Deloitte.

Infant food production
Sector teaser

August 2021

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Sector overview

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Sector overview. Conclusions and recommendations.

- In the Kazakhstan general classifier of economic activities (GCEA 03-2019), infant food production is classified as 10.86 and divided into 7 main groups, including homogenised meat, vegetable, fruit and berry, dairy and flour-based good products, as well as homogenised formula and other products.
- The global infant food market was valued at 68 billion USD in 2019 and is forecast to reach 96 billion USD by 2027 with average annual growth of 6%. The majority of global demand for infant food comes from the Asia-Pacific region (42.1%) and Europe (26.1%).
- Organic products are gaining popularity across the world. The global market for organic infant food is valued at 3.,6 billion USD in 2020, and is expected to reach 7.1 billion USD by 2026 with average annual growth of 12.23%.
- Infant food production in Kazakhstan is still under-developed, with almost all demand covered by imports. According to the Kazakhstan Statistics Committee, there are only two companies producing infant food in Kazakhstan.
- Infant food imports into Kazakhstan amounted to 65,873 tonnes in 2020, the majority of which is juice (85%). Infant food is mostly imported from Russia, where global infant food producers have organised production to cover CIS demand (57,202 tonnes or 87% of all product imported into the country).
- Infant food in Kazakhstan is represented by products from companies such as Nestle, Danone, Heinz, HiPP, Progress and Sady Pridonya.

Developed raw materials base

Kazakhstan has the required meat, dairy, fruit and vegetable raw materials base to produce infant food. In 2020, sheep and goats numbered in excess of 20,000 thousand, cattle – 7,850 thousand, horses – 3,140 thousand and camels - 228 thousand. Cow milk production increased between 2015 and 2019 to an average of 5,473 thousand tonnes. The Ministry of Agriculture has developed a programme to promote industrial dairy farms and commission at least 25 additional units every year.

- The total sowing area for seed and stone fruit in Kazakhstan was 47.2 thousand ha in 2020, of which apples accounted for 76%. The total yield in Kazakhstan in 2020 was 324.8 thousand tonnes of seed and stone fruit, of which apples accounted for 259.1 thousand tonnes. The total vegetable, melon and water melon harvest in Kazakhstan was 473 thousand ha in 2020, of which potatoes account for 41% or 193 thousand ha, cabbage – 21 thousand ha (4%), tomatoes – 30 thousand ha (6%) and aubergines – 22 thousand ha (5%).

High import reliance

- Infant food is practically 100% reliant on imports, which forces the issue of developing domestic production to ensure product security, maintain the life and health of the growing generation and the population as a whole.
- To develop local production, Kazakhstan needs to make use of the developed raw materials base, learn from adult food producers, ensuring the main components of baby milk formula are available. Given the country's geographical proximity to sales markets such as Central Asia, the Middle East and China, potential domestic infant food producers have the opportunity to develop exports in the organic segment, as well as develop "functional" beverages and food products.

State support

- Infant food production is one of the priority sectors of the national economy, which receives state support within the framework of the Entrepreneurial Code, the State Programme for Agricultural Industry Development in 2017-2021, and operations in the various SEZ around the country, and others.

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Infant food classification

Infant food classification according to the 2019 GCEA

According to the Kazakhstan GCEA, infant food production includes seven main segments, such as homogenised meat, vegetable, fruit and berry, dairy and baked good products.

Homogenised meat, meat by-products or blood for infant food

This product segment includes ready infant food made from chicken, beef and others

Homogenised vegetable products, preserved without vinegar, not frozen, for infant food

This segment includes ready vegetable infant food

Homogenised fruit and berry products (jams, jelly, puree and nut pastes) for infant food

This segment includes ready fruit and berry infant food

Homogenised infant food formula in packaging of up to 250 g

This segment includes ready homogenised formula, including milk formula in packaging of up to 250 g

Dairy infant food

This segment includes curd, yoghurt and other dairy-based infant food products, including milk formula in packaging of over 250 g

Flour-based infant food

This segment includes ready flower and grain-based infant food

Other infant food

This segment includes juice and other infant food preservatives

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Infant food production in Kazakhstan

Infant food production in Kazakhstan

Infant food production is currently under-developed in Kazakhstan and mostly consists of insignificant volume of dairy products for children such as yoghurt and curd, as well as water and juice.

Kazakhstan likewise does not produce the required components for infant milk formula, including 90% demineralised whey, protein concentrates, carbohydrate fundamentals and various vitamin and mineral mixtures.

Composition of classic infant formula

Dairy-based:
- SPM – dry skimmed milk (12-80%)
- DWP -90 – 90% demineralised whey (5-30%). Helps standardise whey protein, lactose and mineral content to ensure formula composition matches breast milk as much as possible.
- WPC – whey protein concentrate (2-7%). A dietary supplement consisting of powdered dairy whey protein concentrate.
- HWPC – hydrolysed protein whey concentrate (up to 32%)

Carbohydrate based:
- Lactose (7-46%)
- Maltodextrin (5-28%)
- Starch molasses (9-18%)

Premixes
- Prebiotics, lacto and bifido bacteria
- Minerals and microelements

Oil and fat based
- Cream (up to 8%)
- Mixture of vegetable oils: sunflower, palm, rapeseed, coconut and soybean oil (7-26%)

Infant food producers in Kazakhstan

No.	Company name	Purpose	Brand	Plant location	Product range
1	Amiran LLP	The Amiran Kazakh Food Academy Plant is the only business producing infant food made from natural full milk in Kazakhstan	amiran Махаббатпен! С любовью!	Almaty region	1. Infant drinking and porridge milk, 3.2%, 230 ml 2. Children's fermented dairy products, 3.5%, 180 g 3. Children's curd paste, 9%, 100 g 4. Children's grainy curd, 9%, 100 g 5. Children's live yoghurt, 2.8%, 180 g
2	Kometa LLP	Kometa LLP is the first Kazakhstan producer of eco-friendly ozonised drinking water	Calipso	Almaty region	Bottled water for children

Source: open company sources

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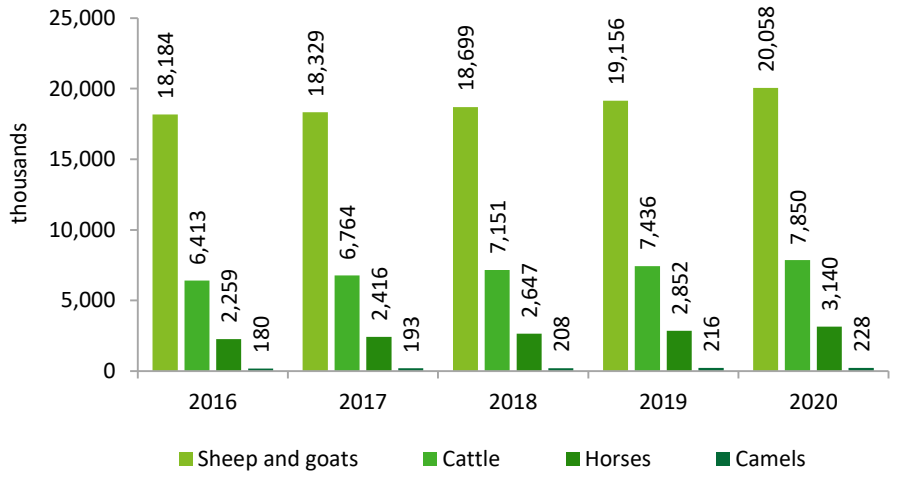
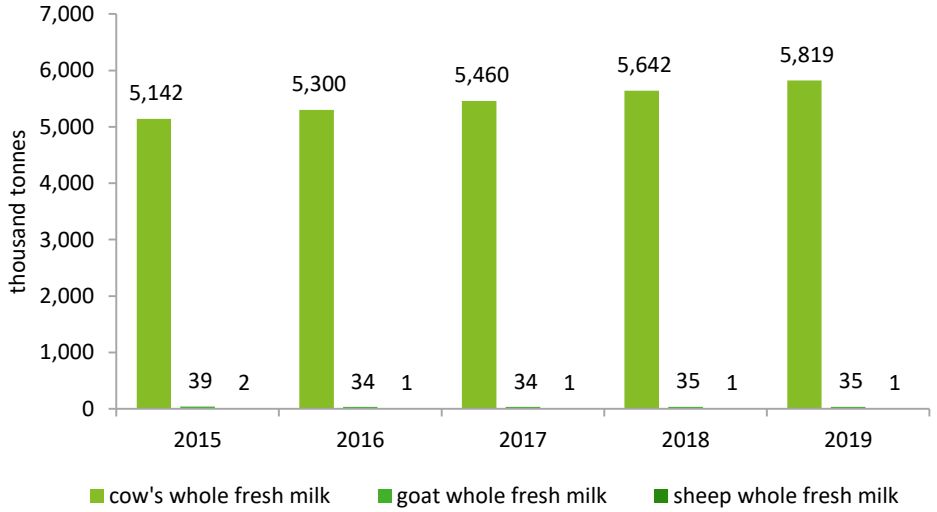
Meat and dairy raw materials base for infant food production

Cattle numbers in Kazakhstan



- The period between 2016 and 2020 saw an increase in cattle, sheep and goat, horse and camel numbers.
- One of the reasons for the growth is state support. To develop the agricultural industry in 2017–2021, approximately 30% of total investment in the industry or 35.9 billion tenge was used specifically to subsidise animal breeding investment projects.
- Beef stock farming was recognised as the main long-term priority for agricultural industry development.
- The main factor in the decline in poultry numbers is the outbreak of bird flu between September and November 2020 in individual households and poultry farms.

Changes in milk production in Kazakhstan



- The period between 2015 and 2019 saw an increase in cow milk production to an average of 5,473 thousand tonnes.
- Eight industrial and 14 family farms were commissioned in 2019 with capacity of 44 thousand tonnes of milk. The Ministry of Agriculture is planning to commission 25 industrial dairy farms every year.

Source: Kazakhstan Statistics Committee

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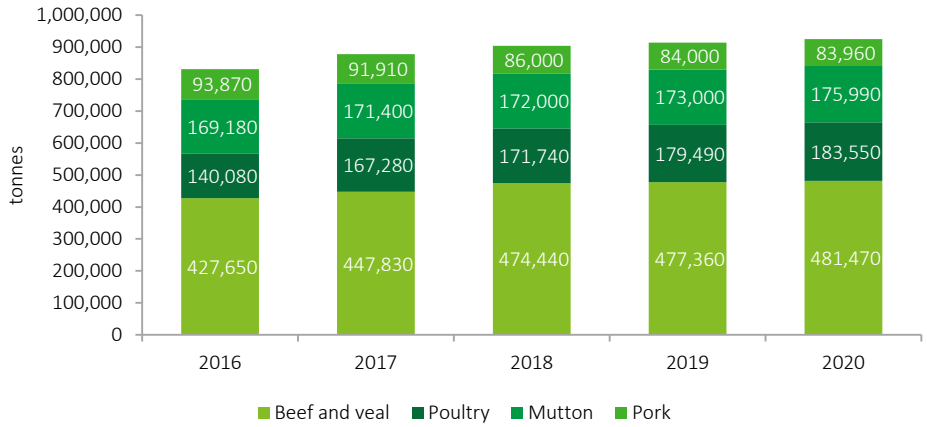
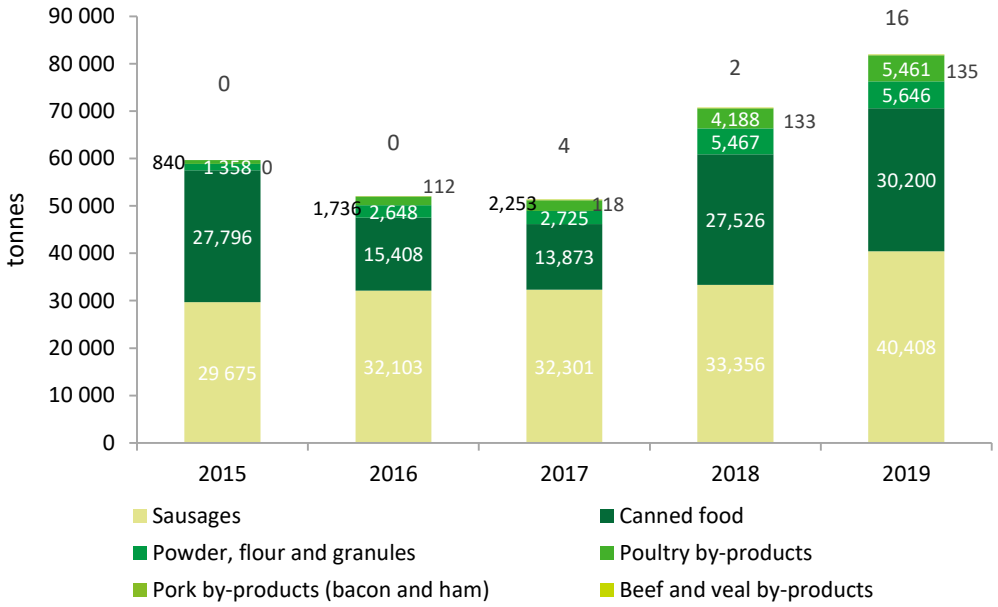
Meat and dairy raw materials base for infant food production

Changes in the production of the main meat types in Kazakhstan



- Between 2016 and 2020, there was an increase in beef, veal, poultry and mutton production.
- A Ministry of Agriculture moratorium on the export of live cattle introduced in 2020 has secured processing company capacity.
- Poultry meat production is growing year-on-year due to poultry farm expansion. After its expansion, the Makin Poultry Farm became the largest chicken meat producer in Central Asia.
- Pork production fell during the review period (CAGR=-2.8%) due to the high cost of breeding pigs (1.4 Euros per kg). Nevertheless, the State is planning to increase pork production through private investment. 11 projects with capacity of 187 thousand tonnes are currently at the planning stage.

Changes in by-products in Kazakhstan



- In physical terms, average sausage production in Kazakhstan amounted to 34,542 tonnes, while canned food production amounted to - 21,752 tonnes; powder, flour and granules – 4,122 tonnes.
- In the last five years, canned food, powder, flour and granule production almost doubled, while poultry by-product production more than tripled. Domestic product production growth was based on an increase in state aid provided for animal breeding and meat processing.
- Data on beef and veal by-product production in 2016 and 2020 is not published on the Ministry of the National Economy website.

Source: Kazakhstan Statistics Committee

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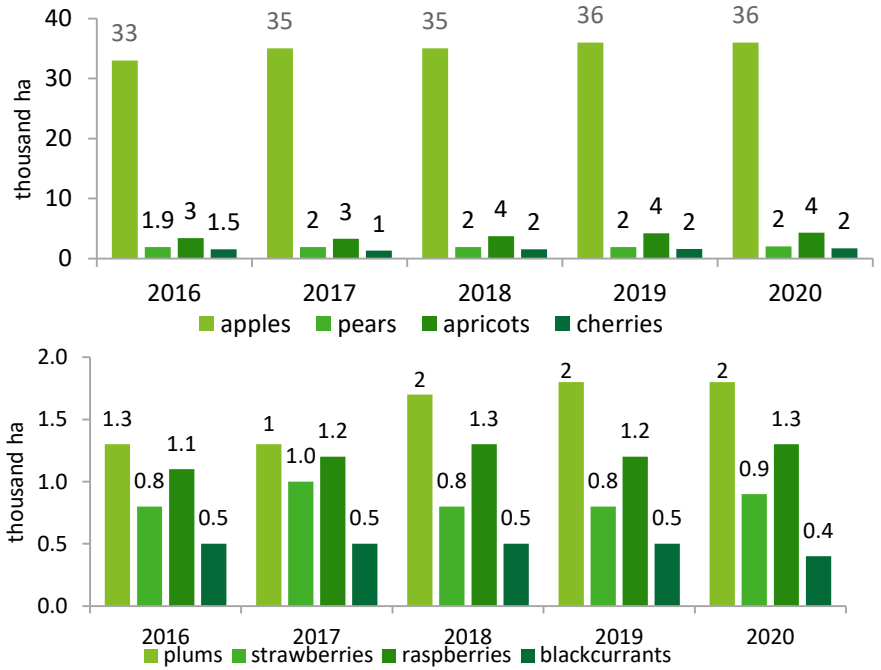
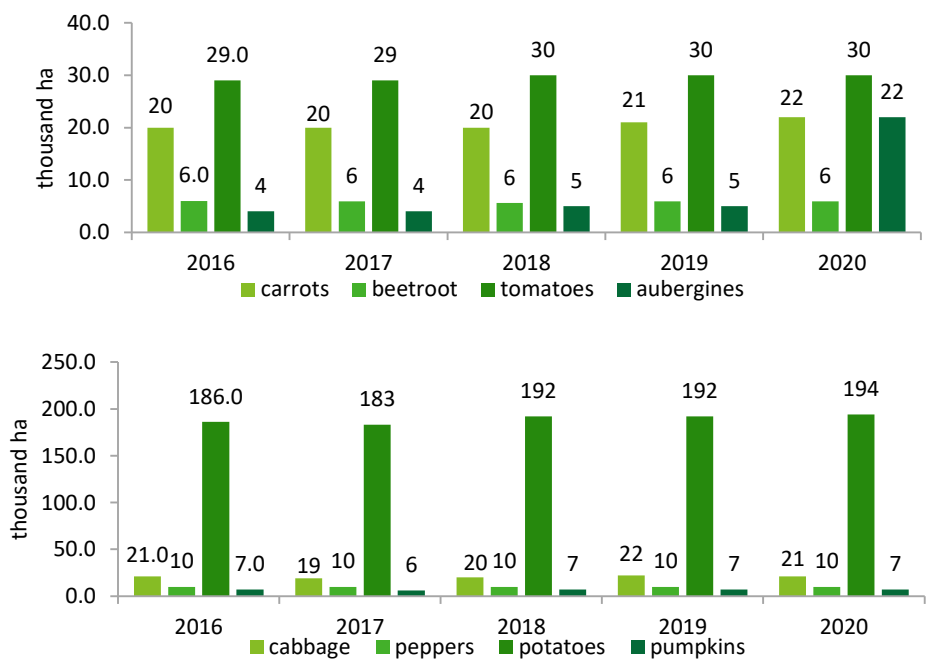
Fruit and vegetable raw materials base for infant food production

Fruit and berry harvested acreage, thousand ha



Vegetable harvested acreage, thousand ha



- Total vegetable, melon and water melon harvested acreage in Kazakhstan amounted to 473 thousand ha in 2020, of which potatoes accounted for 41% or 193 thousand ha, cabbage – 21 thousand ha (4%), tomatoes – 30 thousand ha (6%) and aubergines – 22 thousand ha (5%). Turkestan and Almaty regions are the leaders in terms of harvested vegetable, melon and water melon acreage. The two regions accounted for 43% (25% and 18%) of total sowing area for the country.
- Total seed and stone fruit harvested acreage in Kazakhstan amounted to 47 thousand ha in 2020, of which apples accounted for 77% or 36 thousand ha, apricots – 4 thousand ha (9%), plums – 2 thousand ha (4%) and pears 2 thousand ha (4%). Turkestan and Almaty regions are the leaders in terms of harvested seed and stone acreage, accounting for 82% (42% and 40%) of total harvested area for the country.
- Sugar beet is predominantly grown in the south of the country due its milder climate. Tomatoes are predominantly grown in Turkestan, Almaty and Dzhambul regions, which have the highest number of sunny days per year. Squash, aubergines, cabbage and peppers are also grown in the region. Cold-resistant potatoes are grown across the entire country.

