of Kazakhstan No. 264 dated 27 March 2015 *On the Approval of Domestic Trading Rules*, entities trading in socially significant food products set a maximum trade mark-up of 15% of the producer selling price or the wholesale supplier purchasing price referred to in supply agreements for socially significant food products. Trading entities, if socially significant food products have been received from several producers or wholesale suppliers set a maximum trade mark-up of up to 15% of the producer selling price or the wholesale supplier of socially significant food products with the lowest cost indicated in the supply agreement for socially significant food products.

The list of socially significant food products approved by Government Resolution No. 145 dated 1 March 2010 *On the Approval of a List of Socially Significant food products*, includes first class wheat flour, moulded wheat bread made from first class flour, husked rice (round and sold by weight), sunflower oil and macaroni (sold by weight).

3 Trade mark-ups

Maximum trade mark-ups are set when concluding supply agreements for socially significant food products. A trade mark-up may be increased by costs to transport and/or store and/or import socially significant goods, and the natural loss of food products up to approved limits. Trade mark-ups do not include expenses for fees paid to trade entities to purchase a specific quantity of food products from a supplier.

4 Loose goods

If loose goods produced by the seller are packaged for sale, packaged perishable goods should not exceed the volume sold over a one-day period. Packaging should show the name of the goods, weight, price per kg, weighing costs, packaging date and best before date. Loose food products are transferred to customers in packaged form with no additional packaging charge. The price of food products sold loose is determined according to net weight.

Source: Order of the Acting Minister for the National Economy of the Republic of Kazakhstan No. 264 dated 27 March 2015 *On the Approval of Domestic Trading Rules,* Government Resolution No. 145 dated 1 March 2010 *On the Approval of a List of Socially Significant food products*

Sector overview
Classification of livestock products
Production of livestock products
Consumption of livestock products
Imports of livestock products
Exports of livestock products
Balance of production and consumption
Pricing
State support
Brief global market overview
List of abbreviations

Comparison with competitors in foreign markets

Wholesale prices for livestock products in Kazakhstan in December 2020, tenge per 1 kg

Country	Beef	Eggs, 10 pieces	Chicken (including chicks), carcasses	Processed liquid milk	Condensed milk and cream	Chickens (including chicks), carcass parts	Boiled sausages	Semi-smoked sausage	Hot-smoked, semi-dry, dry-cured, raw fermented sausages, incl. salami	Canned meat and ham
Kazakhstan	2,247	348	912	279	778	933	1,555	1,659	2,478	1,844
CIS countries	n/a	n/a	718	402	790	753	1,026	1,791	2,129	982

Price of beef in different countries in 2020, tenge per 1 kg

Country	Products	Price
Kazakhstan	Beef, shoulder and breast part	1,947
Russia	Beef (except boneless meat)	2,087
Belarus	Beef (except boneless meat)	1,552
Belarus	Beef, boneless	2,481
Kyrgyzstan	Beef	1,882

Source: Kazakhstan Statistics Committee, rosstat.gov.ru, stat.kg, belstat.gov.by

Comparison with competitors in foreign markets

Price of chicken in different countries in 2020, tenge per 1 kg

Country	Products	Price
Kazakhstan	chicken	933
Kazakhstan	chicken legs	789
Russia	chicken, chilled and frozen	841
Belarus	chicken (chicks, including broilers)	732
Kyrgyzstan	chicken	1,348

Price of boiled sausage in different countries in 2020, tenge per 1 kg

Country	Products	Price
Kazakhstan	boiled sausage	2,014
Russia	boiled sausage	2,352
Belarus	boiled sausage, premium	1,323
Belarus	boiled sausage first-grade	1,017
Belarus	boiled sausage, second grade and non-graded	740
Kyrgyzstan	boiled sausage	1,673

Price of semi-smoked sausage in different countries in 2020, tenge per 1 kg

Country	Products	Price
Kazakhstan	semi-smoked sausage	2,330
Belarus	semi-smoked sausage, cooked-smoked sausage	2,019
Kyrgyzstan	semi-smoked sausage	1,942

Price of chicken eggs in different countries in 2020, tenge for 10 pieces

Country	Products	Price
Kazakhstan	chicken eggs	353
Russia	chicken eggs	439
Belarus	chicken eggs	423
Kyrgyzstan	chicken eggs	399

Source: Kazakhstan Statistics Committee, rosstat.gov.ru, stat.kg, belstat.gov.by

Comparison with competitors in foreign markets

Price of milk in different countries in 2020, tenge per 1 liter

Country	Products	Price
Kazakhstan	raw milk	243
Kazakhstan	pasteurised milk	270
Kazakhstan	pasteurised milk 2,5%	258
Kazakhstan	pasteurised milk 3,2%	277
Russia	whole pasteurised drinking milk, 2.5-3.2% fat	343
Belarus	whole milk pasteurised, sterilised	265
Belarus	condensed milk with sugar (for 1 conventional jar weighing 400 g)	436
Kyrgyzstan	unpasteurised whole unbottled milk	187
Kyrgyzstan	pasteurised milk, sterilised 2.5-3.2% fat	328

Price of horse meat in different countries in 2020, tenge per 1 kg

Country	Products	Price
Kazakhstan	horse meat with bones	2,272
Kyrgyzstan	horse meat	1,646

Price of mutton in different countries in 2020, tenge per 1 kg

Country	Products	Price
Kazakhstan	mutton with bones	1,990
Kyrgyzstan	mutton	1,803

Source: Kazakhstan Statistics Committee, rosstat.gov.ru, stat.kg, belstat.gov.by

Comparison with competitors in the domestic market

Price of boiled sausage in Kazakhstan in 2021, tenge per 1 kg

Company	Products	Price
Bekker & Co	Doctor's boiled	4,885
Bekker & Co	boiled oriental	5,180
Bizhan	boiled halal from beef	1,996
Bizhan	boiled	3,505
April	boiled	3,175
April	Doctor's boiled	2,349
April	boiled halal	1,725
Rubikom	Boiled	2,335
Rubikom	from beef, boiled	2,550
Myasodel	Et Bayram Doctor's halal boiled	2,200
Myasodel	Doctor's-blue boiled	2,750

Price of semi-smoked sausage in Kazakhstan in 2021, tenge per 1 kg

Company	Products	Price
Bizhan	Horse halal semi-smoked	2,957
Bizhan	Beef halal semi-smoked	2,733
Bizhan	muslim semi-smoked	3,430
April Kulager	Krakow semi-smoked	2,438
Myasodel	semi-smoked	2,635
April	Vienna semi-smoked	3,105

Price of beef in Kazakhstan in 2021, tenge per 1 kg

Company	Products	Price
KazMyaso	marbled beef Ossobuco, frozen	2,900
KazMyaso	beef ribs	3,000
KazMyaso	plate beef	3,200
KazBeef	Ossobuco beef, frozen	4,190
KazBeef	beef ribs, frozen	5,135
Asyl et	beef fillet	3,264
Asyl et	beef fillet	2,815
Asyl et	plate beef, chilled	2,600
Asyl et	Ossobuco beef, chilled	2,720
Etbasy	plate beef, chilled	2,550
Etbasy	beef ribs, chilled	2,590

Price of chicken in Kazakhstan in 2021, tenge per 1 kg

Company	Products	Price
Alel Agro	chicken thighs, frozen	790
Kus Vkus	broiler chicken, chilled	990
Kus Vkus	broiler chicken thighs, chilled	1,230
Kus Vkus	chicken drumstick, chilled	1,150
Fermersky dvorik	chicken wing, chilled	2,800
Fermersky dvorik	chicken drumstick, chilled	2,690
Fermersky dvorik	chicken thighs, chilled	2,300
Alatau-kus	chicken thighs, frozen	1,080
Alatau-kus	chicken fillet, frozen	1,820
Alatau-kus	fully eviscerated broiler chicken, frozen	1,115

Source: doshop.kz, galmart.kz, arbuz.kz, jmart.kz

Comparison with competitors in the domestic market

Price of eggs in Kazakhstan in 2021, tenge per 10 pieces

Company	Products	Price
Kazger-Kus	selected egg	570
Kazger-Kus	premium egg	580
Kazger-Kus	second-grade egg	525
Sunkar	selected egg	590
QarQus	first-grade egg	487
QarQus	selected egg	539
QarQus	premium egg	555

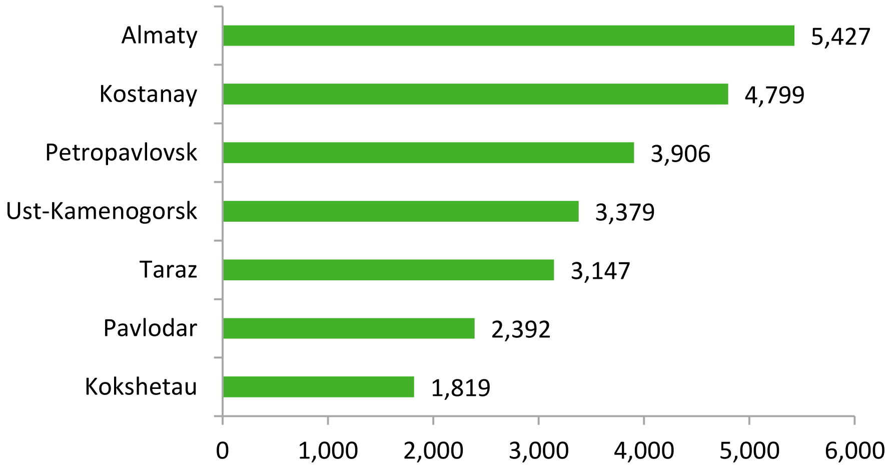
Prices for milk in Kazakhstan in 2021, tenge