Source: Kazakhstan Statistics Committee

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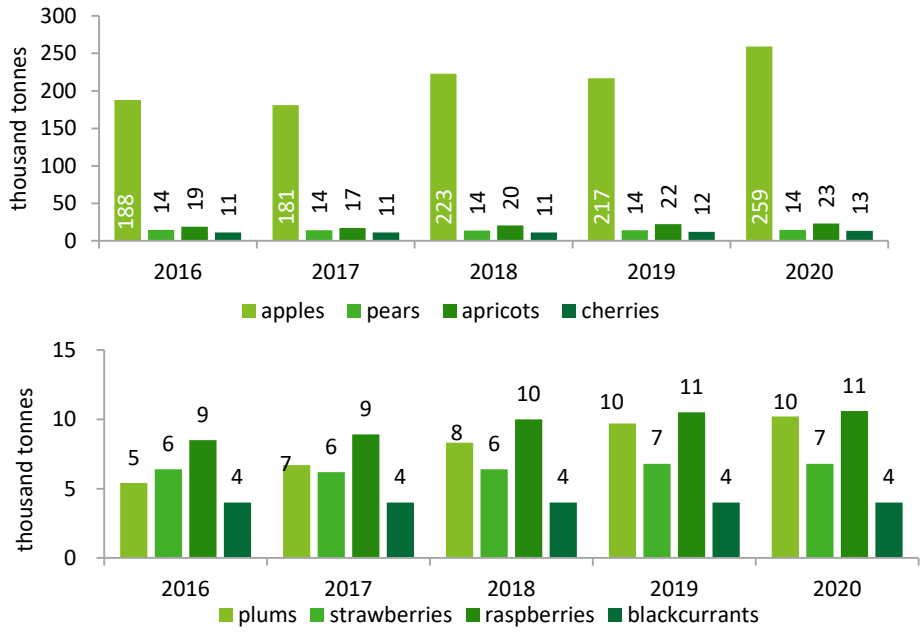
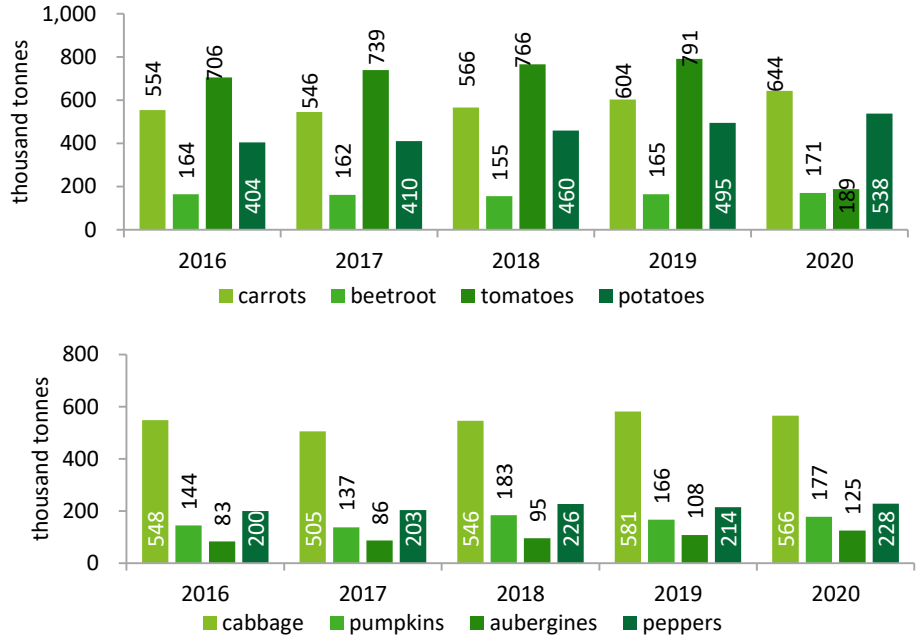
Fruit and vegetable raw materials base for infant food production

Gross fruit and berry yield, thousand tonnes



Gross vegetable yield, tonnes



- In 2020, Kazakhstan harvested a total of 324.9 thousand tonnes of seed and stone fruit, of which 259.1 thousand tonnes are apples. The main sources of seed and stone fruit are Turkestan and Almaty regions, accounting for 40.4% and 40.1% of the total. Average annual growth in gross apple yield in 2016-2020 was 6.62%. In 2020, Almaty region harvested 107.9 thousand tonnes of apples, which is 41.6% of the national figure.
- The gross harvest of vegetables, melons and water melons, root and tuber vegetables amounted to 11.5 million tonnes in 2020, of which 4 million tonnes were potatoes. The main vegetable, melon and water melon harvests were in Turkestan and Almaty regions – 30% and 23% of the total. Average annual growth in gross potato yield in 2016-2020 was 3.1%. In 2020, Almaty region harvested 786 thousand tonnes of potatoes, which is 20% of the national figure.
- The southern regions, specially Almaty and Turkestan regions with their mild climates are the leaders in apple, pear, apricot, plum, strawberry and raspberry farming. The majority of types of blackcurrant grown are cold-resistant, which is why they are grown in northern and central regions of the country.

Source: Kazakhstan Statistics Committee

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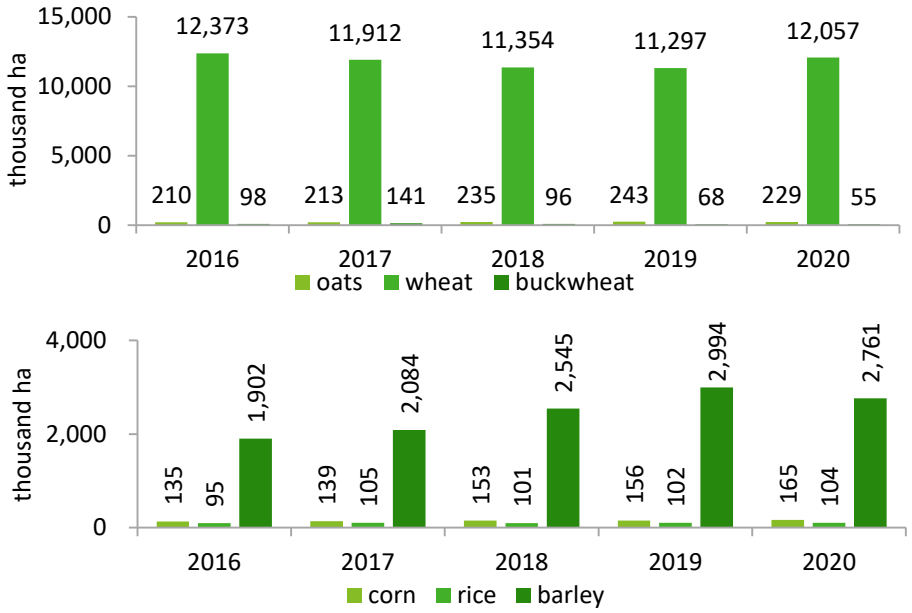
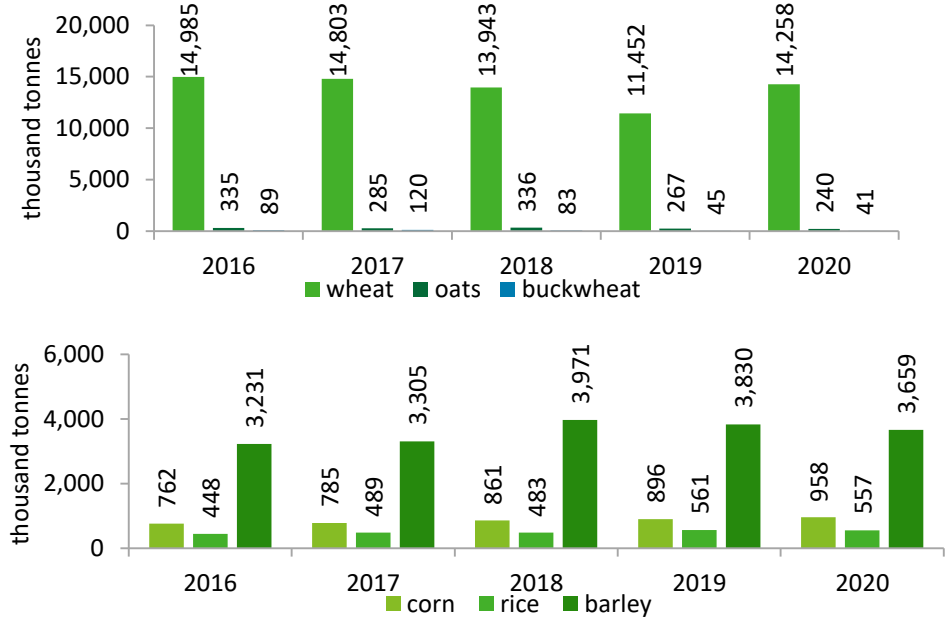
Cereal raw materials base for infant food production

Cereal harvested acreage, thousand ha



Gross cereal yield, thousand tonnes



- The main cereal sowing areas are in the north of the country, in Kostanai, Akmola and North-Kazakhstan regions, which have a moderate climate, chestnut, chernozem and woody loam soil. Gross wheat yield in Kazakhstan in 2020 amounted to 14,258 thousand tonnes. Average annual yield growth in 2016-2020 is -1.2%. Wheat yield per unit in 2016-2020 was stable and averaged 11.7 hundredweight per ha.
- Gross barley yield in Kazakhstan declined 5% in 2020 to 3,659 thousand tonnes. Average annual barley yield growth in 2016-2020 was 3.2%. Barley yield per unit in 2016-2020 was unstable and averaged 13.4 hundredweight per ha. In 2020, gross oat yield in Kazakhstan was 240 thousand tonnes, which is an 11% decline year-on-year. Average annual oat yield growth in 2016-2020 was -8%. Oat yield per unit in 2020 was 10.5 hundredweight per ha, which is a 5% reduction year-on-year. In the last five years, oat yield per unit averaged 13 hundredweight per ha.
- Gross rice yield in Kazakhstan in 2020 was 557 thousand tonnes. Average annual rice yield growth in 2016-2020 was 5.6%. Rice yield per unit in 2016-2020 was unstable, amounting to 54.4 hundredweight per ha in 2020.

Source: Kazakhstan Statistics Committee

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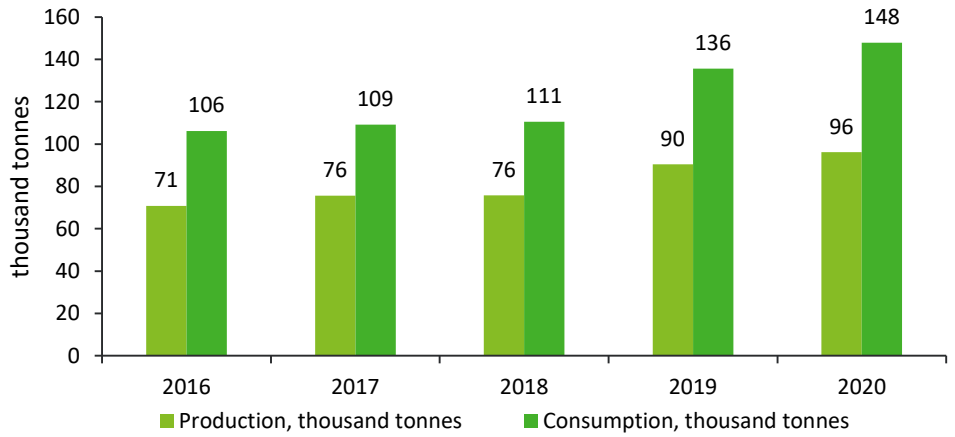
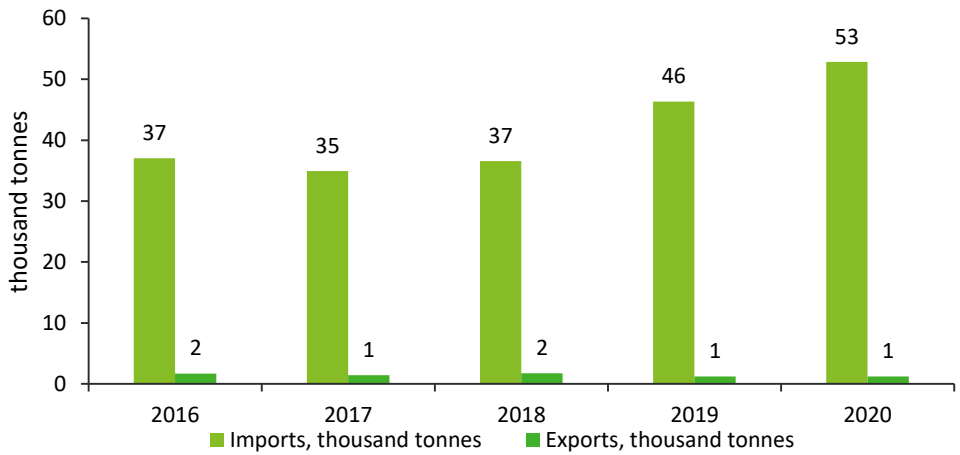
Market for equivalent adult food products: canned meat

Changes in canned meat consumption and production, thousand tonnes



Changes in canned meat imports and exports, thousand tonnes



Canned meat producers in Kazakhstan

No.	Company name	Plant location	Production capacity (per year)
1	Pervomaika-TPK LLP	Kostanai	22 million tins
2	Semipalatinsk Meat Plant LLP	Semei	n/a
3	Karat LLP	Atyrau	12.6 million tins
4	Kublei LLP	Uralsk	200 thousand tins (per day)

In 2016-2020, average canned meat consumption in the country amounted to 103.5 thousand tonnes per year with average annual production growth of 20.36%.

Given the significant growth in canned meat production, exports continued to average 1-2 thousand tonnes per year in 2016-2020.

Average annual growth in canned meat imports for a similar period was 9.4%.

Western regions are more developed in canned meat production due to the presence of major players in Western-Kazakhstan (Kublei LLP) and Atyrau (Karat LLP) regions.

Source: Kazakhstan Statistics Committee, open company sources

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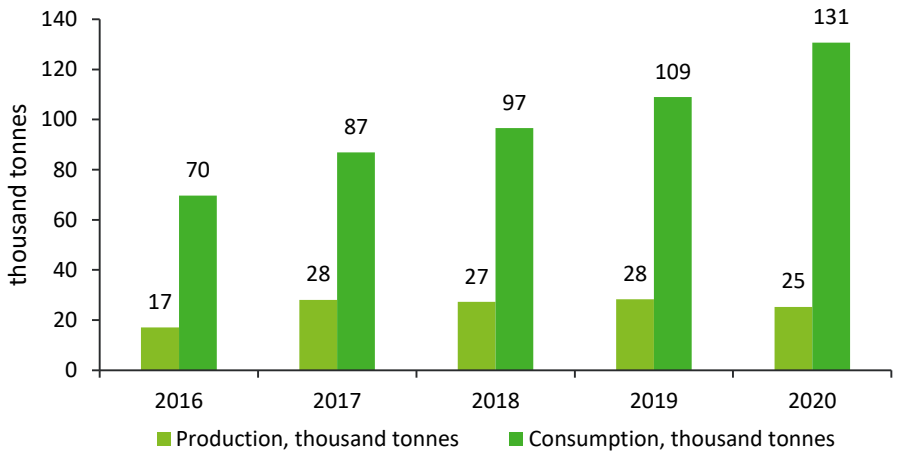
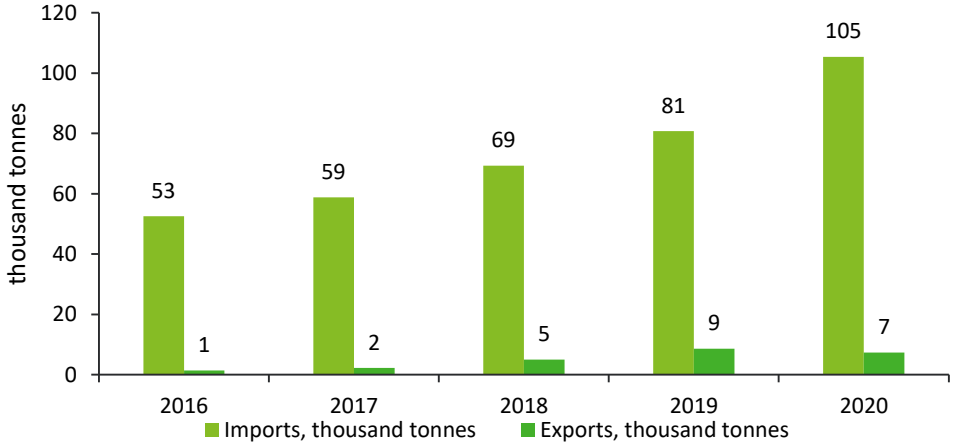
Market for equivalent adult food products: canned vegetables

Changes in canned vegetable consumption and production, thousand tonnes



Changes in canned vegetable imports and exports, thousand tonnes



Canned vegetable producers in Kazakhstan

No.	Company name	Plant location	Production capacity (per year)
1	Tyulkubass Canning Factory LLP	South-Kazakhstan region	up to 35 million tins
2	Dary Sairama LLP	Shymkent	up to 21 million tins
3	Tsin-Kaz LLP	Almaty	n/a
4	Baldyrgan LLP	Taldykorgan	n/a

In 2016-2020, average canned vegetable production was 25.2 thousand tonnes per year with average annual consumption growth of 17%.

Average annual growth in canned vegetable imports for a similar period was 18.6%. Exports remained insignificant, averaging 5 thousand tonnes per year in 2016-2020.

Canned vegetable production is focused in Almaty and Turkestan regions, which are home to 70% of processing enterprises and a large raw materials base.