Company	Products	Price
Food Master	pasteurised 2.2% 1 l	245
Maslodel	2.5% 0.9 l	325
Maslodel	6% 0.9 l	420
Amiran	3.2% 0.8 l	490
Cosmis	Moye 3.2% 1.5 l	670
Kokshetau Dairy Farm Milk Sinegorya	Odari 2.5% 1 l	425
Kokshetau Dairy Farm Milk Sinegorya	Mumunya 2.5% 1 l	415

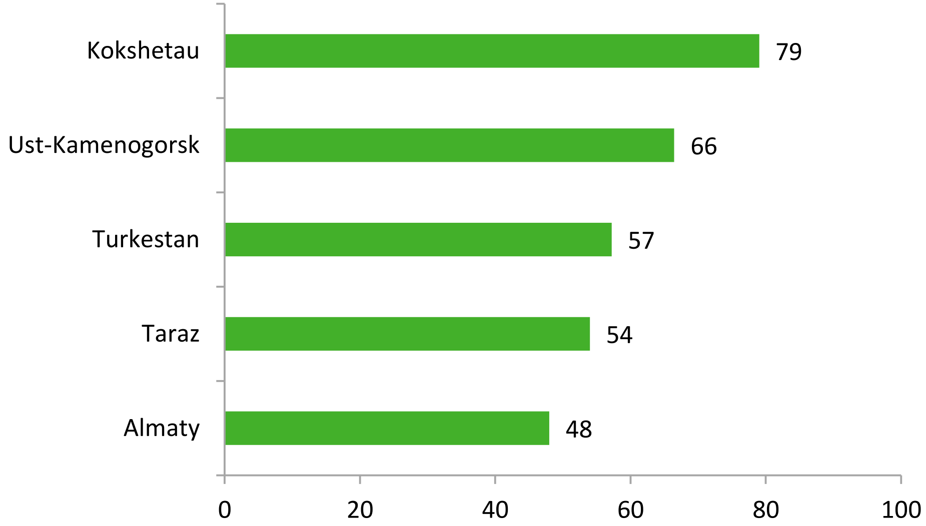
Source: doshop.kz, galmart.kz, arbuz.kz, jmart.kz

State regulation of utilities tariffs

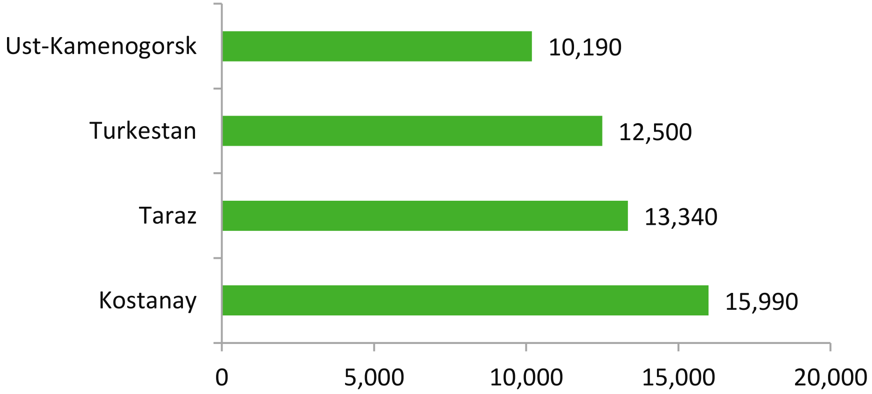
Thermal power price by region, in March 2021, tenge per Gcal



Cold water price by region, in March 2021, tenge per m^3



Electricity price by region, in March 2021, tenge/1,000 kWh



- Kazakhstan operates a state policy of tariff setting for natural monopolies, and regulates prices and controls compliance with pricing procedures and the obligations of socially significant market entities. Utilities tariffs are regulated.
- As at March 2021, the average price for 1 Gcal of thermal energy in Kazakhstan cities was 3,643 tenge.
- In March 2021, the average price for 1,000 kWh of electricity was 11,690 tenge, and the price for 1 m^3 was 78 tenge.

Source: Kazakhstan Statistics Committee

State support

Sector support within the framework of the State Programme for Agricultural Development 2017-2021

In 2017, the State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017–2021 was developed. The program is being implemented jointly with interested ministries, local executive bodies and the National Bank of the Republic of Kazakhstan. Baiterek NMH JSC and its subsidiaries, namely: Agrarian Credit Corporation JSC, Agricultural Financial Support Fund JSC, KazAgroFinance JSC, are the key institutions for the development of the agro-industrial complex, providing funding for investors.

01 **Food security**

- improve production using two organisational cooperation mechanisms: horizontal cooperation and vertical (anchor) cooperation

02 **Increase access to financing for agricultural entities and ensure optimal taxation regimes for them**

- engage private financial institutions to finance the agriculture industry
- update the loan guarantee system
- introduce agrarian receipts
- develop agricultural insurance
- improve the credit partnership system

03 **Improve the efficiency of land use**

- research soil to determine an agricultural soil quality and yield index
- introduce unused land agricultural circulation
- maintain and improve the institution of agricultural land lease

04 **Improve the efficiency of water resource use**

- restore irrigation and drainage networks to supply irrigation water to land in need
- improve the system for monitoring water resources

05 **Ensure access to sales markets and export development**

- create a wholesale distribution center to form large consignments of goods
- create an electronic system for trading in agricultural products
- ensure phytosanitary and veterinary security
- ensure technical regulation and its compliance in the EAEU
- develop the production of organic and halal food products

06 **Ensure the development agricultural science, agriculture industry knowledge sharing**

- integrate science and agriculture industry staff
- improve the quality of academic organisations through amalgamation

07 **Improve agriculture industry technology intensiveness and production intensification**

- ensure agricultural producers have access to new operating techniques through investment subsidies and loan/lease interest subsidies

08 **Improve the quality of state services and ensure the implementation of digital technology in the agriculture industry**

- digitise the agriculture industry
- automate processes (subsidies; track animal products; agriculture industry trading; agricultural producer lending and insurance)
- implement elements of precision farming and SMART-farms

Source: primeminister.kz

Sector support under the National Programme for the Development of Livestock Husbandry for 2018-2027

In 2018, the National Programme for the Development of Livestock Husbandry for 2018–2027 was developed with the aim of increasing labour productivity in the agro-industrial complex and exports of processed agricultural products. The key focus of the programme is the development of farms, which should become the main "players" in the sector. Financial institutions providing financing are Kazagro NMH JSC, Agrarian Credit Corporation JSC, KazAgroFinance JSC and KazAgroProduct JSC.

Farmer

- Concessional financing for farmers with a loan term of up to 15 years and interest rate of up to 4%
- Investment subsidies for stockwater development
- Providing farmers with breeding bulls, improving genetics for the entire sector

Implementation of measures to minimise veterinary risks

- Centralisation of veterinary control in the Kazakhstan Ministry of Agriculture
- Control over the execution of vet. events - at the regional level
- Zoning of territories according to the OIE system - at least 20 zones, taking into account the landscape and transport
- Large exporter farms compartment
- Animal identification system based on RFID electronic ear tags, equipping veterinarians with electronic scanners
- Product traceability system from field to table
- Implementation of insurance of veterinary risks in animal husbandry

Feed supply and irrigation

- Meeting the demand for barley by replacing exports (exports revenue from this grain in the form of meat is 10 times higher)
- Construction of irrigation infrastructure along large rivers and collection of melt water for irrigation of 1 million hectares by 2028

Sales market

- Covering up to 12% of the beef imports market in the Middle East (Saudi Arabia and Iran) and Asia (China and Vietnam)
- The most attractive markets for mutton exports are China, Iran and Saudi Arabia

Source: World Bank, meatunion.kz

Sector support under the National Programme for the Development of Livestock Husbandry for 2018-2027

Implementation stages:

Stage 0. 2018 Approval of the strategy

- Development of a detailed strategy, analysis of feed capacity and water cut of pastures, maps of arable land for irrigation
- Analysis of the effectiveness of the use of pastures and their priority allocation to farmers
- Concessional lending

Stage 1. 2018-2021 Farms and land

- Priority support of existing farmers
- Imports of purebred heifers
- Veterinary risk insurance
- Local machinery and equipment manufacturing
- Creation of training farms in each region
- Opening up new markets
- Organization of logistics
- Attracting investors

Stage 2. 2022-2024 Technology and production

- Increase in labour productivity and production volumes
- Development of cooperation and self-regulation of the industry

Stage 3. 2025-2027 Leadership in exports

- Achieve leading position in target exports markets:

–brand development of national products

- further increase in product quality and cost due to the sector size

Effects of implementing the plan

7 new meat processing plants

500 thousand new jobs

80 thousand new family farms

revenue from exports beef and mutton will be US$ 2.4 billion

Source: World Bank, meatunion.kz

Sector support from the Entrepreneurial Code

Entities realising or planning to realise investment projects with respect to priority activities according to Government Resolution No. 13 dated 14 January 2016 may receive state support stipulated by the Entrepreneurial Code and a number of state programmes. The state body that ensures the issuance of financing for investment projects is the Investment Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan.