Source: Kazakhstan Statistics Committee, open company sources

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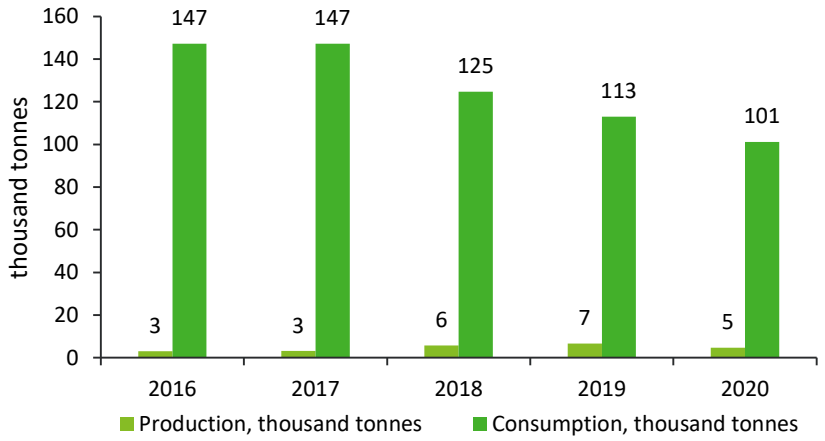
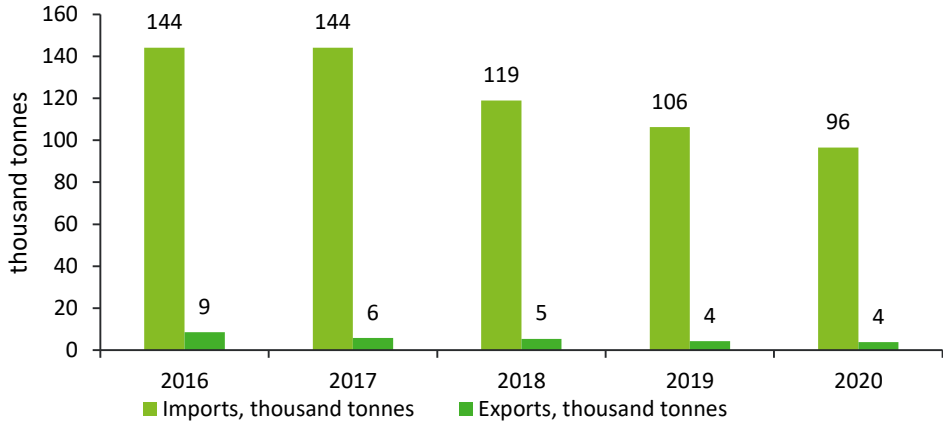
Market for equivalent adult food products: canned fruit and berries

Changes in canned fruit and berry consumption and production, thousand tonnes



Changes in canned fruit and berry imports and exports, thousand tonnes



Canned fruit and berry producers in Kazakhstan

No.	Company name	Plant location	Production capacity (per year)
1	Lakomka Plus LLP	Kokshetau	up to 130 thousand tins
2	Kerei LLP	Nur-Sultan	n/a
3	Chance LLP	Uralsk	n/a

In 2016-2020, average canned fruit and berry consumption was 126.7 thousand tonnes per year and significantly higher than production, which averaged 4.7 thousand tonnes per year during the same period.

Exports were insignificant – averaging 5.6 thousand tonnes of product per year.

Canned fruit and berry imports and consumption fell by 33% and 31%, respectively, in 2016-2020, which testifies to reduced product demand from Kazakhstan consumers. The change in consumption structure is explained by consumer preference for fresh fruit and juice, which have become more affordable.

Source: Kazakhstan Statistics Committee, open company sources

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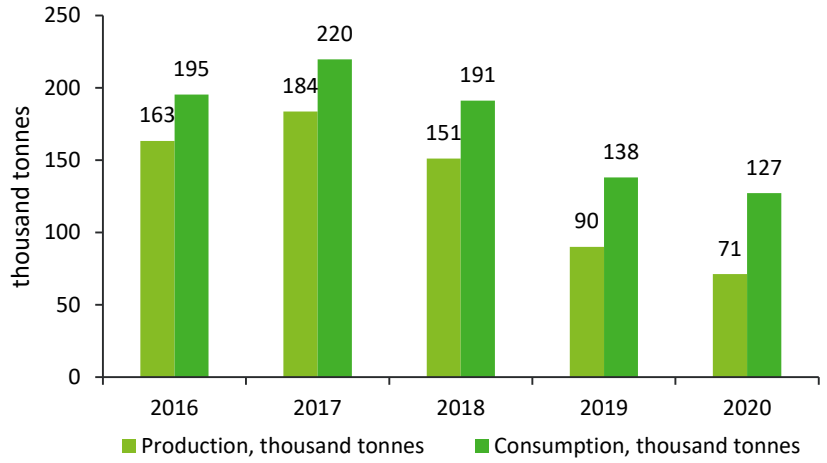
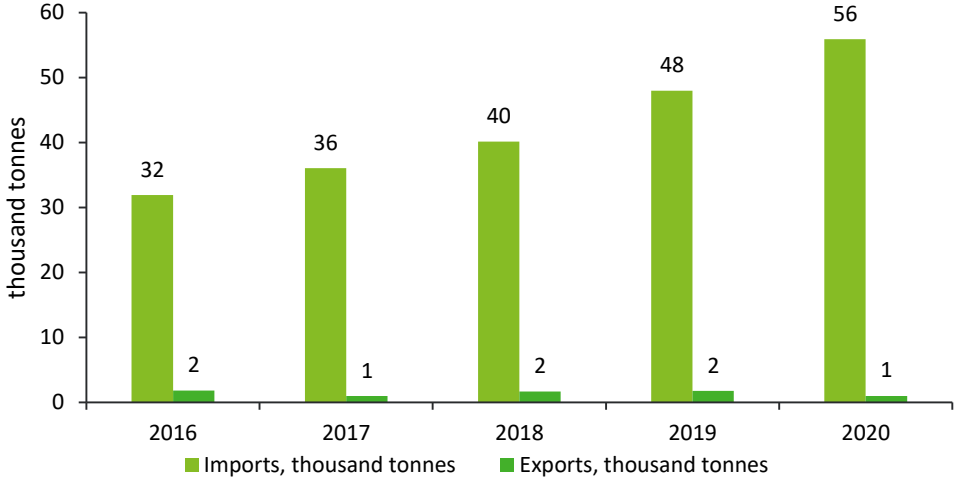
Market for equivalent adult food products: juices

Changes in juice consumption and production, thousand tonnes



Change in juice imports and exports, thousand tonnes



Juice producers in Kazakhstan

No.	Company name	Plant location	Production capacity (million litres per year)
1	RG BRANDS KAZAKHSTAN LLP	Almaty region	750
2	Coca Cola Almaty Bottlers	Almaty and Nur-Sultan	700
3	Lakomka Plus LLP	Kokshetau	n/a
4	Raimbek Bottlers LLP	Almaty	n/a
5	JSC Galanz Bottlers	Almaty region	n/a

In 2016-2020, average annual juice consumption more than halved to 174.2 thousand tonnes.

Exports remained at 1-2 thousand tonnes in 2016-2020.

Average annual growth in juice imports for the same period was 15%.

The majority of juice production is in Almaty region and southern regions of the country, which is due to the developed infrastructure, large sales market and access to cheaper raw materials.

Source: Kazakhstan Statistics Committee, open company sources

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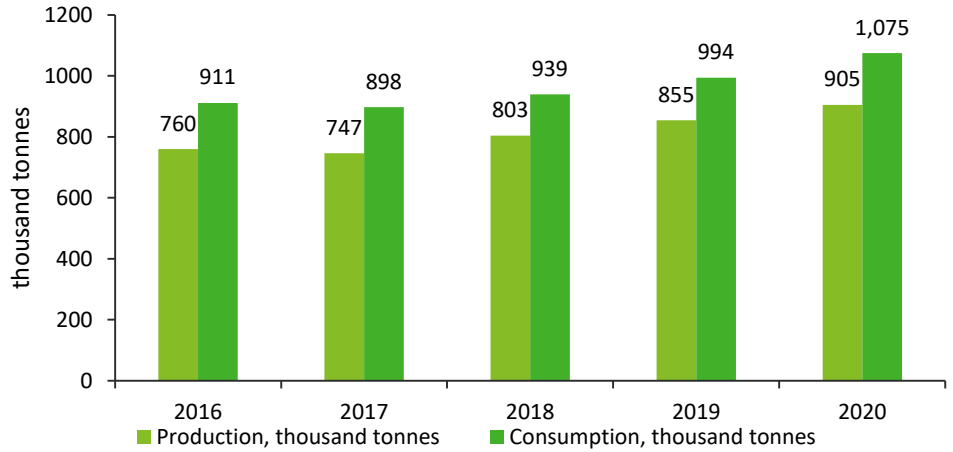
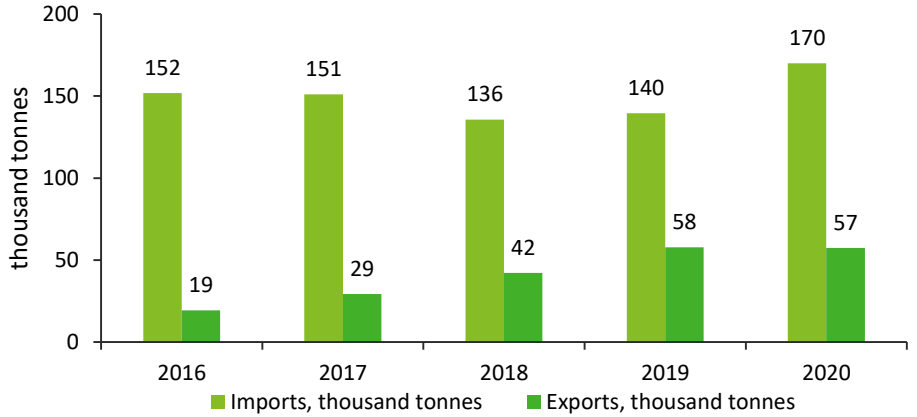
Changes in dairy production consumption and production, thousand tonnes



Changes in dairy production imports and exports, thousand tonnes



Dairy product producers in Kazakhstan

No.	Company name	Plant location	Production capacity (per year)
1	DEP LLP	Kostanai	n/a
2	APK Adal LLP	Almaty region	Up to 80 thousand tonnes
3	Baiserke-Agro LLP	Almaty region	n/a
4	Ice LLP	Aktobe region	n/a
5	Emil LLP	Ust-Kamenogorsk	n/a
6	Eco Milk LLP	Akmola region	n/a
7	JLC-Sut LLP	Almaty region	n/a
8	Asia Elite Food Group LLP	Almaty	n/a

Source: Kazakhstan Statistics Committee, open company sources

In 2016-2020, average annual dairy product consumption was 963.4 thousand tonnes with annual average production growth of 4.5%.

Similarly, exports increased with average annual growth of 31.6% in 2016-2020.

Average annual dairy product imports in the same period amounted to 149.5 thousand tonnes.

The majority of dairy product production is located in Almaty region due to the large market and access to raw materials.

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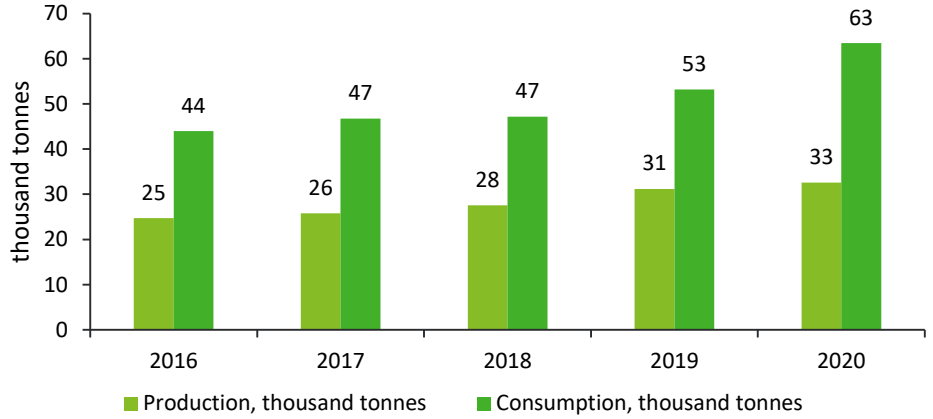
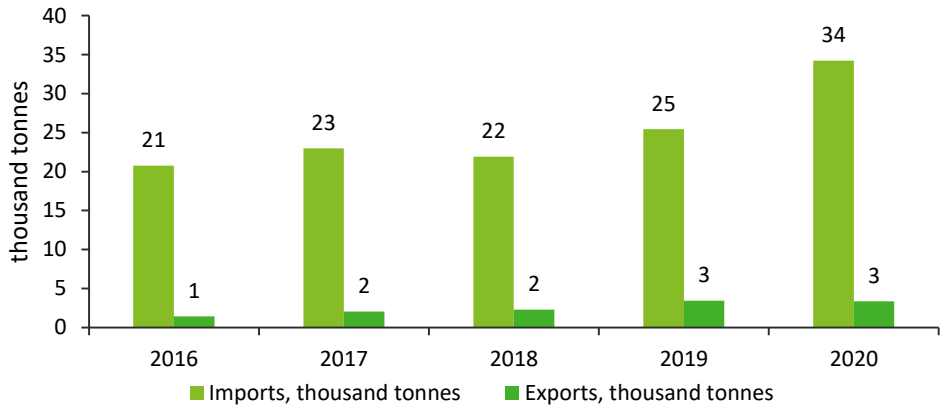
Market for equivalent adult food products: curd, yoghurt and cream

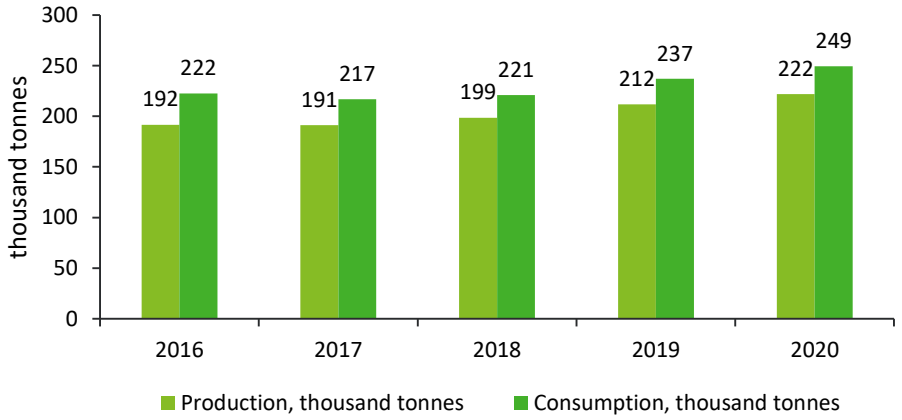
Changes in curd consumption and production, thousand tonnes



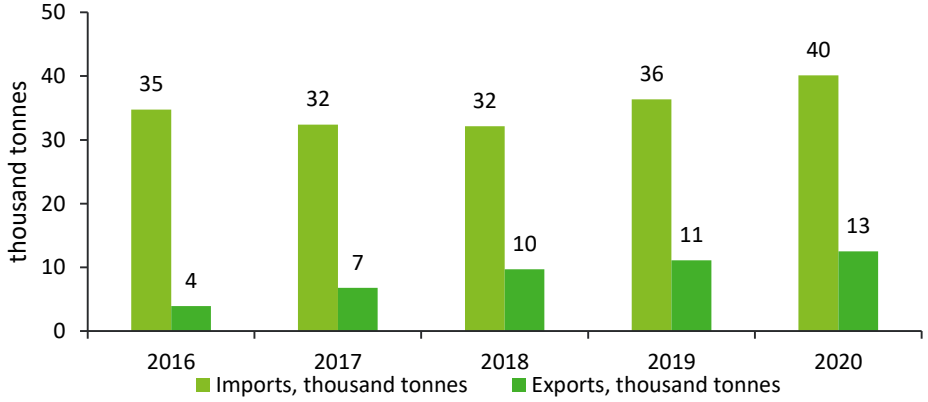
Changes in curd imports and exports, thousand tonnes



Changes in yoghurt and cream consumption and production, thousand tonnes



Change in yoghurt and cream imports and exports, thousand tonnes



Source: Kazakhstan Statistics Committee.

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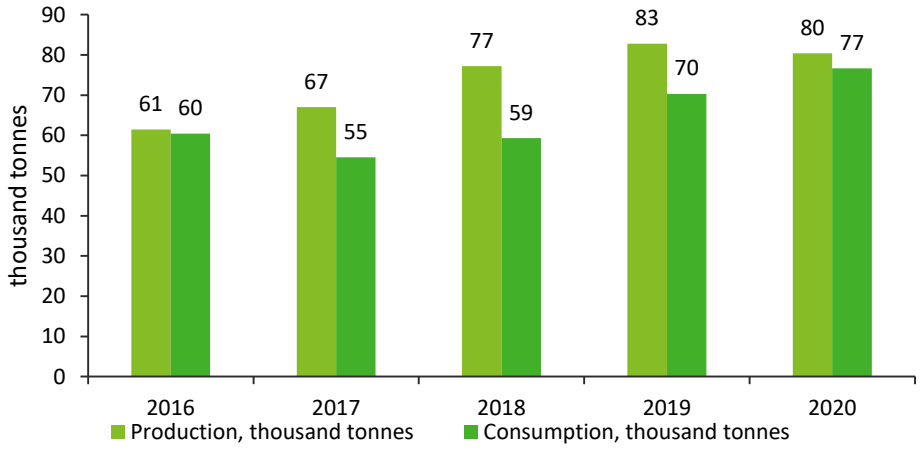
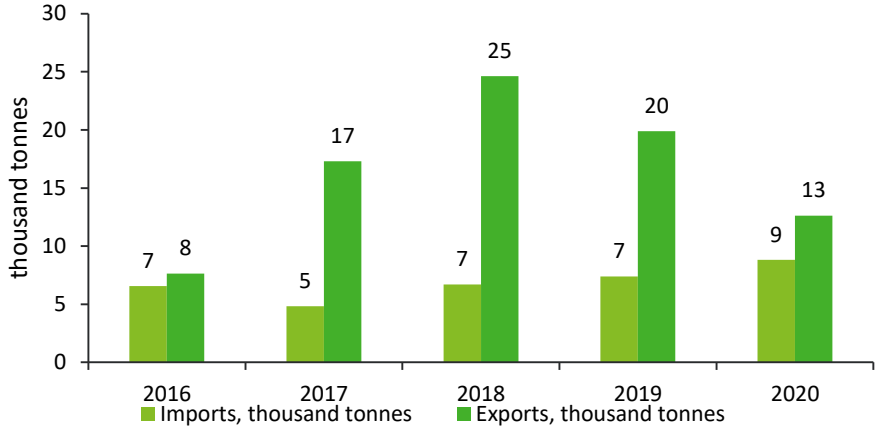
Market for equivalent adult food products: grains

Changes in grain consumption and production, thousand tonnes



Changes in grain imports and exports, thousand tonnes



Grain producers in Kazakhstan

No.	Company name	Plant location	Production capacity (per year)
1	KazZernoProduct LLP	Kostanai	n/a
2	AgroMin LLP	Almaty	n/a
3	AgroMarketing LLP	Nur-Sultan	n/a
4	Altyn Invest LLP	Kostanai region	n/a

In 2016-2020, average annual grain consumption was 64.2 thousand tonnes with average annual production growth at 7%.