Types of state support stipulated in the Kazakhstan Entrepreneurial Code

The Entrepreneurial Code provides for investment concessions based on investment project classification.

Investment project

- Customs duty exemptions
- State grants
- Import VAT exemptions

Priority investment project (create new production)

- Customs duty exemptions
- State grants
- Tax exemptions
- Investment subsidies

Priority investment project (expansion of existing projects)

- Customs duty exemptions
- State grants
- CIT exemptions

Special investment project

- Customs duty exemptions
- Import VAT exemptions

Source: Kazakhstan Entrepreneurial Code

Order of the Minister of Agriculture No. 107 dated 30 March 2020, registered with the Ministry of Justice as No. 20209 on 31 March 2020 *On the Approval of Rules for Subsidising Yield and the Quality of Plant Breeding Product*

Section	Area	Class or subclass
01.3	Production of nursery products	Production of nursery products
01.4	Livestock	Breeding of dairy cattle
		Breeding of other cattle and buffaloes
		Breeding of horses and other hoofed
		Breeding of camels and camelids
		Breeding of sheep and goats
		Breeding pigs and piglets
		Poultry farming
		Breeding of other species of animals
10.1	Processing and preserving of meat and production of meat products	Processing and preserving of meat
		Processing and preserving of poultry
		Production of meat and poultry products
10.4	Production vegetable and animal oils and fats	Production of oils and fats
		Production of margarine and similar edible fats
10.8	Production of other food products	Production of ready-made food products
10.9	Production of ready-made animal feed	Production of ready-made feed for farm animals
		Production of ready-made feed for pets

Sector support within the framework of the “Saving Simple Things” Programme

- Support to the livestock industry is also carried out within the framework of the Decree of the Government of the Republic of Kazakhstan dated 11.12.2018 No. 820 "On some issues of ensuring long-term tenge liquidity to solve the problem of affordable lending" or the Program "The Economy of Simple Things". The goal of Programme is to saturate the domestic market with domestic goods, raise the competitiveness of the manufacturing industry, and, above all, release a wide range of consumer goods.
- The credit facility is made available to business projects implemented in priority sectors of the economy in accordance with an approved list of goods for credit financing of priority projects, which includes the food industry. Within the Programme framework, the state subsidises bank loan interest rates.
- The Financial Project operator is Damu. According to the operator, 171 projects were subsidised for 64.5 billion tenge in 2019 (subsidies paid amounted to 1.1 billion tenge). In 2020, 169 projects were subsidised for 95 billion tenge (subsidies paid amounted to 2.7 billion tenge).
- According to the Atameken National Chamber of Entrepreneurs, approved projects include the production of consumer goods such as furniture (kitchen furniture, couches, garden chairs, beds, drawers and others); clothing (jackets, suits, blouses, shoes, overalls, etc.); food products (pasta, bakery products, meat and sausages, dairy products, confectionery, etc.); chemicals (fertilizers) and building materials (bricks, cement), as well as service facilities (construction of kindergartens, preschool institutions, sanatoriums, hotels, rehabilitation centres and recreational compounds) and others.

Programme conditions	
Eligible entities	private businesses (small, medium-sized and large businesses)
Loan interest rate	15% per annum
Subsidised amount	up to 9% of the nominal interest rate
Purpose of projects	investments and replenishment of working capital; replenishment of working capital is allowed on a renewable basis
Maximum amount per borrower	unlimited
Subsidy period	for investment – 10 years, without further extension
	to replenish working capital – 3 years, without further extension
Loan refinancing	not stipulated
Current loans	loans issued by banks after government resolution No. 820 dated 11 December 2018 entered into force are allowed

Source: official website of the Kazakhstan Prime Minister

Sector support from the "Business Road Map 2025" Programme

- The Business Roadmap 2025 Program for business support and development aims to meet the goal of the public message of the President of Kazakhstan "Kazakhstan-2050 Strategy: a new political course of the established state" dated 14 December 2012. The program implements instruments of state support in the form of subsidies for part of the interest rate on loans / financial leasing agreements and loan guarantee agreements.
- The Programme provides for state grants and training for entrepreneurs aimed at supporting and developing small and medium-sized businesses in Kazakhstan.
- The objectives of the Programme are to ensure the sustainable and balanced growth of regional entrepreneurship, and maintain existing and create new permanent jobs. The Financial Project operator is Damu.
- The Programme incorporates three directions:
  - support for new entrepreneur business initiatives in monotowns, small towns and rural settlements
  - industry support for entrepreneurs operating in priority sectors of the economy
  - non-financial measures to support entrepreneurship
- The Programme priority sector list includes crop production.
- 421 billion tenge has been allocated to implement the Programme until 2025.

Programme conditions	
Eligible entities	Entrepreneurs/entities involved in industrial and innovative activities implementing and/or planning to implement their own projects in priority sectors of the economy
Loan rate	up to 14% per annum
Purpose of the projects	Investments, replenishment of working capital, refinancing; replenishment of working capital is allowed on a renewable basis
Guarantee amount	up to 1 billion tenge and up to 50% of the guarantee amount
Loan amount	up to 7 billion tenge
Subsidy period	up to 5 years

Source: official website of the Kazakhstan Prime Minister

Support of the industry from the Ministry of Agriculture of Kazakhstan (1/4)

Rules and information on subsidies for livestock

According to the Order of the Acting Minister of Agriculture of Kazakhstan dated March 15, 2019 No. 108 "On approval of the rules for subsidizing the development of livestock breeding, increasing the productivity and quality of livestock products", the initiators of projects in the field of animal husbandry have the right to receive a number of subsidies. Payment of subsidies is carried out on the basis of the resolution of the local executive body. Below are the areas of subsidies. Subsidies are carried out in 5 areas: meat and meat-dairy cattle breeding, poultry meat, egg poultry farming, sheep breeding, camel breeding.

Subsidies for meat and dairy-meat cattle breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Conducting selection and breeding work:		
Commercial breeding stock of cattle	Head/season	10,000
Breeding stock of cattle	Head/season	15,000
Maintenance of pedigree bull-producer of meat breeds used for reproduction of the herd	Head/season	100,000
Acquisition of domestic breeding bulls-producers of meat breeds	Acquired head	150,000

Subsidies for meat and dairy-meat cattle breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Acquisition of breeding stock of cattle:		
Domestic	Acquired head	150,000
Imported from CIS countries, Ukraine	Acquired head	225,000
Imported from Australia, America, Europe	Acquired head	300,000
Acquisition of imported breeding stock of cattle	Acquired head	150,000
Reducing the cost of male cattle sold or moved to fattening	Kilogram of live weight	200

Subsidies for camel breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Acquisition of breeding camels-producers	acquired head	100,000

Source: adilet.zan.kz

Support of the industry from the Ministry of Agriculture of Kazakhstan (2/4)

Subsidies for meat and dairy-meat cattle breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Acquisition of pedigree bull seed		
Same-sex	Purchased dose	10,000
Different-sex	Purchased dose	5,000
Acquisition of breeding stock of cattle		
Domestic	Acquired head	200,000
Imported from CIS countries, Ukraine	Acquired head	225,000
Imported from Australia, America, Europe	Acquired head	400,000

Subsidies for meat and dairy-meat cattle breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Reducing the cost of milk production		
Farms with cows from 600 heads	Sold or processed kilogram	45
Farms with cows from 400 heads	Sold or processed kilogram	30
Farms with cows from 50 heads	Sold or processed kilogram	20
Agricultural Cooperative	Sold or processed kilogram	20
Reducing the cost of acquiring cattle embryos	Piece	80,000
Subsidizing breeding and distribution centers for services for artificial insemination of breeding stock of cattle	Inseminated head in the current year	5,000

Source: adilet.zan.kz

Support of the industry from the Ministry of Agriculture of Kazakhstan (3/4)

Subsidies for poultry meat farming

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Acquisition of breeding diurnal young stock of parental/ancestral form	Acquired head	600
Reducing the cost of poultry meat production		
Actual production from 15,000 tonnes	Processed kilogram	80
Actual production from 10,000 tonnes		70
Actual production from 5,000 tonnes		60
Actual production from 500 tonnes		50
Reducing the cost of turkey meat production		
Reducing the cost of production of waterfowl meat		40