Imports averaged 7-9 thousand tonnes in 2016-2020.

At the same time, average grain exports in the same period amounted to 16.4 thousand tonnes.

The majority of grain is produced in Kostanai region and southern regions of the country due to the concentration of the main processing plants, more developed production infrastructure, access to larger markets and cheaper raw materials.

Source: Kazakhstan Statistics Committee

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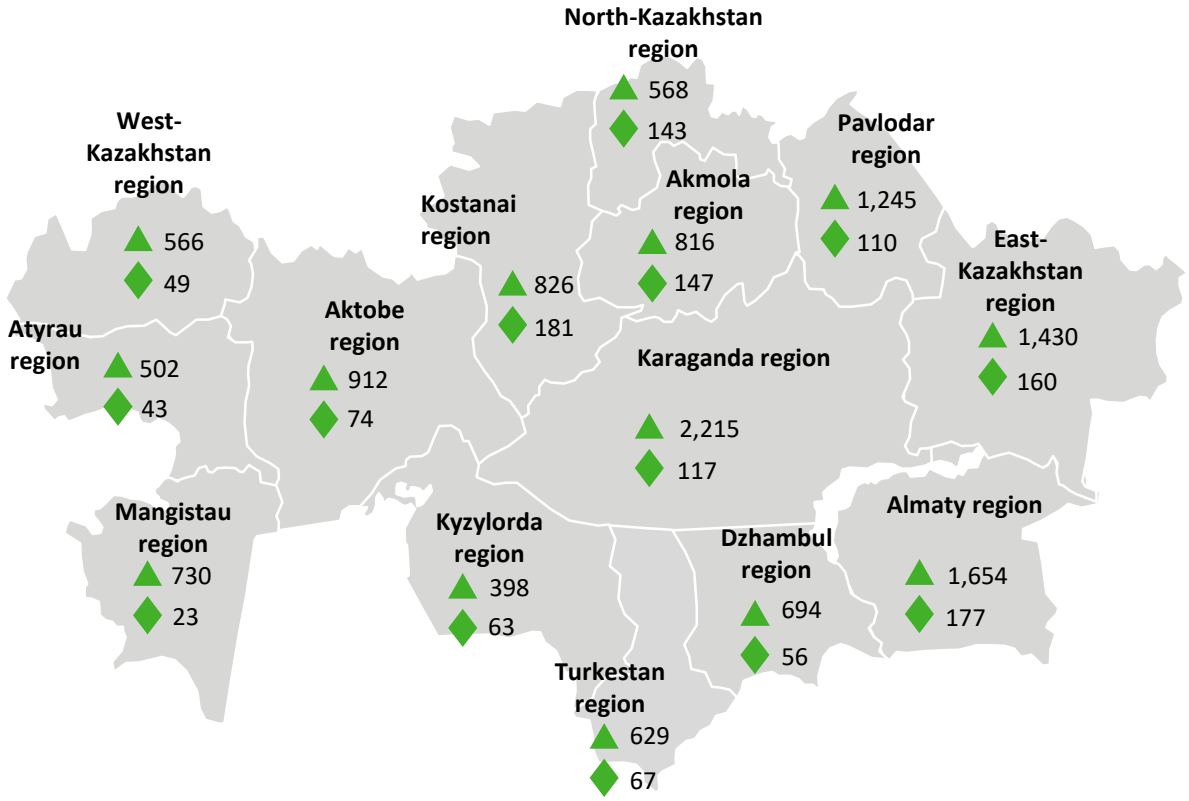
Enterprise types

Kazakhstan processing industries by region in January 2021



Source: Kazakhstan Statistics Committee

Processing industry enterprises by sector

Sectors	Quantity
Food production	1,778
Infant food production	**2**
Beverage production	376
Textile production	392
Clothing manufacture	705
Rubber and plastic item production	1,343
Various non-metallic mineral production	2,184
Finished metal item production, except for machinery and equipment	1,413
Furniture production	1,044
Machinery and equipment repairs and installation	2,002

One of the food production subgroups is infant food production, but its share of production is less than 1% of total food industry enterprises in Kazakhstan.
At January 2021, there were 1,778 food production organisations registered in Kazakhstan. Nevertheless, domestic production is insignificant.
The greatest number of food producers are in Karaganda (6.6%), Almaty (10%) and Kostanai (10.2%) regions.

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Human resources (1/2)

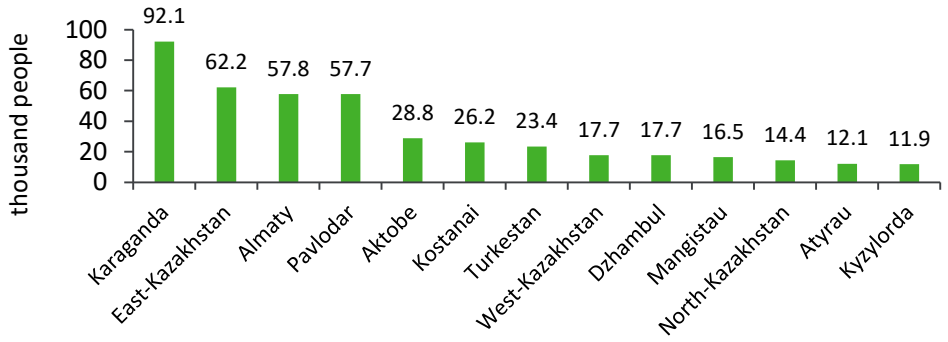
Kazakhstan work force

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.

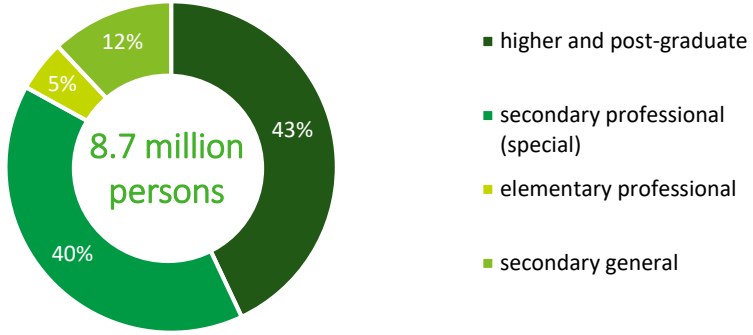
People working in processing industry by region for 2021 Q1



By region, the greatest number of people working in processing industry are recorded in Karaganda region - 16%, East Kazakhstan region - 11% and Almaty region - 10% of total employees in the sector for the country.

Source: Kazakhstan Statistics Committee

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 QI	2021 QI
Construction	151	130
Processing industry	282	279
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

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Human resources (2/2)

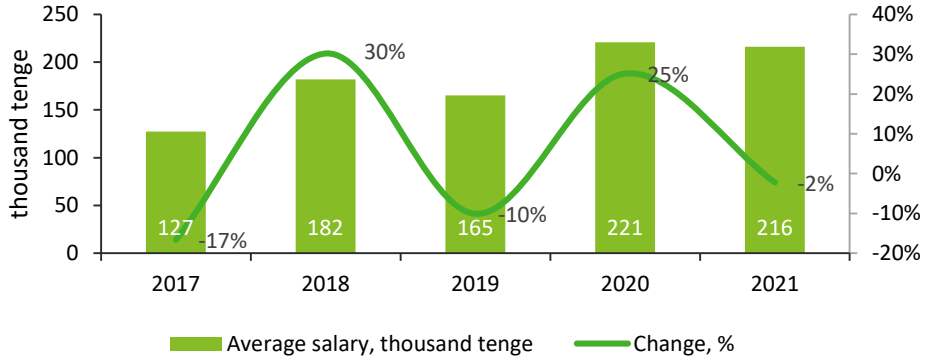
Number of people working in the processing industry in the regions under review in 2021 QI

279.2
thousand people

46%
share of employees in the industry

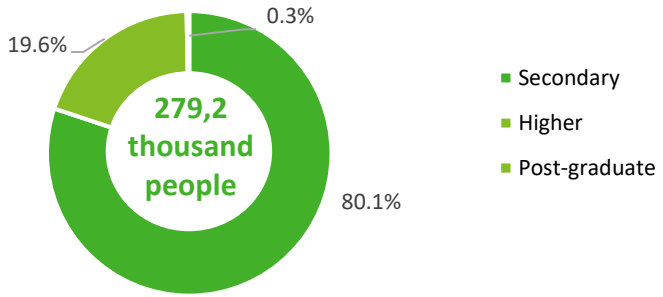
The number of people employed in the processing industry in 2021 QI was 279.2 thousand. At the same time, the percentage of employees in the industry was 46%.

Average monthly salaries of people employed in the processing industry in the regions under review and the country as a whole



Source: Kazakhstan Statistics Committee, EIU

Allocation of people employed in the processing industry by level of education as at 2021 QI



The structure of people employed in the processing industry (279.2 thousand people) includes 223 thousand people with secondary education; 54 thousand people with higher education and 837 people with post-graduate education.

Actual number of people employed in the processing industry, including food and beverage production

	QI 2017	2018 QI	2019 QI	2020 QI	2021 QI
Processing industry	275.3	287.0	291.3	281.7	279.2
Food production	1.84	1.90	1.74	1.78	1.78
Beverage production	0.20	0.20	0.20	0.20	0.22

Average annual growth in the number of people employed in the processing industry in 2017 - 2021 QI was – 0.3%.

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Customs Union technical regulations

The consistency of baby food should meet the age-related physiological characteristics for the digestive systems of children of that age

Raw materials that may not be used in food products for baby food

Name
curd that exceeds 150 Turner degrees of acidity
soybean flour (except for soybean protein isolate and concentrate)
grain and processed derivatives exposed to pests and contaminated by посторонними impurities and pests
animal and poultry slaughter products subject to re-freezing
raw materials from fish and non-fish items subject to re-freezing
flesh of productive animals deboned manually and poultry meat deboned automatically
collagen-containing raw materials made from poultry meat
by-products from productive animals and poultry, except for liver, tongue, hears and blood
trimmed beef with a connective and fatty tissue content of over 12%
trimmed port with a fatty tissue content of over 32%
trimmed mutton with a fatty tissue content of over 9%
category 2 chicken and broiler carcasses
frozen blocks made from various types of trimmed meat, and by-products (liver, tongue and heart) with a shelf-life of over 6 months
bull, boar and thing animals
fish raw materials obtained from captive and bottom-feeding fish
aquatic bird eggs and meat
spreads
salted butter
vegetable oil – cotton and sesame seed oils

Raw materials that may not be used in baby food production

Name
vegetable oil with a peroxide value of over 2 mmol of active oxygen/kg of fat (except for olive oil); olive oil with a peroxide value of over 2 mmol of active oxygen/kg of fat
concentrated diffused juice
spices (except for dill, parsley, celery, thyme, basilica; sweet and white pepper and allspice, oregano, cinnamon, vanilla, coriander, cloves, bay leaves, as well as onion and garlic whose content is established by the manufacturer)
egg powder (for perishable goods)
hydrogenised oil and fats, fats with a high saturated fat content
hot spices (pepper, horseradish and mustard)
mayonnaise, mayonnaise sauces, vegetable oil sauces, vegetable oil creams, special purpose oils and frying oil

Raw materials that may not be used in infant food production

Name
Genetically modified
raw materials generated with the use of pesticides
ethanol of over 2%
natural coffee
apricot seeds
vinegar
sweeteners, except for specialised food products for dietary treatment and preventative food
fatty acid trans-isomers in breast milk substitute of over 4% of total fatty acid content
benzoic and sorbic acid and their salts

Source: Customs Union technical regulations

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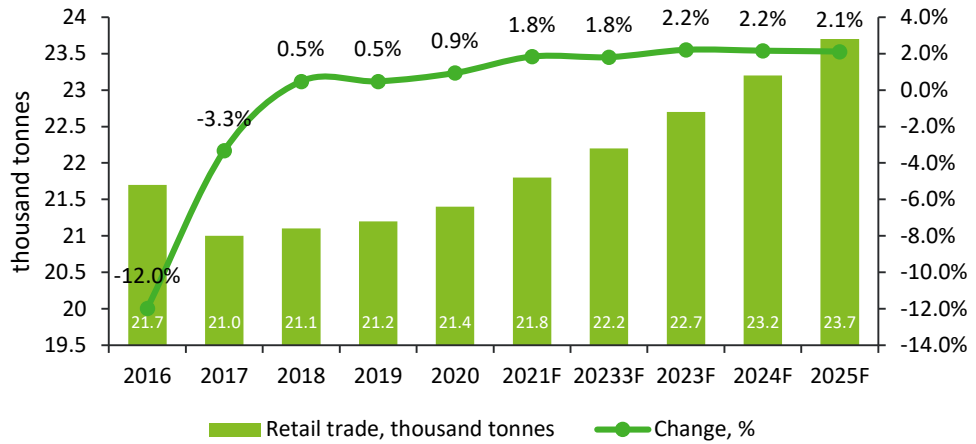
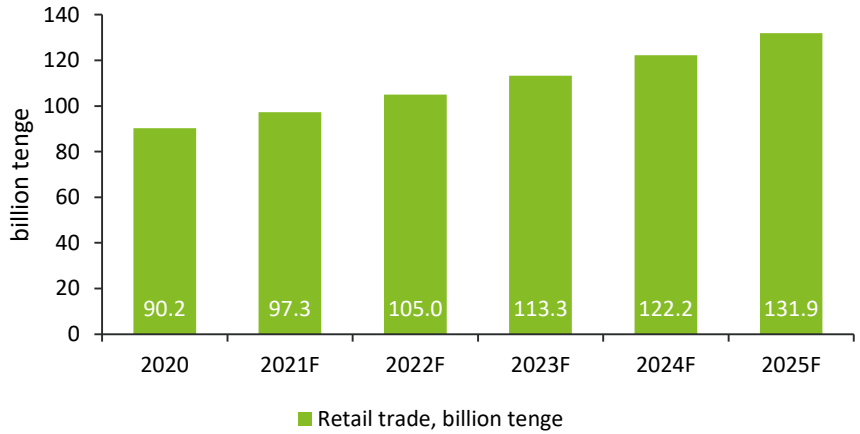
Infant food market in Kazakhstan

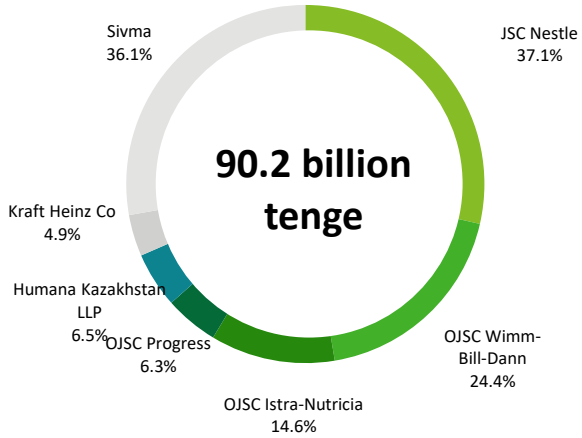
Historical and forecast Kazakhstan infant food market data, thousand tonnes



Historical and forecast Kazakhstan infant food market data, billion tenge



Company shares in the Kazakhstan infant food market in 2020



In 2020, the largest players on the Kazakhstan infant food market are JSC Nestle and OJSC Wimm-Bill-Dann, together accounting for over 60% of the market.

The Kazakhstan infant food market in 2020 was valued at 90.2 billion tenge or 21.4 thousand tonnes of finished products.

According to Euromonitor, average annual growth in the infant food market in Kazakhstan for 2020-2025 was 7.3% (or 2.2% with prices fixed at 2020 levels) and is predicted to grow to 131.9 billion tenge or 23.7 thousand tonnes of finished products by 2025.

Source: Euromonitor, Deloitte analysis

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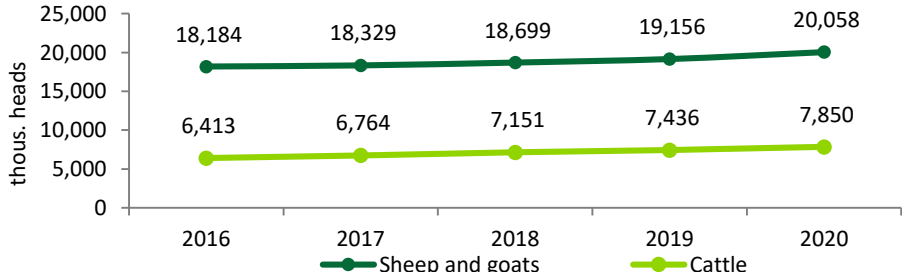
Consumption of powdered milk in Kazakhstan

Balance of production and consumption of powdered milk in Kazakhstan

Index	2016	2017	2018	2019	2020
Population, thous. people.	17,794	18,157	18,396	18,396	18,631
Production, thous. tonnes	5	5	4	3	5
Export, thous. tonnes	0	0	0	1	1
Import, thous. tonnes	27	28	27	22	31
Domestic consumption, thous. tonnes	31	33	31	25	35
Consumption per capita, kg per 1 capita	0.3	0.3	0.2	0.2	0.3
Provision of products of domestic production, %	15%	15%	13%	13%	14%
Production deficit, thous. tonnes	(26.6)	(28.0)	(26.9)	(21.7)	(30.0)

Livestock of sheep and goats, cattle in Kazakhstan, thous. heads



Source: Kazakhstan Statistics Committee

In Kazakhstan, in addition to dry milk mixtures, the necessary components for infant formulas are also not produced, however, small-scale production of powdered milk has been established, which is also used in the manufacture of infant formulas. Powdered milk is a natural product. It is obtained by drying ordinary pasteurized cow's milk. It is much longer stored, easy to transport and retains most of the useful properties.

In 2020, the deficit in powdered milk production amounted to 30 thousand tons, and the provision of products of its own production reached 14%.

All products on the market are mainly imported. The main suppliers of powdered milk are Belarus, Lithuania and France.

About 90% of the powdered milk consumed is imported from abroad, and the production market is limited to a few local enterprises. Geographically, the capacities of powdered milk production are located in North Kazakhstan, Turkestan, Pavlodar and Zhambyl regions.

Raw material base

From 2016-2020, there was an increase in the number of cattle, sheep and goats. Breeding goats are mainly engaged not in large, but in medium, small farms and individual farms. The number of livestock on farms varies from 50 to 1 thousand goats. The sale of milk from such farms is carried out in food markets.

Due to the lack of an established production of goat milk on an industrial scale in the country, there are currently no raw materials for the manufacture of dry milk mixtures for baby food. At the same time, goat's milk is traditionally considered less allergenic compared to cow's milk, due to its lower content of α-casein. In addition, the biological and chemical structure of goat milk proteins is closest to that of breast milk.