Subsidies for egg poultry farming

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Acquisition of diurnal young stock of the final form of the egg direction, obtained from a breeding bird	Acquired head	60
Reducing the cost of producing edible eggs (valid until January 1, 2022)		
Actual production from 200 million pieces	Processed piece	1.5
Actual production from 150 million pieces		1.3
Actual production from 100 million pieces		1.2
Actual production from 50 million pieces		1.1
Actual production from 20 million pieces		1

Source: adilet.zan.kz

Support of the industry from the Ministry of Agriculture of Kazakhstan (4/4)

Subsidies for sheep breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Conducting breeding and selection work		
breeding stock of sheep	Head/season	4,000
Commercial breeding stock of sheep		2,500
Acquisition of domestic breeding sheep	cquired head	15,000
Acquisition of imported breeding sheep		30,000
Acquisition of imported breeding sheep-producers		150,000
Maintenance of breeding sheep-producer, used for reproduction of commodity otara	Head/season	10,000

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Conducting breeding and selection work with the breeding stock of deer	Head/season	10,000
Conducting breeding and selection work with bee colonies	Bee family/season	5,000

Subsidies for sheep breeding

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Reducing the cost of small male cattle, with a slaughter capacity of 300 heads per day	processed head	3,000
Reducing the cost of acquiring sheep embryos	piece	80,000
Subsidizing breeding and distribution centers for services for artificial insemination of the breeding stock of sheep	Inseminated head/season	1,500

Directions of subsidies	Unit	Standards of subsidies per 1 unit, tenge
Acquisition of breeding stock of goats	Acquired head	40,000
Reducing the cost of production and processing of mare's milk	Kilogram	60
Reducing the cost of production and processing of camel milk	Kilogram	55

Source: adilet.zan.kz

Industrial enterprise support

- QazIndustry is the single coordinator providing assistance to industrial enterprises at all stages - from technological solutions and new production lines to certification, export and the implementation of digital technology.
- The entity provides state financial support free of charge for Kazakhstan producers. These include innovative grants to commercialise technology, upgrade technology used by enterprises and industries, and reimburse certain types of costs to enterprises aimed at increasing work performance and promoting exports.

Types of reimbursable costs on external markets

- overseas advertising of goods
- participation in overseas exhibitions, fairs and festivals
- publishing catalogues for distribution overseas (development and translation)
- maintaining representative offices, retail space and warehouses overseas
- registering trademarks (brands) overseas
- certifying goods overseas
- delivering goods by rail, road, air and sea; organising transportation

Reimbursable costs on external markets

- no more than 13,000 times the minimum calculation index per entity
- historical reimbursement period is 32 months prior to the date of application

Business support is provided by:

Reimbursing part of the costs of entities involved in industrial and innovative activities to promote domestic processed goods on foreign markets

Reimbursing part of the costs of entities involved in industrial and innovative activities to promote domestic processed goods domestically

Reimbursing part of the costs of entities involved in industrial and innovative activities to increase work performance and develop regional clusters

40% Large businesses

50% Medium-sized businesses

60% Small businesses

Source: adilet.zan.kz

Brief global market overview

Global trends

Decrease in the volume of production of meat and meat products

- The decline was due to a sharp drop in global pork production, concentrated mainly in the Asian countries affected by African swine fever, and beef, especially in the USA and Australia.
- The COVID-19 pandemic has had an extremely negative impact on almost all segments of the meat market, exacerbating the negative trends caused by the African swine fever epidemic.
- Countries have reduced the volume of imports of major types of meat due to economic difficulties and depreciation of national currencies against the dollar. Exports have also cut back on meat and meat exports due to high production costs, processing difficulties associated with COVID-19 and logistical problems.

Increased demand for poultry

- The growth in poultry production is mainly driven by the desire of consumers to replace pork and beef with alternative meats. Low production costs, short production cycle, high feed conversion rates and low product prices have made poultry preferred by both producers and consumers.

High demand for lamb in the eastern countries

- According to the FAO, European countries produce significantly more cattle meat, chicken and pork compared to eastern countries. However, the production volumes of mutton in the eastern countries exceed the production volumes of European countries by 2 times. This is due to the fact that lamb is an alternative type of meat to pork.
- In European countries, there has been a decline in cattle meat production since 2018. The main reasons for the decline in demand from European countries are growing health problems and an aging population. European countries are also experiencing a dramatic increase in the population with vegan diets and active animal rights advocates.

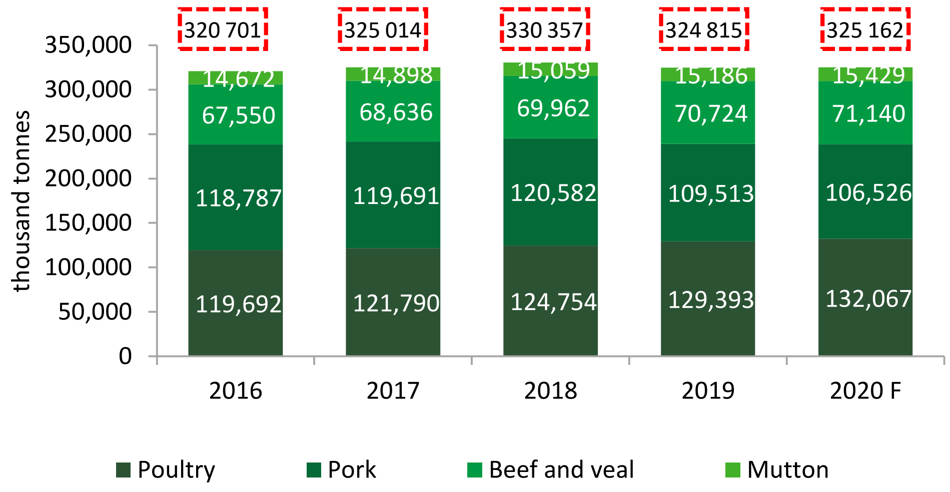
Artificial meat demand

- According to BIS Research Inc., demand for artificial pork will increase. This is due to the fact that traditional pig farms annually cut their production due to unforeseen circumstances such as swine flu, African plague or any other disease. The artificial meat industry will not face such problems.
- It is also expected that there will be a strong demand for artificial lamb and veal, as these types of meat are widely consumed in the world.

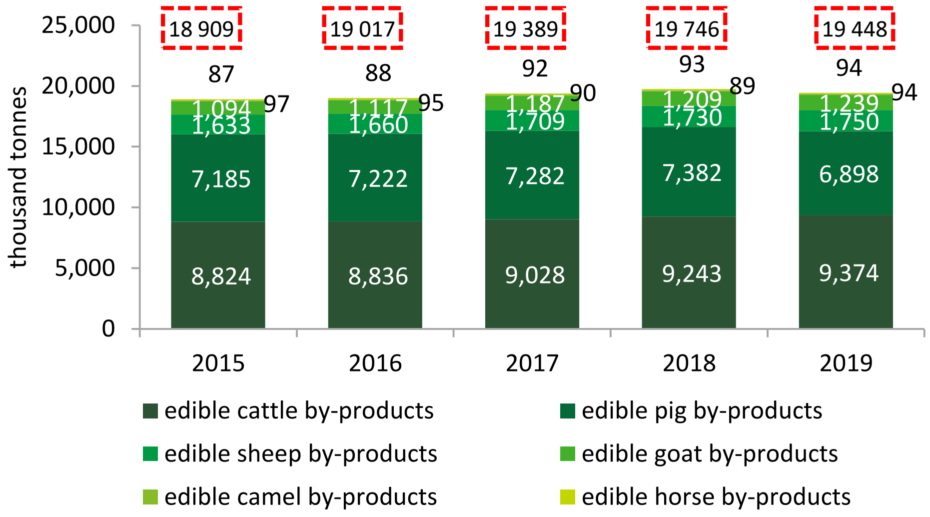
Source: EMIS, FAO Publications, BIS Research Inc.

Production of meat and meat by-products in the world

Change in production of the main types of meat in the world



Change in production of meat by-products in the world



The average volume of world meat production amounted to 325,310 thousand tonnes in the period between 2016 and 2020, with CAGR of 0.3%.

Moreover, during the period under review, there was an increase in the volume of global production of almost all types of meat – poultry, mutton, beef and veal. In 2019, a decline was recorded in pork production, which is associated with the spread of ASF in the East Asian countries. Concerns about meat safety have led to widespread use of non-tariff barriers over the last two years. Global meat production has been on a downward trend in 2020 due to the continued decline in pork production, as well as processing delays and logistical problems caused by the COVID-19 pandemic.