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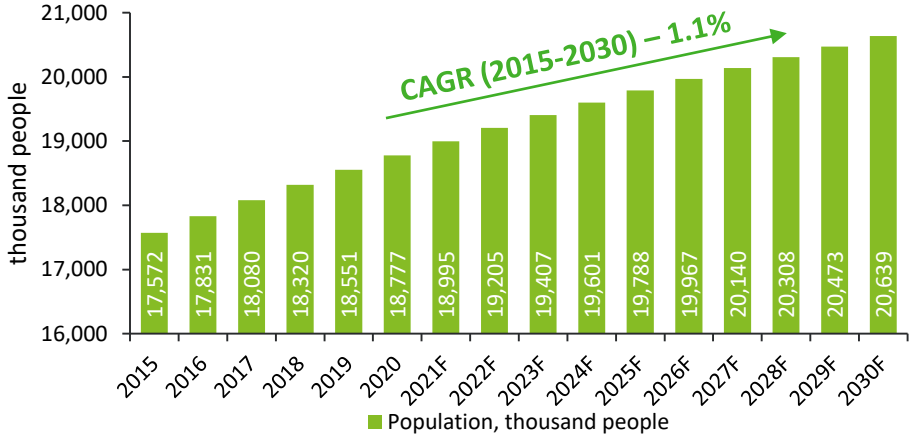
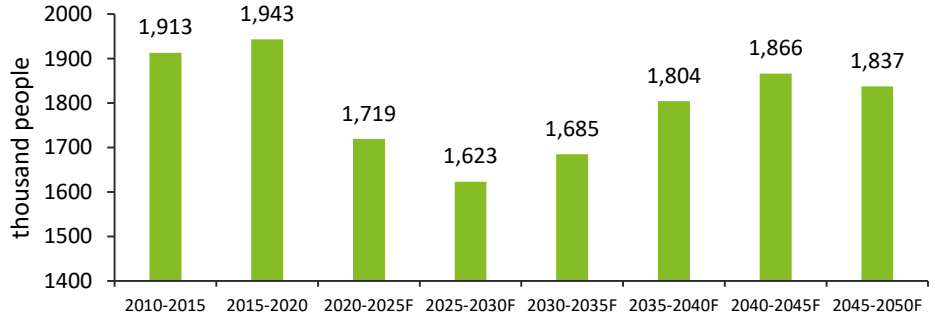
Market driver: socio-demographic situation in Kazakhstan

In 2020, the Kazakhstan population was 18.8 million. The country's average annual population growth is expected to be 0.95% in 2020-2030, which will create a population of 20.6 million by 2030.
According to the UN, the Kazakhstan birth rate will be 1.7 million in 2020–2025.

Actual and predicted population figures for 2015-2030



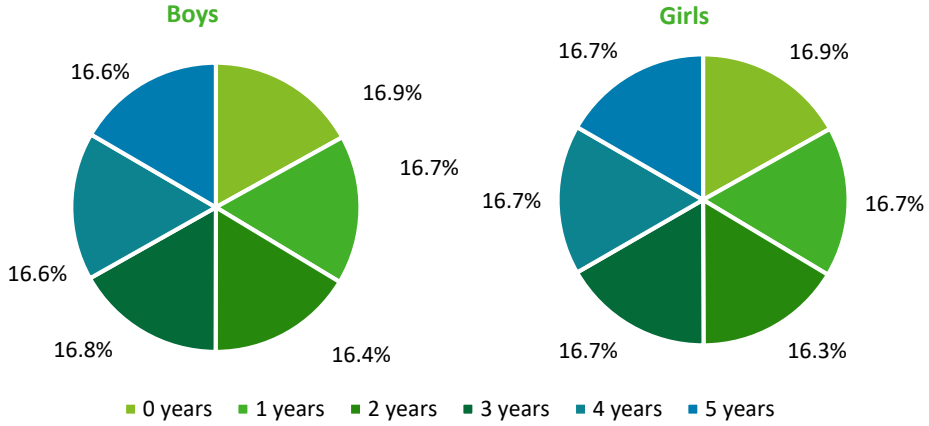
Actual and forecast birth rate figures for 2010-2050*



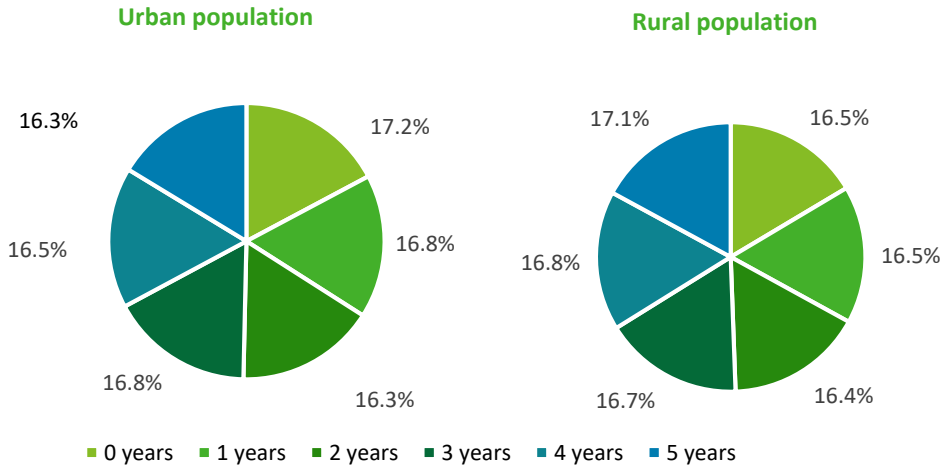
** Number of births over a five-year period*

Source: Kazakhstan Statistics Committee, UN database

Kazakhstan population statistics – 0-5 years



Kazakhstan population statistics – 0-5 years, by place of residence



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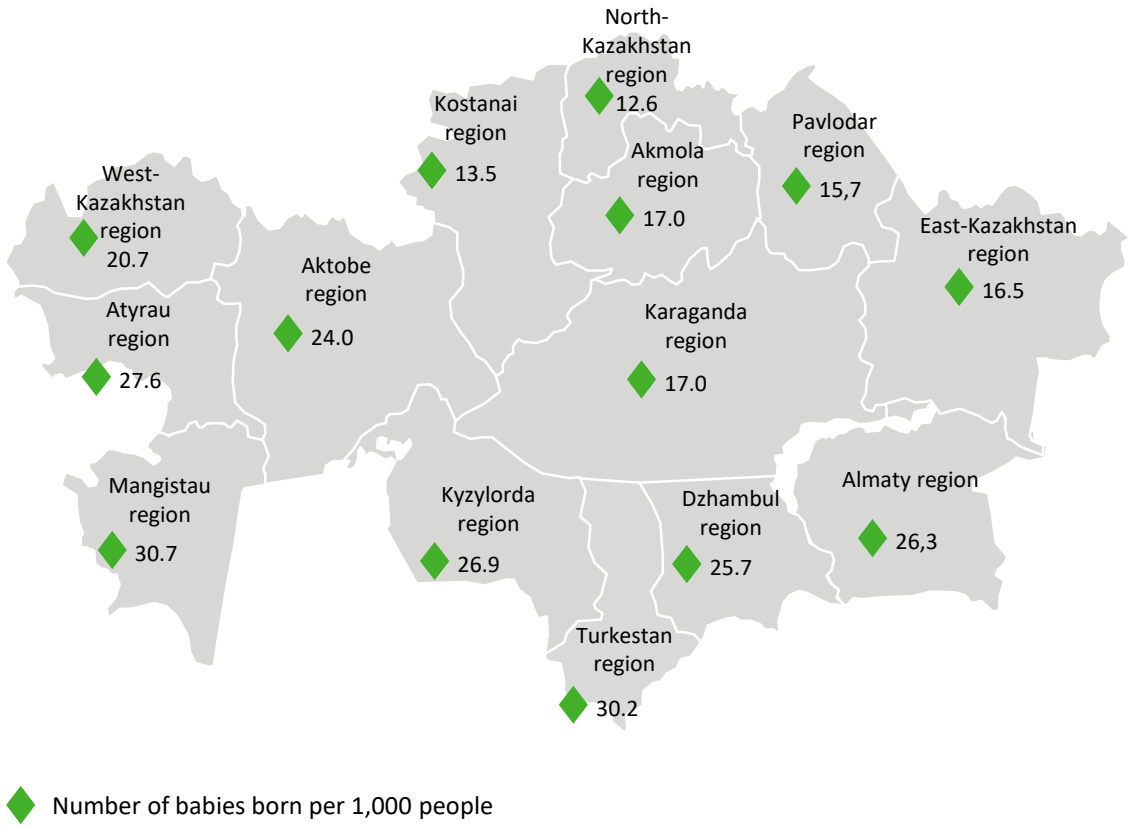
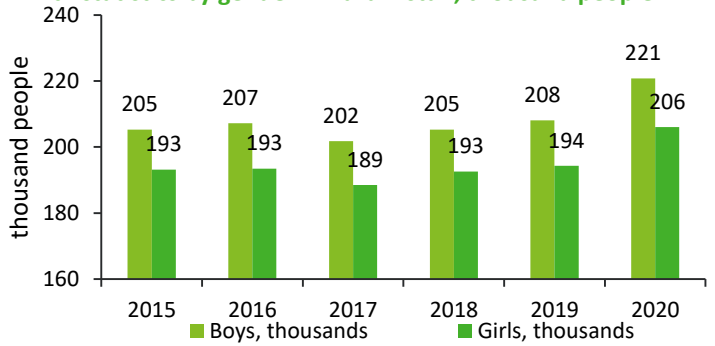
Birth rate in Kazakhstan by region, 2020

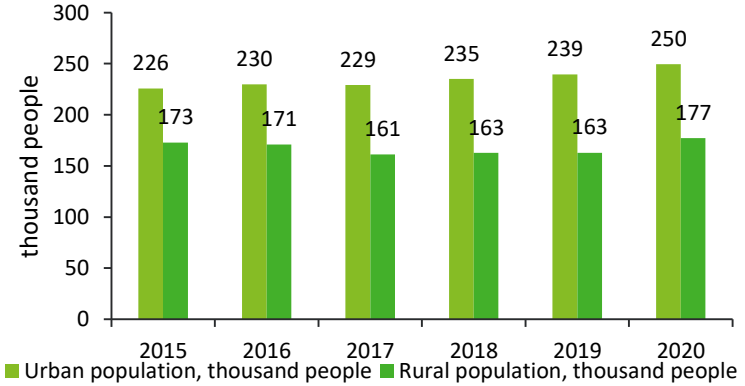


In the last 6 years, births of boys and girls have increased by 7.8% and 6.7%, respectively.
In the same period, the number of children born in urban locations increased by 10.6%, while the same figure in rural locations was only 2.3%, which is explained by the active migration of people of reproductive age from villages to the city.

Birth statistics by gender in Kazakhstan, thousand people



Birth statistics in Kazakhstan by place of birth, thousand people



Source: Kazakhstan Statistics Committee

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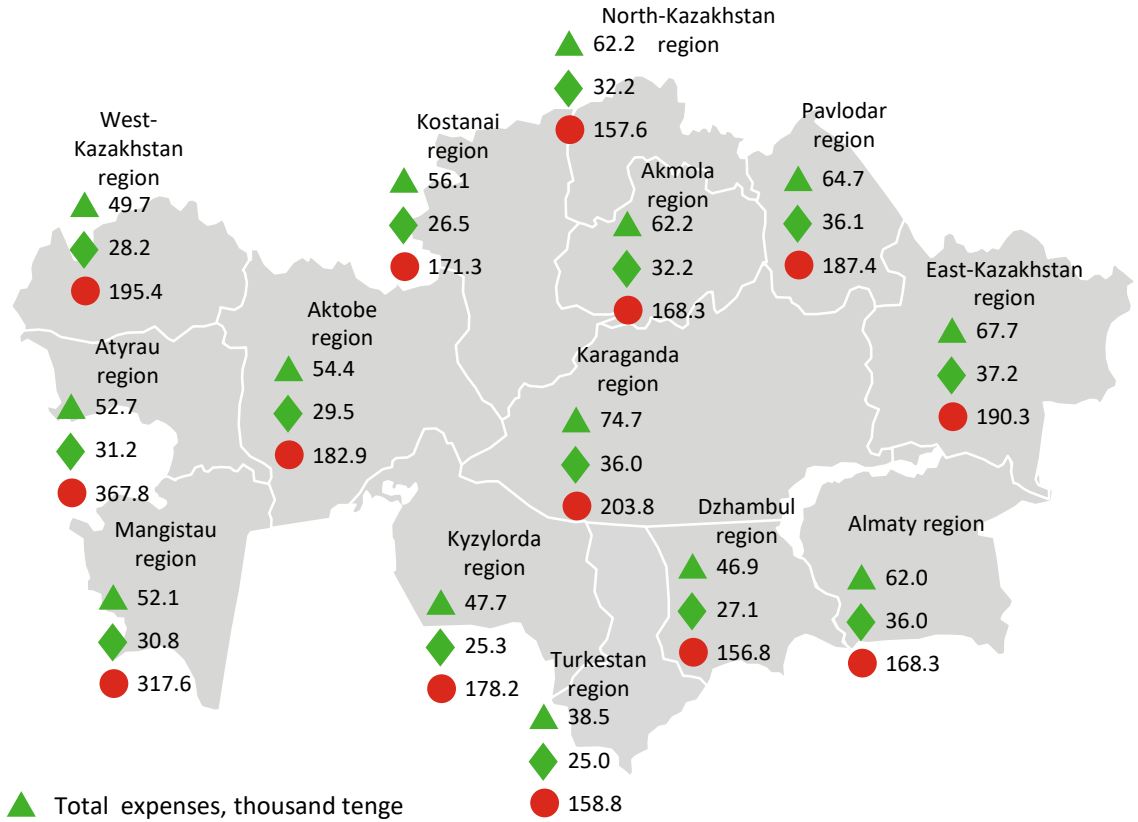
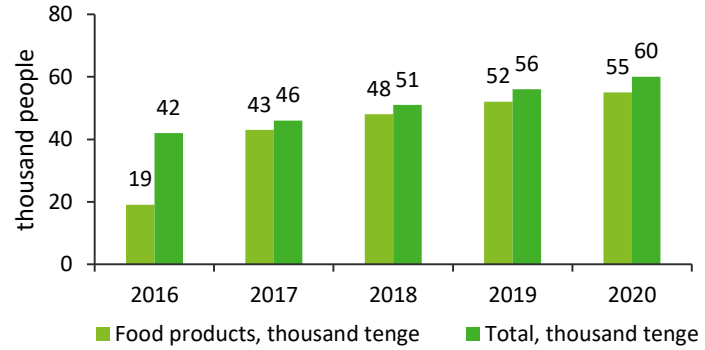
Spending habits by region per capita per month in 2020



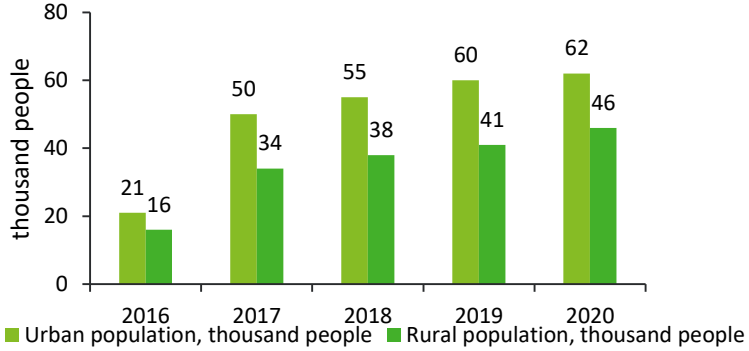
Source: Kazakhstan Statistics Committee

In the last five years, average annual growth in food expenses was 23.7%.
Children up to the age of 1 who are fed artificially or given mixed food are entitled to specialised food free of charge in cases when the child or mother are severely ill or living in underprivileged conditions.

Changes in average expense allocation per capita per month



Changes in average food expenses per capita per month



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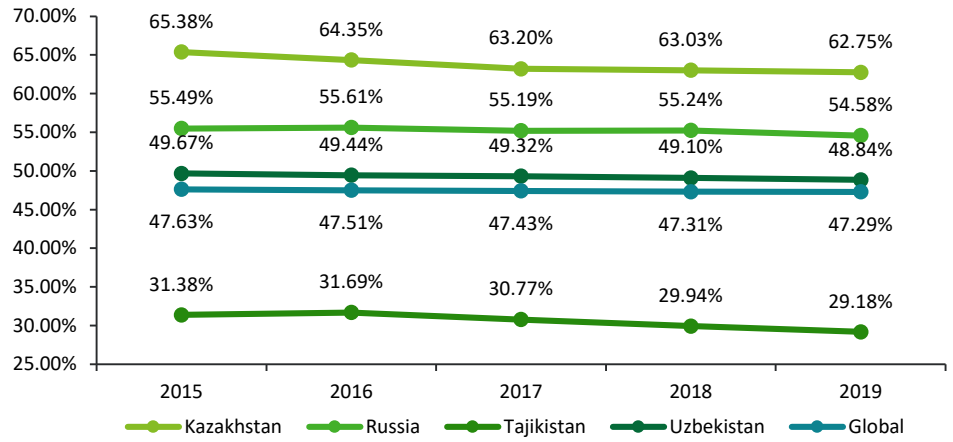
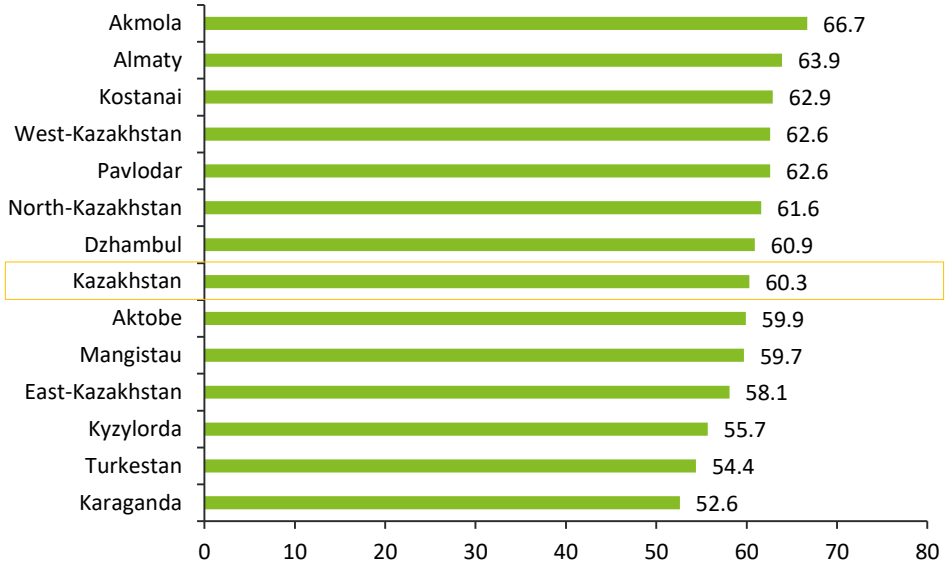
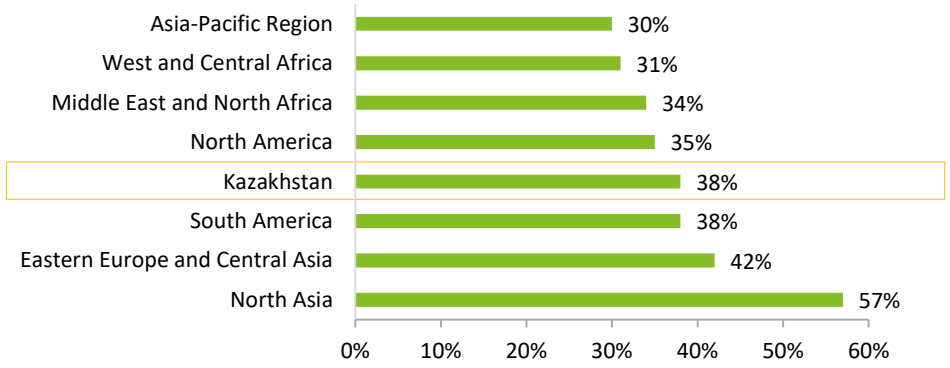
Share of females in the working population of Kazakhstan in 2019, %



Share of females in the working population of Kazakhstan in 2020, %



Share of infants aged 0-5 months being exclusively breast fed in 2019, %



Source: UNICEF, Kazakhstan Statistics Committee

Even though the share of females in the working population fell from 65.4% to 60.3% in 2015–2020, Kazakhstan remains one of the leaders in this area in the CIS.