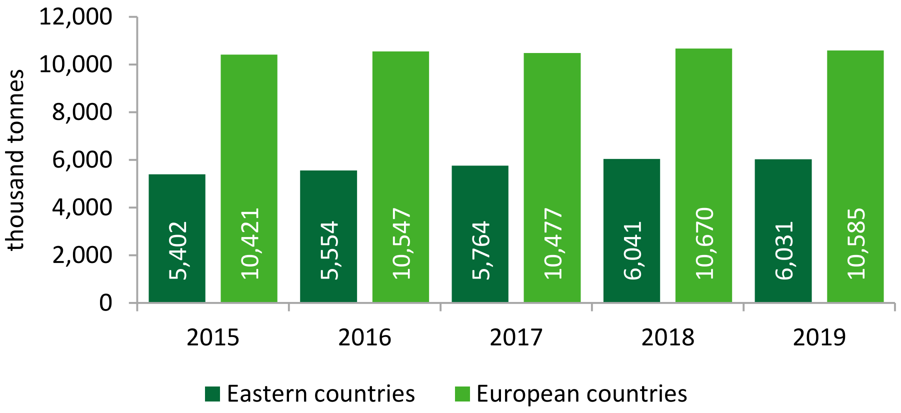
Production of edible by-products of cattle, sheep, goats and camels also tended to increase over the period from 2016 to 2019. However, in 2020, a decline was recorded in the production of meat by-products, which is also associated with a sharp decrease in demand from public catering enterprises due to quarantine. Production data for by-products for 2020 is not available from FAO.

Source: oecd, faostat, FAO

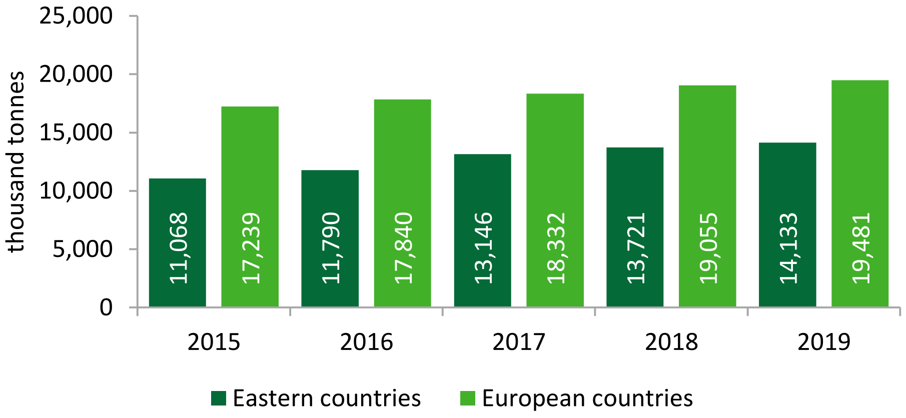
Change in meat production

Below is an analysis of the production of different types of meat in the context of European and Eastern countries. All European countries are included in the category of European countries, and all countries of Western Asia, Central Asia, Afghanistan, Indonesia, Iran, Pakistan, Malaysia, Bangladesh and Brunei are included in the category of eastern countries. In the selected Eastern Countries, Islam is the predominant religion. No data is available for 2020. According to the data presented, European countries produce significantly more cattle meat, chicken and pork compared to the selected eastern countries. At the same time, the production volumes of mutton in the eastern countries exceed the production volumes of European countries by 2 times. This is due to the food culture preferring mutton.

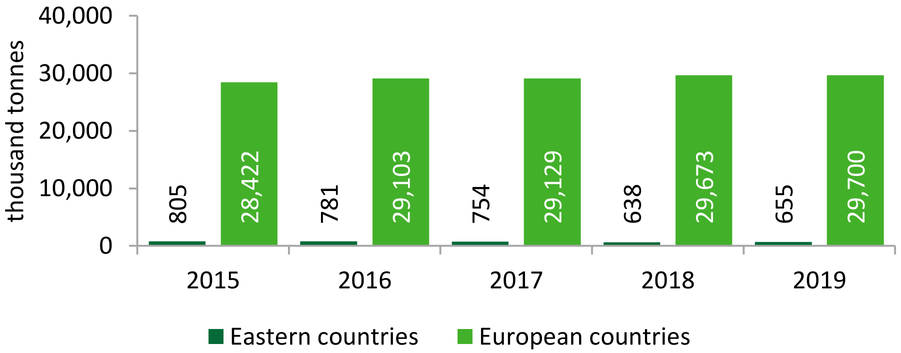
Change in cattle meat production, thousand tonnes



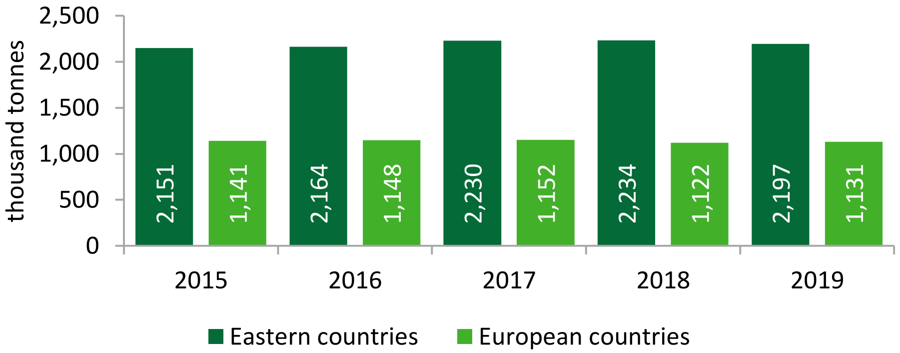
Change in chicken production, thousand tonnes



Change in pork production, thousand tonnes



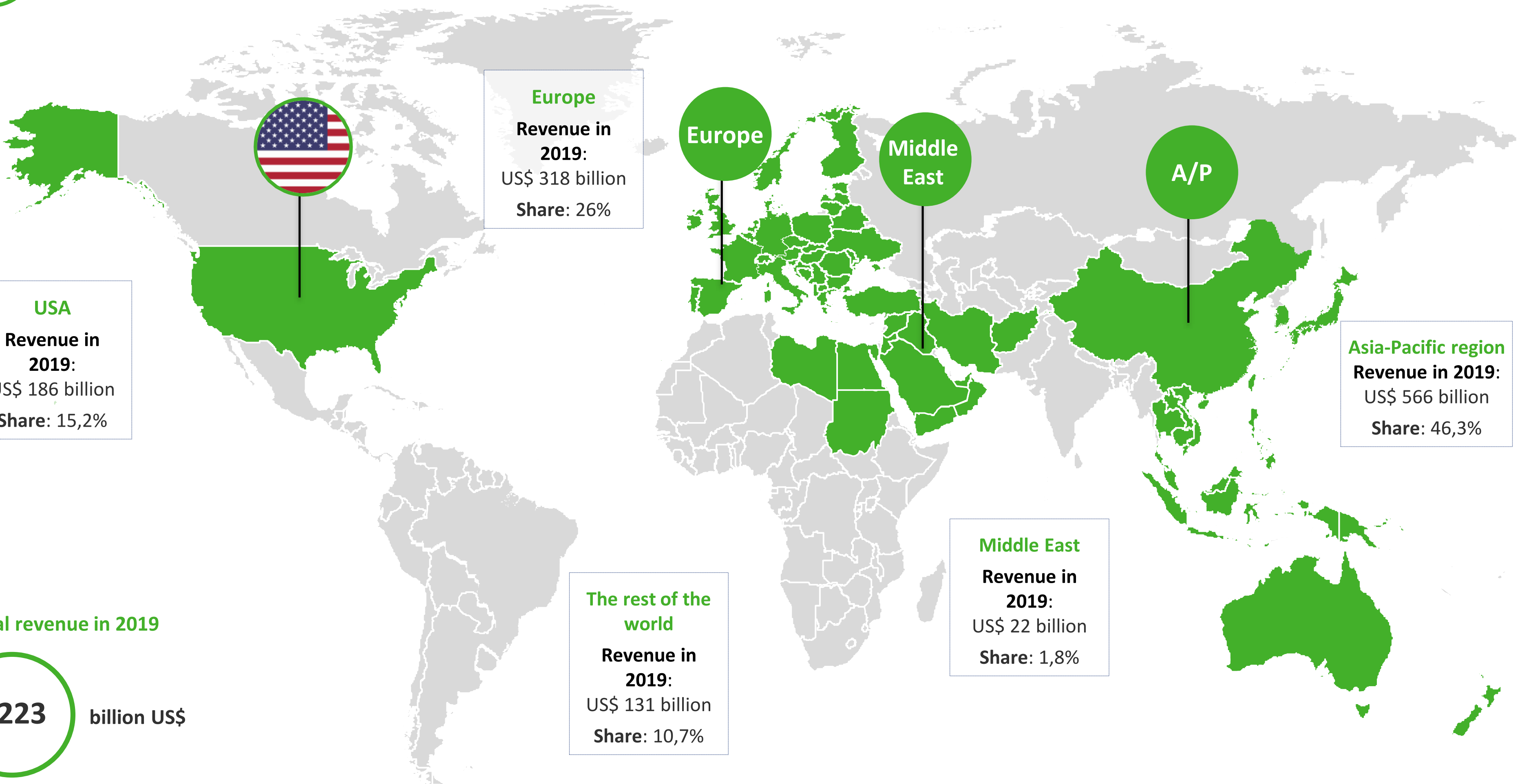
Change in mutton production, thousand tonnes



Source: FAO

Global meat market revenue

Total global meat market revenue in 2019 was US$ 1,223 billion, with CAGR of 2.4% between 2015 and 2019. Most of the proceeds from the sale of meat and meat products account for by the countries of the Asia-Pacific region - 46.3%, Europe - 26%, the USA - 15.2%, the Middle East - 1.8% and the rest of the world - 10.7%.