In Kazakhstan the number of infants aged up to 6 months and exclusively being breast fed is 38%, which is far lower than in Eastern Europe and North Asia, but higher than in the Middle East and North Africa.

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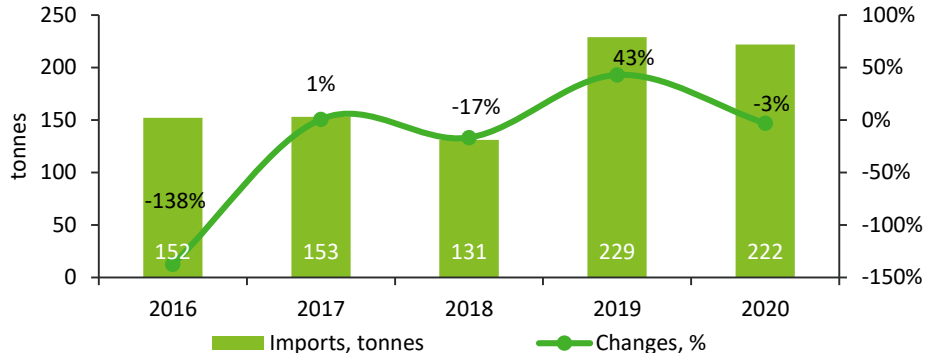
Imports

Infant food imports into Kazakhstan amounted to 65,873 tonnes in 2020, of which juice accounts for 85%. The main importer of infant food into Kazakhstan is Russia (57,202 tonnes).

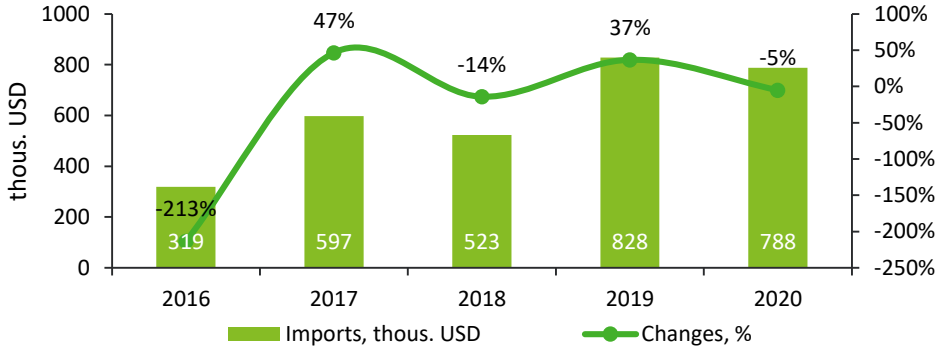
The list below shows the competitive advantages of Russian products supplied to Kazakhstan:

- Russia has official plants and distributors for major international enterprises producing infant food (Nestle Russia, Danone Russia, Wimm-Bill-Dann, Heinz-Georgiyevsk, Istra-Nutricia and others). These companies use major production capacity and brand recognition to maintain a large share on the Kazakhstan infant food market.
- In contrast to Kazakhstan, Russia operates plants according to international infant food production regulations, and has developed nearly all production cycles, except for the production of additional raw materials (for example, DWP-90 demineralisation whey).
- A lack of importing country competitors and competitive domestic producers has allowed Russian producers to occupy dominant positions on the infant food market in the last five years.

Changes in meat-based infant food imports, tonnes



Changes in meat-based infant food imports, thous. USD



Structure of meat-based infant food in 2020

Russia

222 tonnes (100%)

Source: TradeMap

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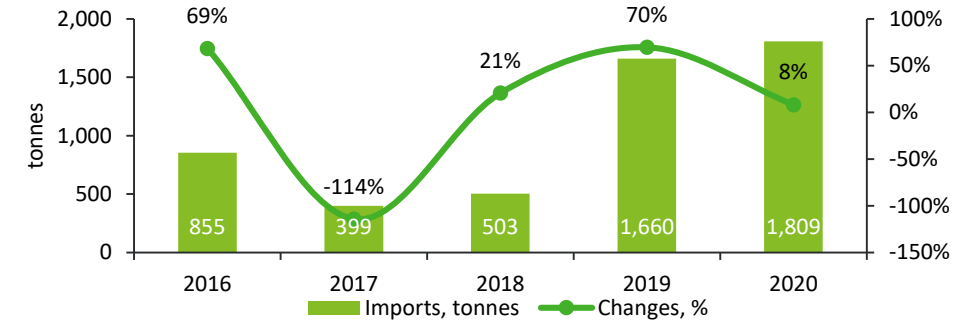
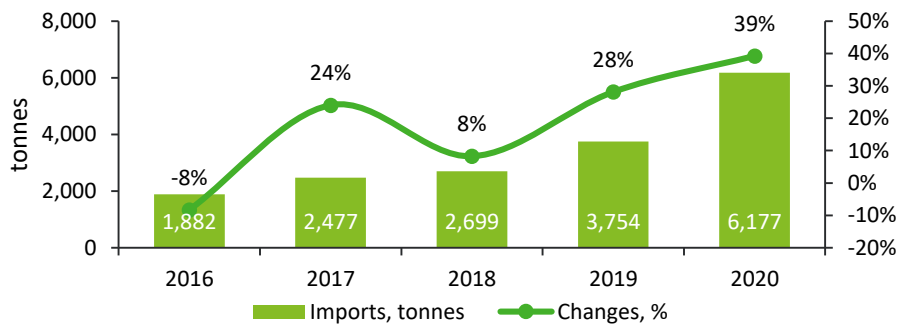
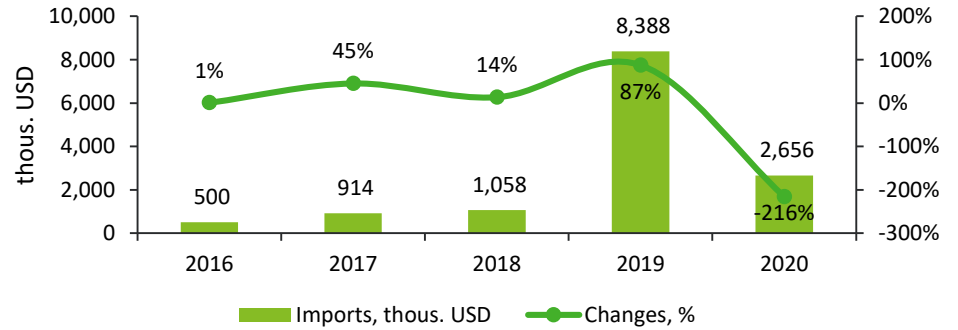
Changes in vegetable-based infant food imports, tonnes



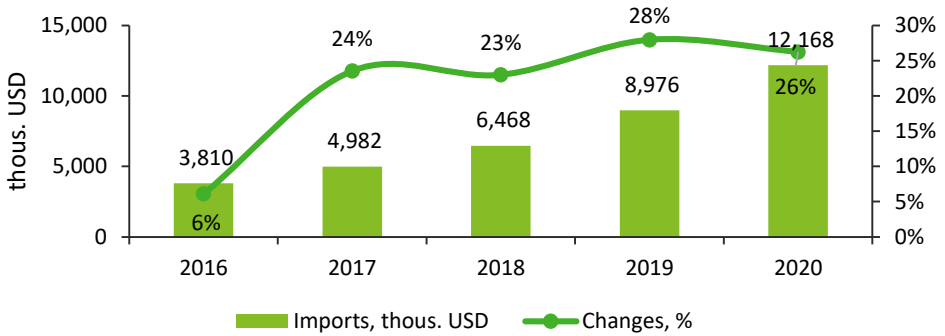
Changes in fruit and berry infant food imports, tonnes



Change in vegetable-based infant food imports, thous. USD



Changes in fruit and berry infant food imports, thous. USD



Structure of vegetable-based infant food imports in 2020

Russia
1,688 tonnes (93%)

Kyrgyzstan
16 tonnes (< 1%)

Poland
103 tonnes (5.7%)

Belarus
1 tonne (< 1%)

Structure of fruit and berry-based infant food imports in 2020

Russia
5 988 tonnes (97%)

Poland
124 tonnes (2%)

Other countries
65 tonnes (1%)

Source: TradeMap

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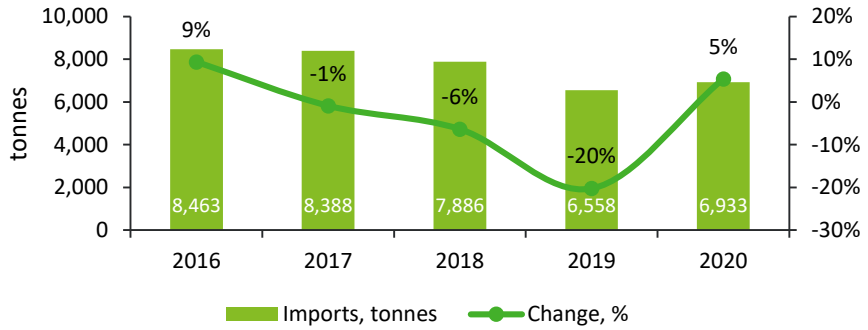
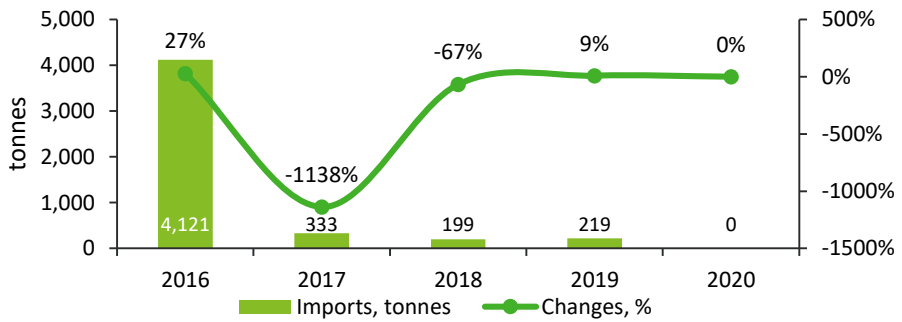
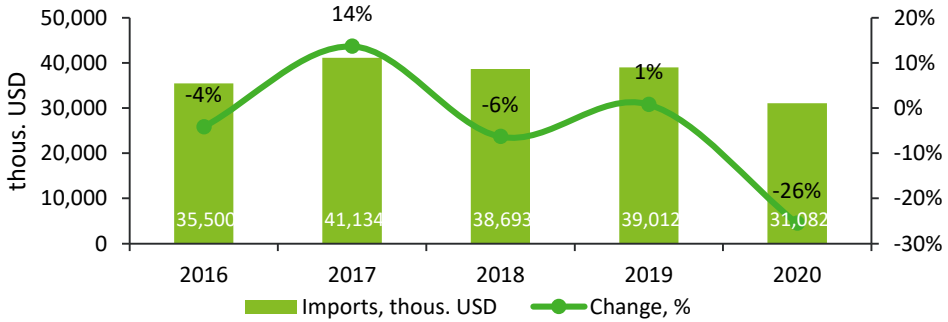
Changes in infant food imports, in packaging of less than 250 g, tonnes



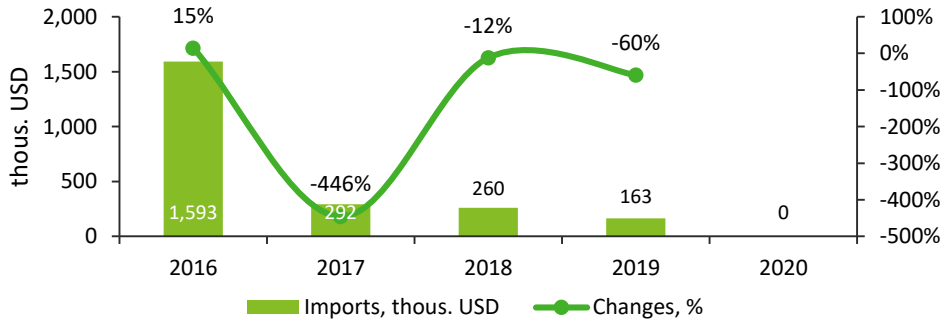
Changes in milk-based infant food imports, tonnes*



Changes in infant food imports, in packaging of less than 250 g, thous. USD



Changes in milk-based infant food imports, thous. USD



Structure of infant food imports, in packaging of less than 250 g, in 2020

Russia
5,948 tonnes (86%)

Other countries
985 tonnes (14%)

Structure of milk-based infant food imports in 2019

Russia
219 tonnes (100%)

**Figures for 2020 not available*

Source: TradeMap

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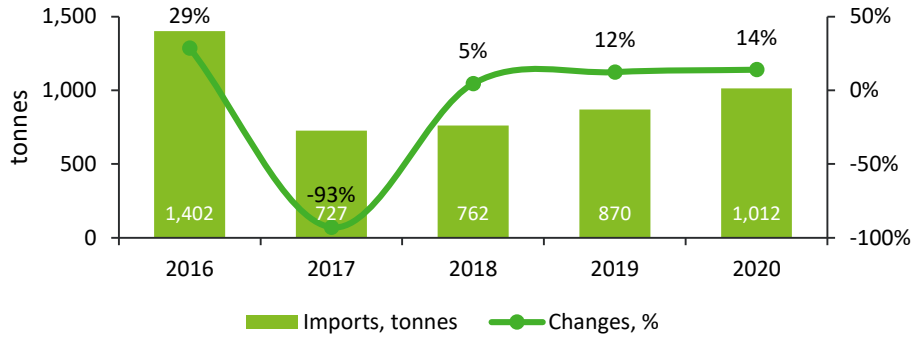
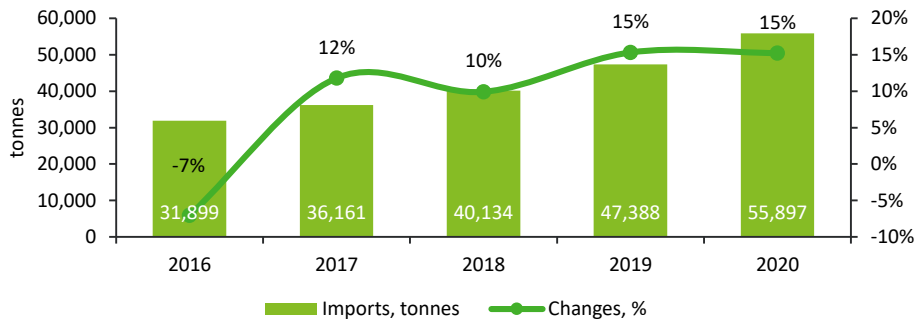
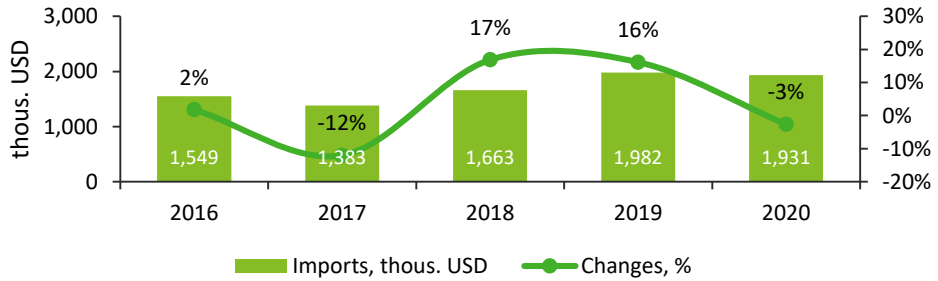
Changes in flour-based infant food imports, tonnes



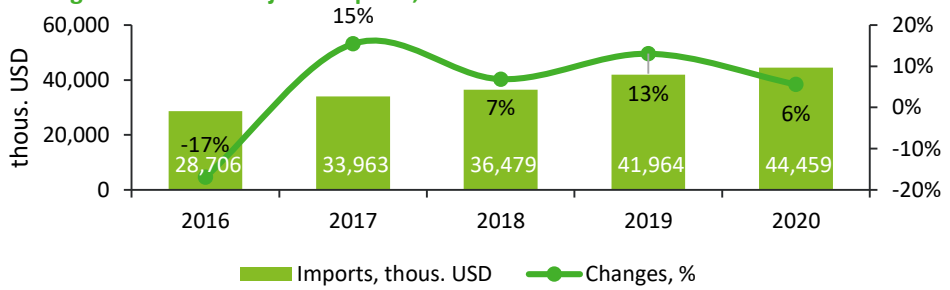
Changes in infant food juice imports, tonnes



Changes in flour-based infant food imports, thous. USD



Changes in infant food juice imports, thous. USD



Structure of flour-based infant food imports in 2020

Russia
821 tonnes (81%)

Other countries
191 tonnes (19%)

Structure of infant food juice imports in 2020

Russia
42 316 tonnes (76%)

China
1,882 tonnes (3.4%)

Uzbekistan
5,426 tonnes (9.7%)

Other countries
6,273 tonnes (11.2%)

Source: TradeMap

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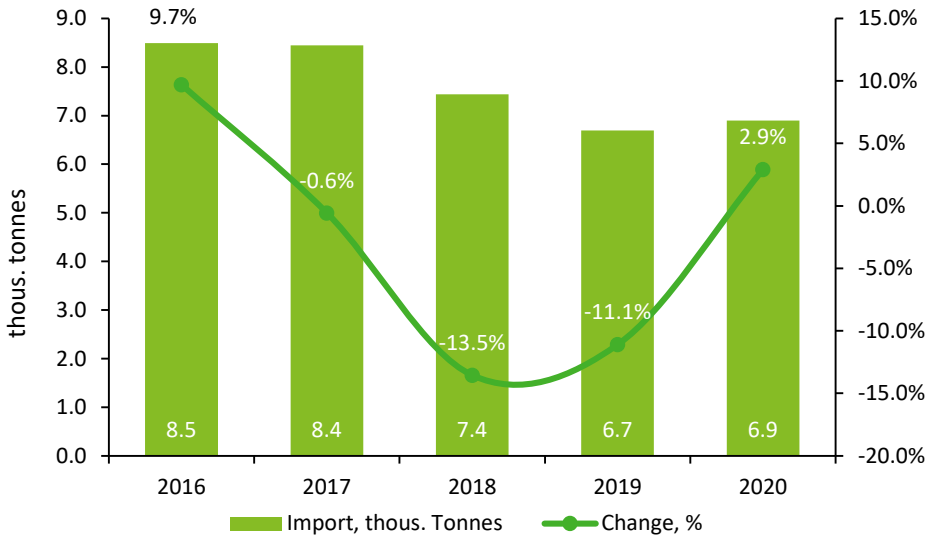
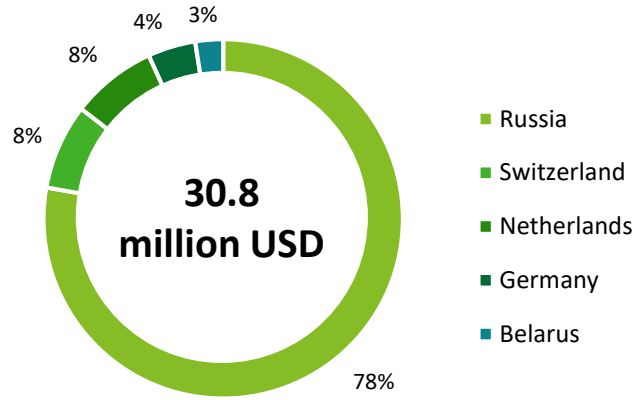
Dynamics of import of powdered infant formula in Kazakhstan, thousand tons



Companies represented on the market of infant formula in Kazakhstan

Nestlé NUTRICIA Humana kabrita®

Shares of importing countries in the market of powdered infant formula in Kazakhstan for 2020



Kazakhstan does not produce powdered milk mixtures intended for baby food in the period from 0-12 months. All presented products are imported from abroad, and then re-export of products is carried out.

At the end of 2020, the import of dry infant formula into the country amounted to 6.9 thousand tonnes, an increase of 2.9% by 2019 The importing countries of powdered infant formula are Russia with a share of 78%, Switzerland (8%), the Netherlands (8%), Germany (4%) and Belarus (3%).

In the market of infant formulas of the Republic of Kazakhstan there are such brands as Nestle, Nutricia, Humana, Kabrita.

Source: DBK Analyst Portal, Euromonitor, Deloitte Analysis

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Main competitors among infant food importers, their advantages (1/2)

No.	Company name	Purpose	Product brand	Plant location	Import range
	Russia				
1	Nestle Russia LLC	Produces meat, vegetable, fruit and berry-based infant food. Russian division of the Nestle Corporation	Gerber	Vologda, Russia	milk formula, juices, homogenised product puree
2	JSC Danone Russia	Produces meat, vegetable, fruit and berry-based infant food. Russian division of the French Danone Corporation	Тёма	Tikhoretsk, Russia	milk formula, juices, homogenised product puree
3	Khirou Rus LLC	Subsidiary of HERO Group. The official distributor of the Swedish company JSC Semper	Semper	Goetene, Sweden	Juices, homogenised product puree
4	JSC Progress	Produces meat, vegetable, fruit and berry-based infant food. Russian domestic producer.	Фруто Няня	Lipetsk, Russia	Juices, homogenised product puree
5	CJSC Sivma	Produces meat, vegetable, fruit and berry-based infant food. Russian domestic producer.	Бабушкино Лукошко	Beloozyerskii, Russia	Juices, homogenised product puree
6	OJSC Wimm-Bill-Dann	Produces meat, vegetable, fruit and berry-based infant food. Subsidiary of JSC PepsiCO	Агуша	Penza, Russia	Juices, homogenised product puree
7	JSC L.Agro	Produces meat, vegetable, fruit and berry-based infant food. Official representative of Topfer GBMH.	Fleur Alpine	Vidnoye, Russia	Juices, homogenised product puree

Source: open company sources

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Main competitors among infant food importers, their advantages (2/2)

No.	Company name	Purpose	Product brand	Plant location	Import range
	Russia				
8	JSC InfaPrim	Production and wholesale sale of infant food products, including specialised and health food. Russian domestic producer.	Nutrien	Istra, Russia	Milk formula, juices, homogenised product puree
9	OJSC Istra-Nutricia	Milk formula for infant food. Official dealer. Subsidiary of the Danone Groupe.	Nutricia Nutrilon	Istra, Russia	Milk formula, juices, homogenised product puree
10	OJSC National Food Group “Sady Pridonya”	Juice and juice drinks for infant food. Russian domestic producer.	Сады Придонья	Volgograd, Russia	Juices, homogenised product puree
11	CJSC Heinz-Georgiyevsk	Produces meat, vegetable, fruit and berry-based infant food. Subsidiary of Heinz Co.	Heinz	Georgiyevsk, Russia	Juices, homogenised product puree
12	HiPP Rus LLC	Produces meat, vegetable, fruit and berry-based infant food. Subsidiary of HiPP GMBH.	HiPP ORGANIC	Mamonovo, Russia	Juices, homogenised product puree
13	Bibikol Rus LLC	Produces meat, vegetable, fruit and berry-based infant food. Official representative of Vitacare Ltd.	БИБИКОЛЬ	Tyumen, Russia	Juices, homogenised product puree
14	Abbott Laboratories LLC	Produces meat, vegetable, fruit and berry-based infant food. Subsidiary of Abbot Laboratories Inc.	Abbott	Voronyezh region, Russia	Juices, homogenised product puree

Source: open sources

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Potential infant food production competitors

No.	Company name	Project overview	Product brand	Planned capacity, tonnes of product per year	Plant location	Product range
	Russia					
1	OJSC Istra-Nutricia	The infant food plant plans to launch a new EasyPack line, which will produce 4.4 thousand tonnes of infant food per year under the Nutrilon brand, which is currently imported from the EU. Project investment amounts to over 277 million Roubles	Nutrilon	4,400	Istra, Russia	Milk formula and porridge
2	OJSC National Production Group “Sady Pridonya”	The plant will focus on vegetable-based infant food using starter cultures.	Сады Придонья	-	Volgograd, Russia	Juices made from homogenised products
	Kazakhstan					
3	Eurasia Invest LTD	Mare’s milk products. Investment in the product is over 3 billion tenge.	-	-	Karaganda region	Mare’s milk formula
4	Olzha Agro LLP	Construction of an infant food production plant with capacity of 50-240 tonnes of milk per day,	-	-	Kostanai region	Milk formula

Source: open sources

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Export of infant food from Kazakhstan

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Infant food exports are made up of insignificant re-exports.

The main re-exported infant food is juice – 7,151 tonnes and infant food in packaging of less than 250 g – 6,712 tonnes for the entire review period.

The main importers of infant food are CIS countries (1,479 tonnes in 2020). Exports to Russia from Kazakhstan amounted to 844 tonnes, to Kyrgyzstan – 517 tonnes and to Tajikistan – 61 tonnes.

The list below shows the main potential competitive advantages of Kazakhstan products for their supply overseas:

- cattle numbers and vegetables and fruit grown in Kazakhstan are ecologically friendly, and tend not to be genetically modified.
- Kazakhstan is in the centre of the Eurasian continent and has an advantageous geographical location, giving it the opportunity to enter major markets in Central Asia, Russia and China. The geographical advantage reduces logistical costs.

Changes in meat-based infant food exports, tonnes

0	2015	0	2016	0	2017
23	2018	1	2019	3	2020

Changes in meat-based infant food exports, thous. USD

0	2015	0	2016	4	2017
51	2018	3	2019	23	2020

Structure of meat-based infant food exports in 2020

Russia
3 tonnes (100%)

Source: TradeMap

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Changes in vegetable-based infant food exports, tonnes

6	2015	5	2016	17	2017
32	2018	4	2019	0	2020

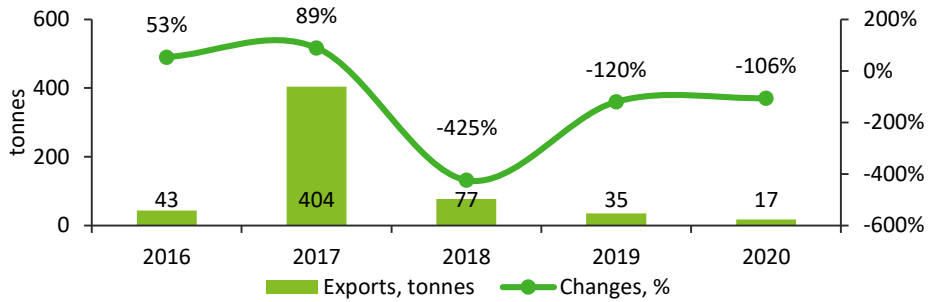
Changes in vegetable-based infant food exports, thous. USD

22	2015	22	2016	83	2017
143	2018	22	2019	0	2020

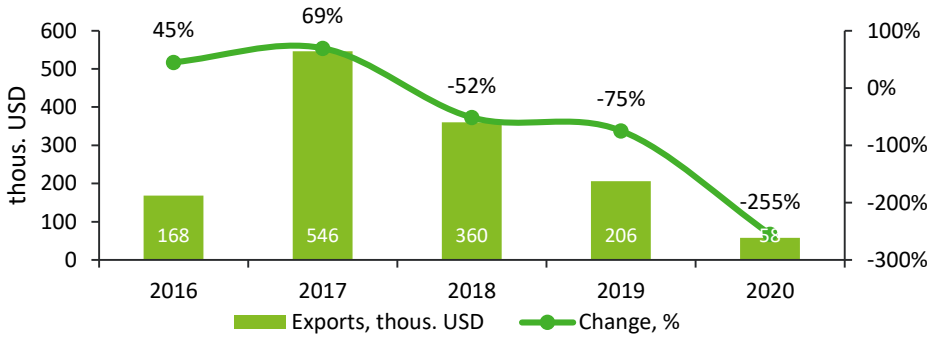
Structure of vegetable-based infant food exports in 2019

Russia
4 tonnes (100%)

Changes in fruit and berry-based infant food exports, tonnes



Changes in fruit and berry-based infant food exports, thous. USD



Structure of fruit and berry-based infant food exports in 2020

Russia
17 tonnes (100%)

Source: TradeMap

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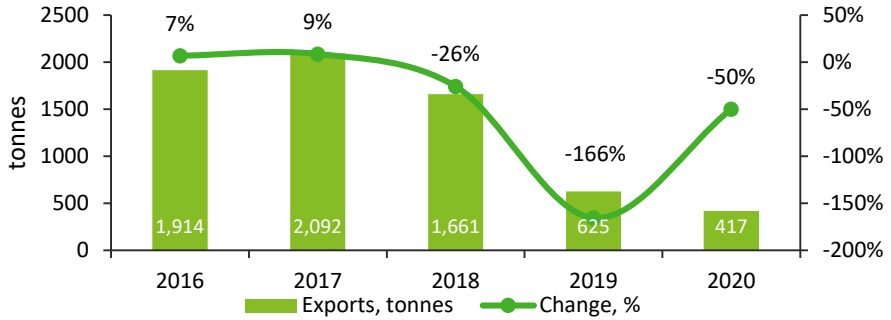
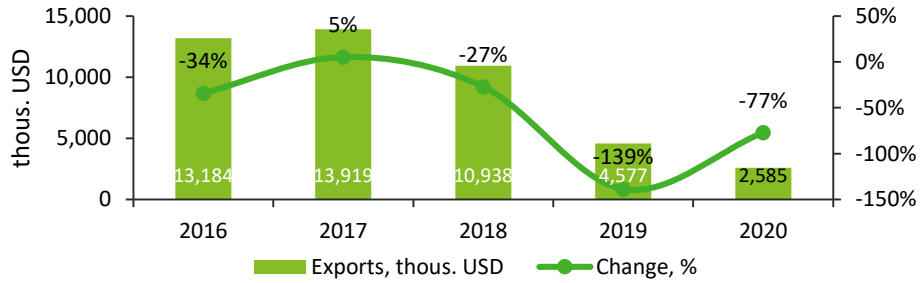
Changes in infant food exports in packaging of less than 250 g, tonnes



Changes in infant food exports in packaging of less than 250 g, thous. USD



Structure of flour-based infant food exports in 2020

Russia
281 tonnes (67%)

Tajikistan
33 tonnes (8%)

Kyrgyzstan
95 tonnes (23%)

Other countries

Source: TradeMap

Changes in dairy-based infant food exports, tonnes

5	2015	10	2016	73	2017		
1	2018	18	2019	0	2020		

Changes in dairy-based infant food exports, thous. USD

4	2015	7	2016	46	2017		
0	2018	11	2019	0	2020		

Structure of dairy-based infant food exports in 2019

Russia
18 tonnes (100%)

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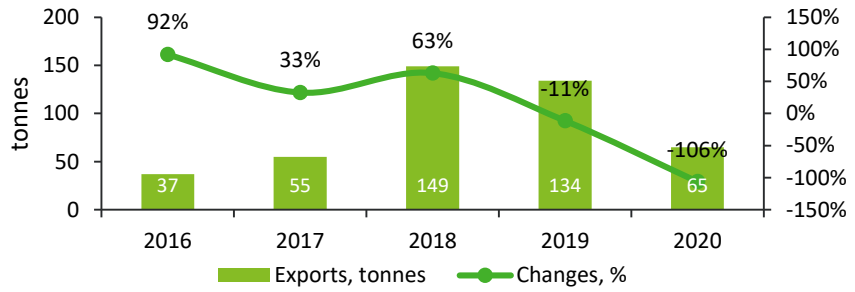
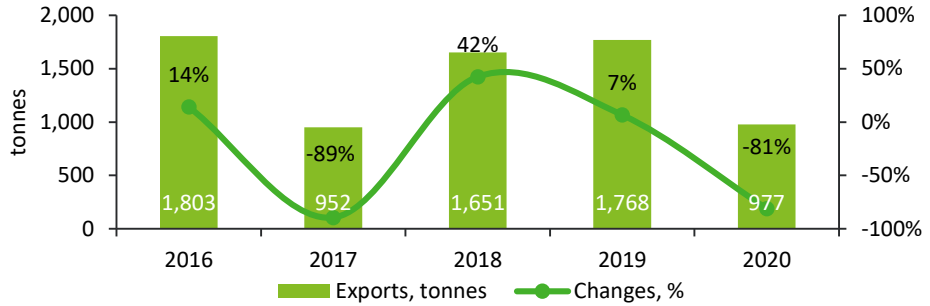
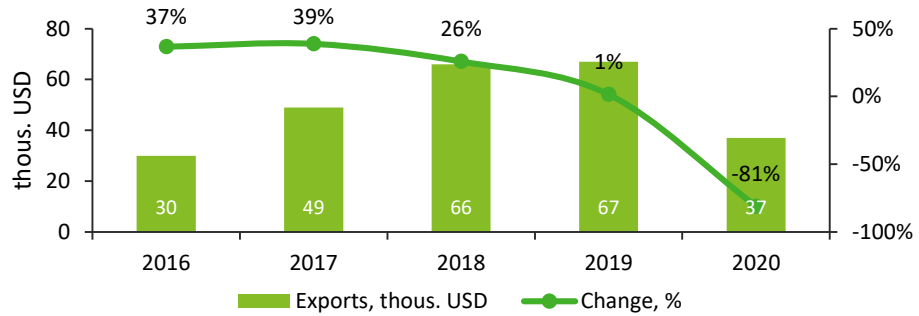
Changes in flour-based infant food exports, tonnes



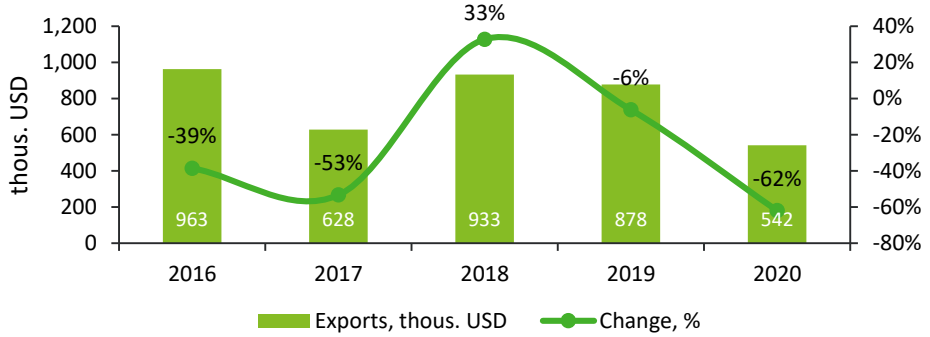
Changes in juice for infant food exports, tonnes



Changes in flour-based infant food exports, thous. USD



Changes in juice for infant food exports, thous. USD



Structure of infant food exports in packaging of less than 250 g, in 2020

Russia
65 tonnes (67%)

Structure of juice for infant food exports in 2020

Russia
478 tonnes (49%)

Tajikistan
28 tonnes (3%)

Kyrgyzstan
422 tonnes (43%)

Other countries
49 tonnes (5%)

Source: TradeMap

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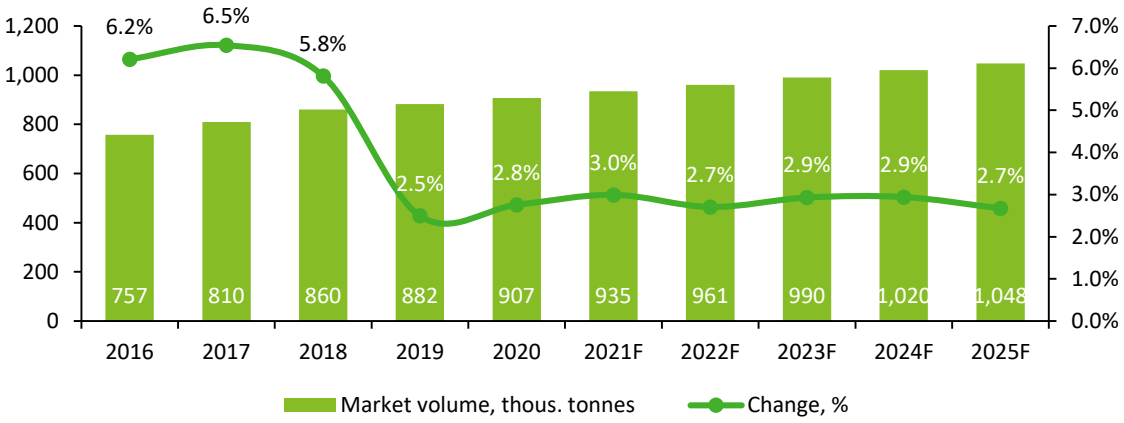
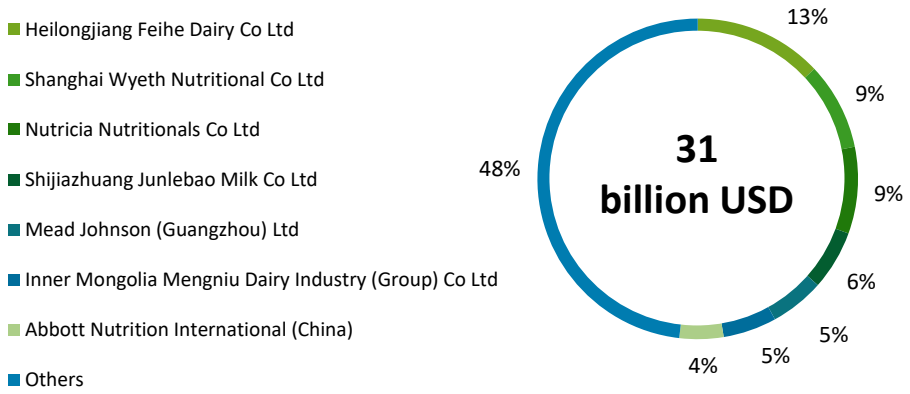
Export potential: powdered milk formula market in China

Data on consumption of powdered milk mixtures in China



Companies' market shares in powdered milk mixtures in China as of 2020



Source: Euromonitor, Deloitte analysis

Although China's one-child policy was replaced by a two-child policy in 2015, the country's birth rate continued to decline during the period under review, and the population under 36 months of age declined sharply.