Europe
Revenue in 2019: US$ 318 billion
Share: 26%

USA
Revenue in 2019: US$ 186 billion
Share: 15,2%

Asia-Pacific region
Revenue in 2019: US$ 566 billion
Share: 46,3%

Middle East
Revenue in 2019: US$ 22 billion
Share: 1,8%

The rest of the world
Revenue in 2019: US$ 131 billion
Share: 10,7%

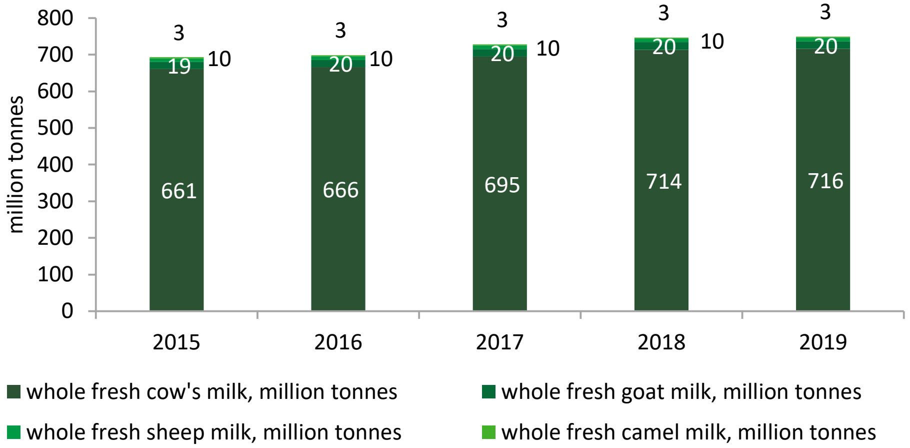
Global revenue in 2019

1,223 **billion US$**

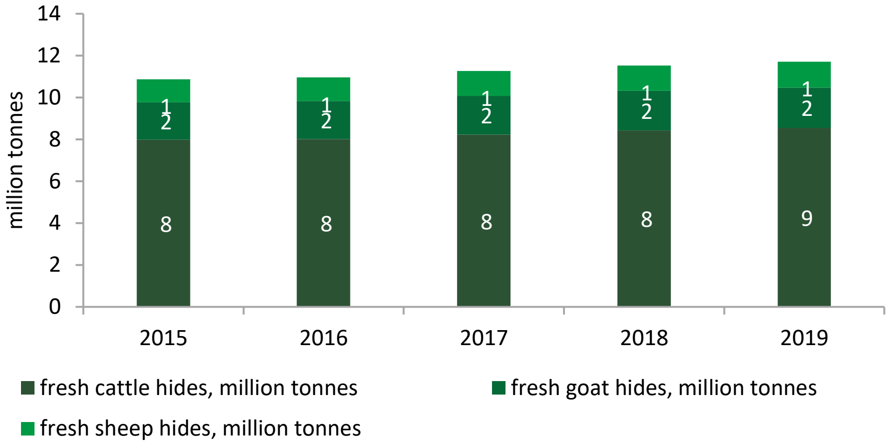
Source: EMIS, Marketline

Production of milk, hides and eggs in the world

Change in production of main types of milk in the world



Change in production of the main types of fresh hides in the world

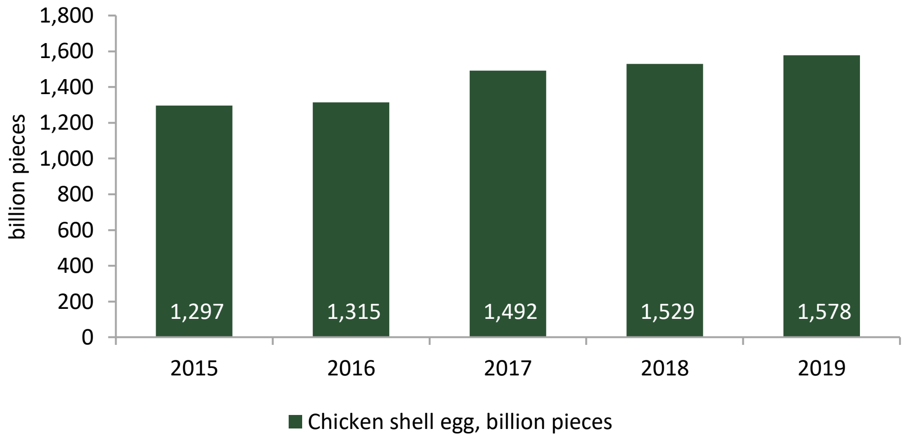


World production of main types of milk, fresh hides and shell chicken eggs showed an increase in the period between 2015 and 2019. The share of world production of cow's milk in 2019 was 95% and reached 716 million tonnes. The growing number of dairy cattle and the increase in their productivity supported the growth of global milk production in 2018 and 2019. However, this growth was held back by abnormally high temperatures and drought.

The average production of eggs was 1,442 billion pieces. Chicken egg production increased by 21% over the period from 2015 to 2019. The factors contributing to the development of this market are the huge demand from the countries of the Middle East, Europe and Asia.

Production of hides also shows a positive trend. The volume of world production of cattle hides in 2019 amounted to 9 million tonnes, i.e. 75% of the total production of hides. Data for 2020 is not available at FAO.

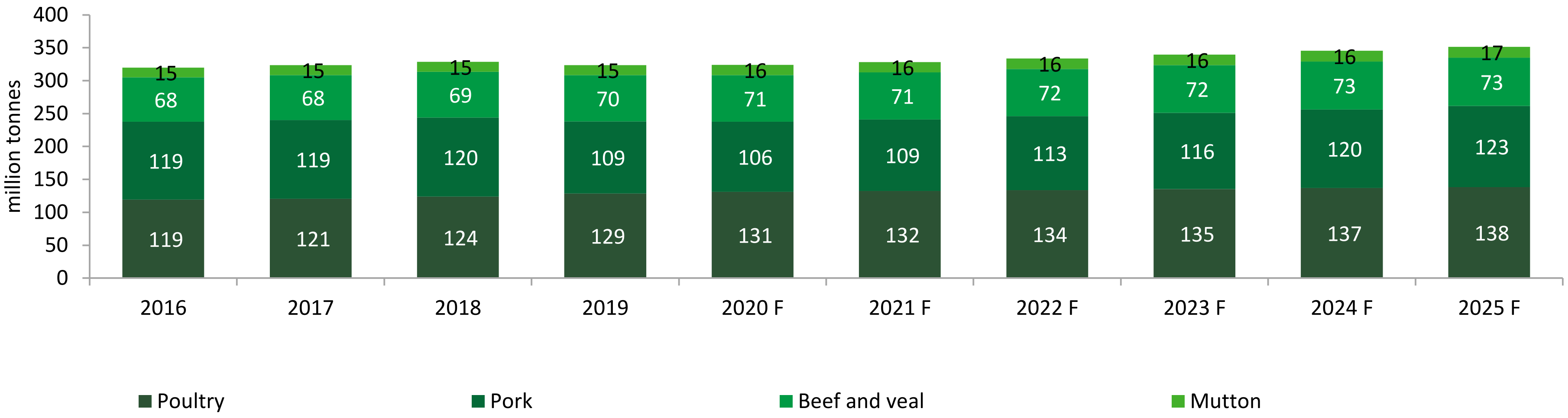
Change in chicken egg production in the world



Source: faostat, FAO

Meat consumption in the world

Change in consumption of main types of meat in the world



COVID-19 pandemic, African swine fever and logistical problems have negatively impacted the global meat consumption in 2019. According to OECD forecasts, by 2025 consumption of major types of meat will reach 351 million tonnes. Consumption is expected to increase due to rising demand in high fertility regions such as Southeast Asia and Africa. Consumption of pork after the death of livestock in 2019 will reach the pre-crisis level only in 2024. It is also forecasted that the consumption of beef and veal will grow at a slower pace, which is associated with a reduction in production by leading producers. This measure on the part of meat producers is explained by the limited amount of raw materials in such exporter countries as Australia and Brazil. Consumption of beef and veal will grow by 19 million tonnes by 2025.

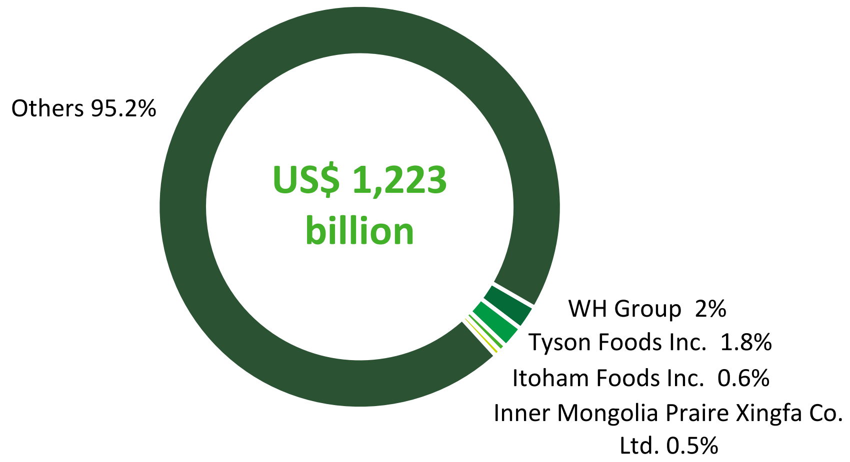
Despite the challenging production and trade conditions the sector faced during the healthcare crisis and bird flu outbreaks in some European countries, the global consumption of poultry will continue to grow. This growth is due to the affordable price of meat.

Consumption of mutton hovers around 16 million tonnes over the indicated 10-year period. FAO forecasts this small increase in mutton consumption is due to the high price. For this reason, in many countries in the Middle East and North Africa (MENA), the consumption of mutton will decline in the long term in favour of poultry.

Source: oecd, EMIS, Marketline, FAO

Segmentation of the global meat market by producers

Structure of the global meat market by producers in value terms, 2019



Company	Overview
WH Group	The company operates in four segments: packaged meat, fresh pork, pig breeding and others. The company has a geographical presence and operates production facilities in the USA, China and some European countries.
Tyson	Tyson Foods sells products in 145 countries and operates in 5 segments: beef, pork, chicken, ready-made food and others. Company is represented in the countries of North and South America, Europe, the Middle East and the Asia-Pacific region. Tyson Foods operates 42 distribution centres and cold storehouses worldwide.
ITOHAM	Itoham Foods Inc. sells ham, sausage, ready-made food and meat (beef, pork and chicken). The company was established as a result of the merger of Itoham Foods Inc. and Yonekyu Corporation. Itoham Foods Inc. is located in Tokyo, Japan.

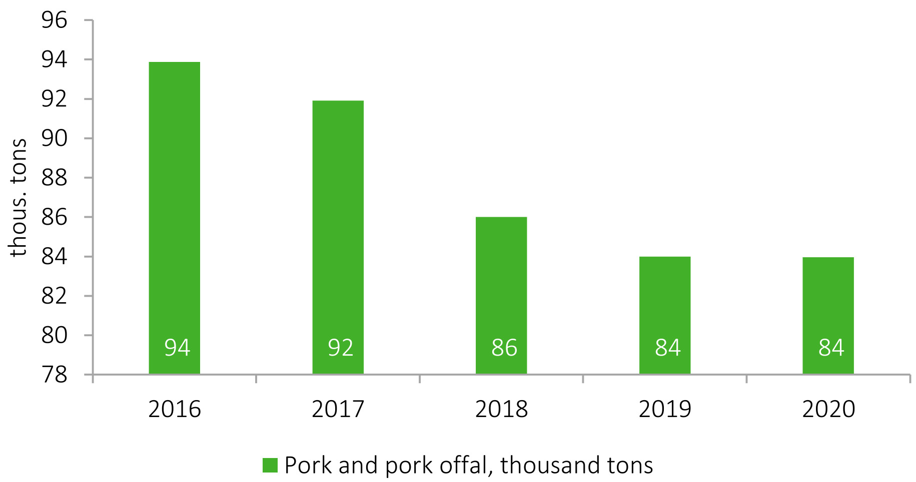
- The global market of meat producers is highly competitive. There are several major multinational companies with a large market share, namely WH Group, Tyson Foods, Itoham Foods and Inner Mongolia Praire Xingfa Co. Ltd.
- The multinational company WH Group (China) is a leading player in the global meat market, accounting for 2.0% of the global meat market in value terms.
- Multinational company Tyson Foods, Inc. (USA), is the second leading player in the global meat market. The company accounted for 5.9% of the frozen meat market, 1.9% of the fresh meat market and 1.7% of the chilled, raw and packaged meat market in 2019.
- Itoham Foods Inc. (Japan), is the third largest player in the global meat market, accounting for 0.6% of the market in 2019. The company accounted for 1.0% of the fresh meat market and 0.5% of the chilled, packaged meat market in 2019.

Source: oecd, faostat, FAO

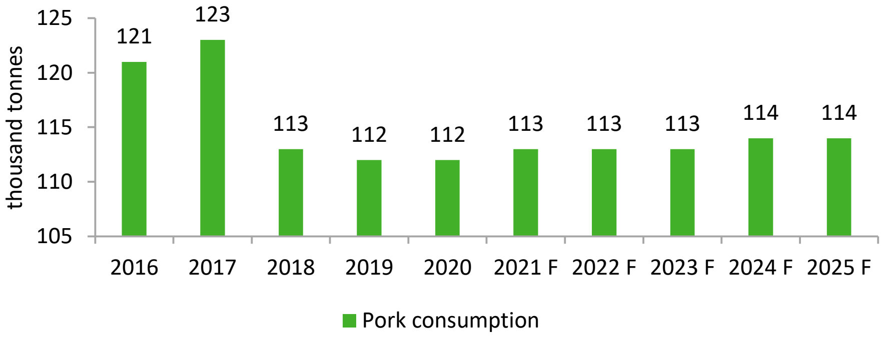
Pig breeding segment

Pork production and consumption in Kazakhstan

Change in production of pork and pork offal in Kazakhstan



Change in pork consumption in Kazakhstan, thousand tonnes



Source: Kazakhstan Statistics Committee

The average production of pork and pork offal in Kazakhstan amounted to 88 thousand tons for the period 2016-2020. The average annual rate of decline in production volumes was 2.7%. The reason for these reductions is the high cost of raising pigs, which stands at 1.4 euros per 1 kg.

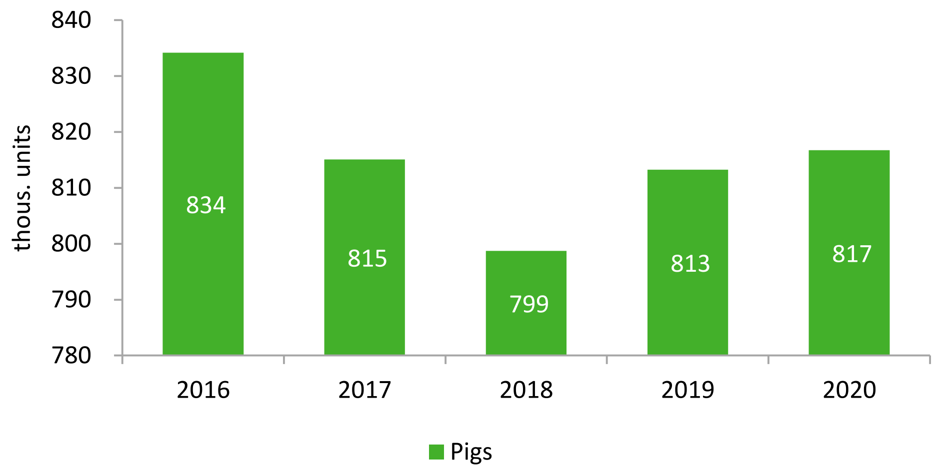
However, the government plans to increase pork production in Kazakhstan by attracting private investment. At the moment, 11 projects with a capacity of 187 thousand tons are at the design stage.

In general, in the period from 2016 to 2020, a stable positive dynamics of meat consumption was recorded in Kazakhstan. This fact is associated with the migration of the population to cities, which leads to an increased consumption of meat.

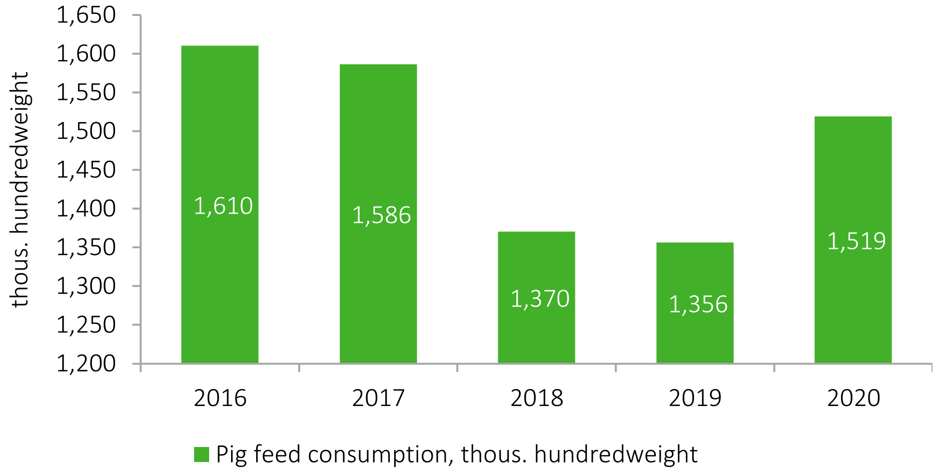
Thus, the volume of pork consumption in Kazakhstan is about 112 thousand tons over the past 2 years, however, over the past 5 years, pork consumption has fallen by 7%. In terms of consumption, pork is the least demanded type of meat in Kazakhstan at the moment. However, the OECD think tank predicts a slight increase in pork consumption by 2025.

Availability of raw materials

The number of pigs in the Republic of Kazakhstan



Feed consumption in agricultural enterprises for pigs



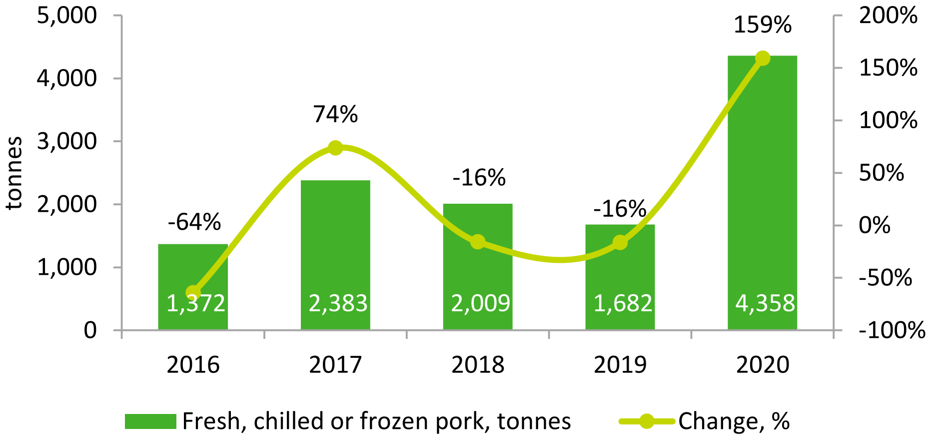
The number of pigs in Kazakhstan has decreased from 834 to 817 thousand heads over the past 5 years. The negative dynamics is explained by the high cost of keeping and breeding pigs; recently, there has been an increase in feed prices. The latter is also the reason for the reduction in feed costs for pigs. Thus, concentrates for compound feed are purchased abroad, which is associated with currency risks.

The Ministry of Agriculture of the Republic of Kazakhstan has developed a program for the development of beef cattle breeding, one of the key financial operators of which is the Fund for Financial Support of Agriculture JSC. Thus, along with the bioactive, the farms are renewing their machine and tractor fleet, purchasing the necessary equipment, and storing feed.

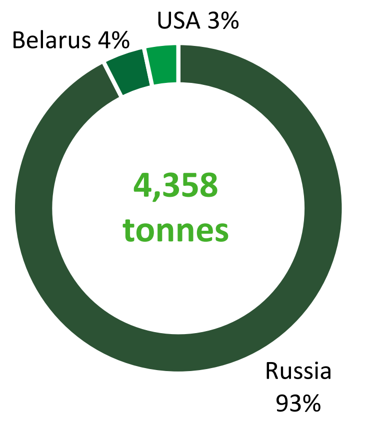
Source: Kazakhstan Statistics Committee, forbes.kz, kapital.kz, informburo.kz, energyprom, kt.kz

Imports and export of pork

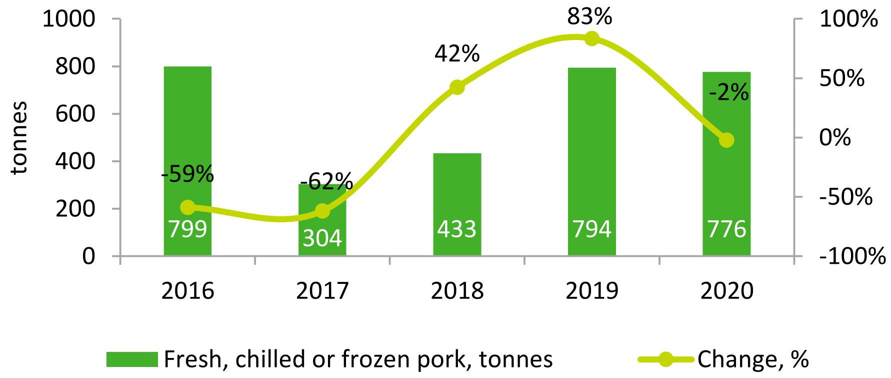
Change in imports of fresh, chilled or frozen pork meat



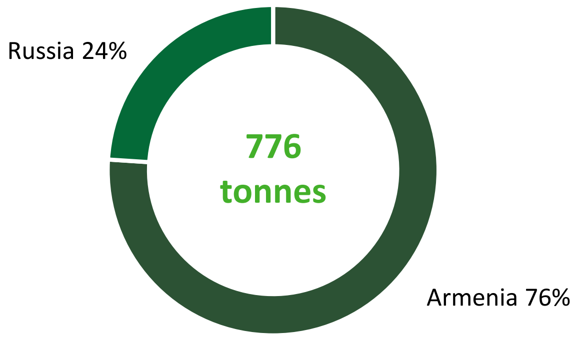
Structure of imports of fresh, chilled or frozen pork in Kazakhstan



Change in exports of fresh, chilled or frozen pork



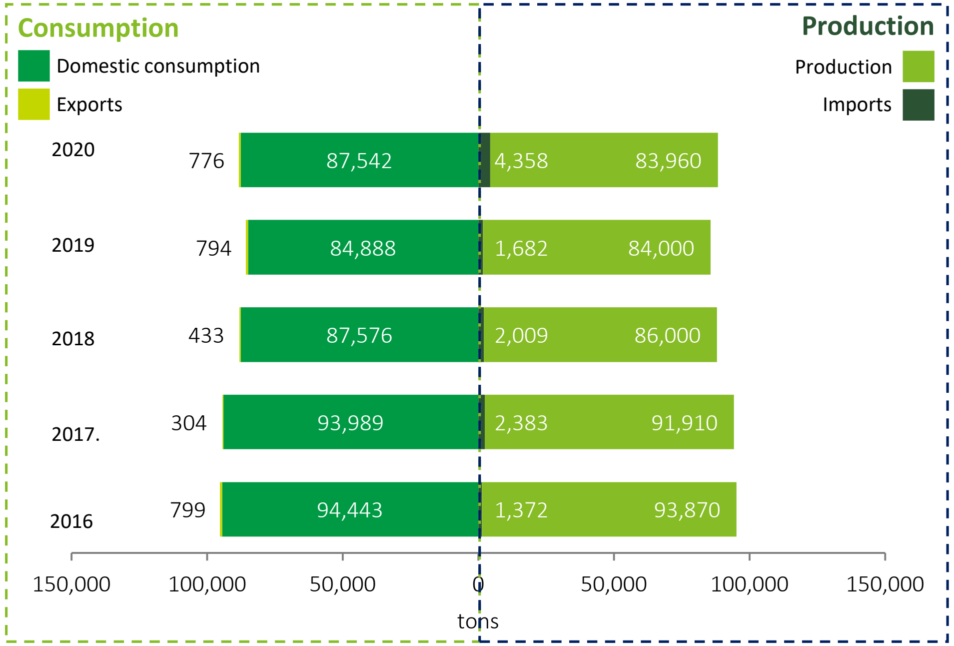
Structure of exports of fresh, chilled or frozen pork from Kazakhstan, 2020



Source: Trademap.org

Pork supply and use balance

Resources and usage



Industry characteristics

Deficit Surplus	Surplus	*Deficit level*	2%
Supply	Low imports dependence	*Imports share*	3%

Source: Trademap.org

Pork

Production and consumption data are presented from the sources of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan and FAO.
The average annual consumption of pork in Kazakhstan was 89,688 tons for the period 2016-2020. In turn, the average level of domestic production for the specified period reached 87,948 tons, which covers 97% of domestic demand. At the same time, the average share of imports of products amounted to 3% of domestic consumption: demand is almost completely covered by local products. During the period under review, the volume of imports increased by 3 times in the structure of resources.
Export volumes for the period 2018-2020 increased by 1.8 times. The main pork markets in 2020 were Armenia (76%) and Russia (24%). China is not a sales market for Kazakhstani pork, but it is considered an attractive market for entry. This is due to the taste preferences of the PRC population: pork is the most consumed type of meat in the country. The African swine fever epidemic has contributed to a decline in the pig population in China, leading to an increase in pork imports. As of 2021, there is an agreement between Kazakhstan and China on the possibility of pork supplies. The average level of product deficit over a 5 year period is 2%.
The pork niche is less attractive for investor entry compared to the other product categories under review.

List of abbreviations

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bln	Billion
CAGR	Compound Annual Growth Rate
CIS	Commonwealth of Independent States
CIT	Corporate income tax
cub.m.	Cubic metre
EEU	Eurasian Economic Union
GDP	Gross domestic product
JSC	Joint-stock company
kg	Kilogram
LLP	Limited Liability Partnership
mln	Million
n/a	Nota available
Q	Quarter
SEZ	Special economic zone
US$	US dollar
VAT	Value added tax