This was reflected in the slowdown in the consumption of baby food, but especially milk formula. Formula milk has suffered not only as a result of a decline in fertility, but also as a result of increased promotion of breastfeeding in public policy. China's National Nutrition Plan (2017-2030) aims to promote exclusive breastfeeding of infants under six months of age. 50% of mothers exclusively breastfed their babies under six months of age towards the end of the review period, and the Government aims to increase this figure to 60% by 2030.

The Government has also introduced a stricter policy on the advertising of formula to promote breastfeeding. The 2019 Domestic Formula Action Plan prohibits the advertising of formula for infants under 12 months of age.

COVID-19 has had a negligible impact on milk formula sales in China in 2020 as these products are considered essential goods. However, when the lockdown measures were announced, some parents began making stocks concerned that stocks might run out. However, while this caused a temporary surge in sales, it was not sustainable.

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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* does not include baby food.

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*

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Domestic prices and prices in competing countries

Prices for meat-based infant food in Kazakhstan as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	80	425
JSC Progress	FrutoNyanya	80	310
OJSC Sivma	Babushkino Lukoshko	100	510
JSC Danone Russia	Tyema	100	490
Hero Rus LLC	Semper	90	865
Nestle Russia LLC	Gerber	80	670

Prices for meat-based infant food in Russia as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	80	403
JSC Progress	FrutoNyanya	80	400
OJSC Sivma	Babushkino Lukoshko	100	340
JSC Danone Russia	Tyema	100	343
Hero Rus LLC	Semper	90	911
Nestle Russia LLC	Gerber	80	700

Prices for meat-based infant food in Belarus as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	80	450
JSC Progress	FrutoNyanya	80	303
OJSC Sivma	Babushkino Lukoshko	100	623
JSC Danone Russia	Tyema	100	282
Hero Rus LLC	Semper	90	500
Nestle Russia LLC	Gerber	80	494

Source: open sources

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Prices for vegetable-based infant food in Kazakhstan as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC L.Agro	Fleur Alpine	90	810
JSC Progress	FrutoNyanya	80	265
OJSC Sivma	Babushkino Lukoshko	100	320
Nestle Russia LLC	Gerber	100	490
Hero Rus LLC	Semper	125	525
OJSC Wimm-Bill-Dann	Agusha	80	280

Prices for vegetable-based infant food in Russia as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC L.Agro	Fleur Alpine	90	374
JSC Progress	FrutoNyanya	80	245
OJSC Sivma	Babushkino Lukoshko	100	262
Nestle Russia LLC	Gerber	100	367
Hero Rus LLC	Semper	125	398
OJSC Wimm-Bill-Dann	Agusha	80	224

Prices for vegetable-based infant food in Belarus as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC L.Agro	Fleur Alpine	90	637
JSC Progress	FrutoNyanya	80	220
OJSC Sivma	Babushkino Lukoshko	100	383
Nestle Russia LLC	Gerber	100	333
Hero Rus LLC	Semper	125	545
OJSC Wimm-Bill-Dann	Agusha	80	243

Source: open sources

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Domestic prices and prices in competing countries

Prices for fruit and berry-based infant food in Kazakhstan as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	90	270
OJSC Progress	FrutoNyanya	100	210
OJSC Sivma	Babushkino Lukoshko	90	280
Baby Food Factory Ltd	Kogda Ya Byrastu	90	290
Hero Rus LLC	Semper	125	680
Nestle Russia LLC	Gerber	80	400

Prices for fruit and berry-based infant food in Russia as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	90	207
OJSC Progress	FrutoNyanya	100	313
OJSC Sivma	Babushkino Lukoshko	90	176
Baby Food Factory Ltd	Kogda Ya Byrastu	90	282
Hero Rus LLC	Semper	125	398
Nestle Russia LLC	Gerber	80	372

Prices for fruit and berry-based infant food in Belarus as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	90	167
OJSC Progress	FrutoNyanya	100	195
OJSC Sivma	Babushkino Lukoshko	90	220
Baby Food Factory Ltd	Kogda Ya Byrastu	90	230
Hero Rus LLC	Semper	125	530
Nestle Russia LLC	Gerber	80	337

Source: open sources

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Domestic prices and prices in competing countries

Prices for milk-based infant food in Kazakhstan as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC PN Holding	Kabrita	400	7,700
Nestle Russia LLC	NAN	400	5,350
JSC Danone Russia	Nutrilon	400	3,660
Bibikol Rus LLC	Nanny	400	9,350
Nestle Russia LLC	Nestogen	300	1,990
Human GmbH	Humana	300	2,645

Prices for milk-based infant food in Russia as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC PN Holding	Kabrita	400	6,547
Nestle Russia LLC	NAN	400	5,250
JSC Danone Russia	Nutrilon	400	3,391
Bibikol Rus LLC	Nanny	400	8,061
Nestle Russia LLC	Nestogen	300	1,807
Human GmbH	Humana	300	2,479

Prices for milk-based infant food in Belarus as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC PN Holding	Kabrita	400	8,337
Nestle Russia LLC	NAN	400	3,168
JSC Danone Russia	Nutrilon	400	2,676
Bibikol Rus LLC	Nanny	400	8,147
Nestle Russia LLC	Nestogen	300	1,556
Human GmbH	Humana	300	2,501

Source: open company sources

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Domestic prices and prices in competing countries

Prices for flour-based infant food in Kazakhstan as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC PN Holding	Kabrita	180	2,275
Nestle Russia LLC	Gerber	180	1,350
Nestle Russia LLC	Nestle Children's Porridge	200	749
JSC Heinz Co	Heinz	200	990
Hero Rus LLC	Semper	180	1,990
JSC L.Agro	Fleur Alpine	175	2,175

Prices for flour-based infant food in Russia as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC PN Holding	Kabrita	180	2,323
Nestle Russia LLC	Gerber	180	895
Nestle Russia LLC	Nestle Children's Porridge	200	752
JSC Heinz Co	Heinz	200	722
Hero Rus LLC	Semper	180	2,175
JSC L.Agro	Fleur Alpine	175	1,370

Prices for flour-based infant food in Belarus as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
JSC PN Holding	Kabrita	180	2,870
Nestle Russia LLC	Gerber	180	1,039
Nestle Russia LLC	Nestle Children's Porridge	200	879
JSC Heinz Co	Heinz	200	987
Hero Rus LLC	Semper	180	1,537
JSC L.Agro	Fleur Alpine	175	2,016

Source: open company sources

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Prices for juice used in infant food in Kazakhstan as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	200	140
JSC Progress	FrutoNyanya	200	160
OJSC Sivma	Babushkino Lukoshko	200	160
JSC Danone Russia	Tyema	200	185
Nestle Russia LLC	Gerber	175	580
JSC L.Agro	Fleur Alpine	200	800

Prices for juice used in infant food in Russia as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	200	127
JSC Progress	FrutoNyanya	200	178
OJSC Sivma	Babushkino Lukoshko	200	128
JSC Danone Russia	Tyema	200	166
Nestle Russia LLC	Gerber	175	575
JSC L.Agro	Fleur Alpine	200	750

Prices for juice used in infant food in Belarus as at July 2021, tenge

Producer	Product brand	Volume (g)	Price
OJSC Wimm-Bill-Dann	Agusha	200	83
JSC Progress	FrutoNyanya	200	127
OJSC Sivma	Babushkino Lukoshko	200	-
JSC Danone Russia	Tyema	200	133
Nestle Russia LLC	Gerber	175	519
JSC L.Agro	Fleur Alpine	200	722

Source: open company sources

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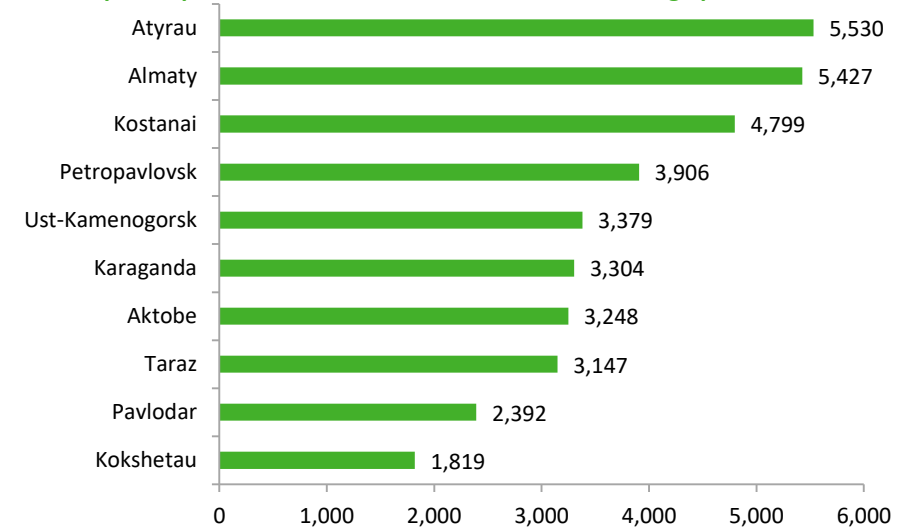
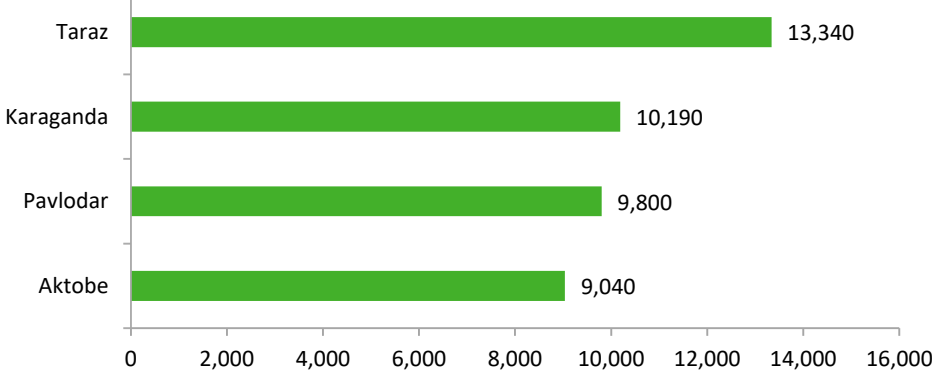
State regulation of utilities tariffs

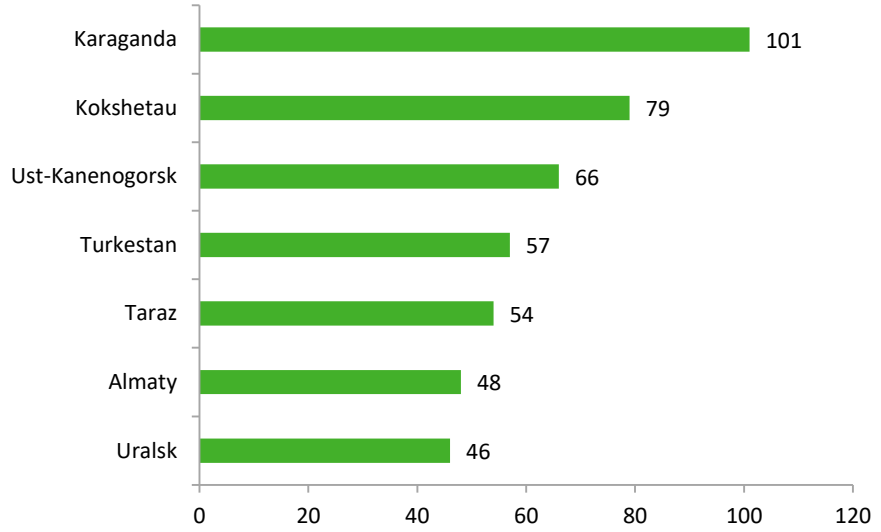
Thermal power prices across Kazakhstan in March 2021, tenge per Gcal



Electricity price across Kazakhstan in March 2021, tenge per thousand kWh



Cold water price across Kazakhstan in March 2021, tenge per m^3



- 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

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

In 2017, the Government launched a Programme to develop the Kazakhstan agriculture industry in 2017–2021 in conjunction with interested ministries, local executive bodies and the National Bank.
The points below show the main areas and measures incorporated in the Programme:

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

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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 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

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Sector support within the framework of 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

State support stipulated in the Entrepreneurial Code

The Entrepreneurial Code stipulates investment concessions depending on the investment project classification

Priority activities to implement investment projects within the framework of the Entrepreneurial Code

Section	Group name	Class of subclass
10.86	Production of various food items	Infant food production and dietary food products

Investment priority projects (new production)

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

Priority investment projects (expansion of existing projects)

- Customs duty exemptions
- State grants
- CIT exemptions

Investment projects

- Customs duty exemptions
- State grants
- Import VAT exemptions

Special investment projects

- Customs duty exemptions
- Import VAT exemptions

Source: Предпринимательский кодекс РК

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

- The goal of the “Saving Simple Things” 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 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

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Sector support from the SIIDP 2020-2025 Programme

- The goal of this Programme is to develop Kazakhstan's competitive manufacturing industry in domestic and foreign markets (Government Resolution No. 1050 dated 31 December 2019). During the Programme implementation period, the major focus is on the realisation of key export-oriented projects.
- Baiterek National Managing Holding is one of the main operators implementing Programme objectives such as increasing production volumes and expanding the range of processed goods in demand in domestic and foreign markets, as well as promoting technological development and digitalisation of manufacturing industries.
- Specifically, Baiterek continues as the operator of all repayable financial support measures through subsidiaries, and its powers include raising funds from external and internal debt and capital markets to provide preferential loans to manufacturers.

Project financing and lease financing through the SIIDP Programme

1) Lending through financial institutions will continue with interbank lending schemes through the Development Bank of Kazakhstan and Damu Entrepreneurship Development Fund.
2) Development Bank of Kazakhstan provides long-term financing by mixing 50/50 budget funds and commercial funds for a period of 20 years, with end borrower rates from 8%, with company participation in at least 20% of the project amount.
3) Interest rate subsidies for loans issued by financial institutions and loan liability guarantees provided with nominal interest of up to 15% per annum, pursuant to Government Resolution No. 820 dated 11 December 2018.

Programme financing, million tenge

Index	2020	2021	2022	2023	2024	2025
National budget	146,065.3	215,725.1	107,896.4	107,863.5	101,996.9	101,249.9
Total	**146,065.3**	**215,725.1**	**107,896.4**	**107,863.5**	**101,996.9**	**101,249.9**

Source: official website of the Kazakhstan Prime Minister

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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

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Damu-ondiris 2 Programme to finance small and medium-sized processing businesses

Lending terms

- Nominal interest rate for small and medium-sized businesses – up to 6% per annum
- Maximum financing limit per business – 18,500 million tenge
- Lending period – up to 10 years

The Programme is not available to small and medium-sized businesses:

- realising projects to produce excisable products;
- whose founders are national management holdings, national holding companies, national companies and organisations in which 50% of shares (share capital interest) or more belong directly or indirectly to the State, the national management holding, a national holding company, national company, and legal entities registered as private institutions.
- for which less than six months have passed since state registration, except in cases of the reorganisation of operating enterprises and/or when the loan amount does not exceed 20 million tenge;
- with loan arrears exceeding 90 calendar days at the moment funds are to be borrowed or the submission of a loan application according to credit bureau data, except in those cases when the purpose of the loan is refinancing;
- that are registered offshore, and whose partners and/or shareholders are registered offshore.

"Sybaga" lending programme from JSC Agrocredit Corporation

Purpose:

For legal entities and individuals:

- to purchase breeding cattle, including pedigree and selected young cattle, and/or meat bulls and/or meat and dairy cows
- to purchase and repair fixed assets, and replenish fixed assets.

For credit partnerships:

- to lend to credit partnerships for subsequent lending to credit partnership members to purchase breeding cattle; to purchase, repair and replenish fixed assets

Lending rates:

For borrowers, except for credit partnerships

- from **10,000,000** tenge up to **25%** of Corporation equity
- **6%** per annum

For credit partnerships

- from **1,000,000** tenge up to **25%** of Corporation equity
- **4%** per annum

Source: Atameken National Chamber of Entrepreneurs

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Global trends

Global infant food market growth

- Growth in the global infant food market is predominantly due to the increase in the number of working mothers. According to the UN, in 2019, the employment level for women reached 47.8%. Even though the figure has grown significantly in recent years, it is still somewhat behind the level for men.
- Continuing urbanisation, the high cost of child maintenance in developed countries and increased income, as well as parents' awareness of infant diets are all factors favouring market growth.
- Improvements in economic conditions and changes in the way of life of consumers in countries such as India and China, have increased the popularity of supermarkets and other retail structures, which also helps market development.
- However, the problems of food security, increased awareness of the benefits of breastfeeding and low birth rates in developed countries are some of the factors slowing down market growth.

Market drivers

1. Higher employment levels for women
2. Increased awareness of the appropriate quantity and quality of infant food
3. Development of various retail areas

Growth in the global organic infant food market

- The increased demand for organic products was due to growing consumer awareness of the need to limit the impact of harmful chemical substances used in usual production, and consumer advantages such as the lack of genetic modification, gluten, sugar and 100% vegetable origin.
- Leading companies such as the Hero Group, Hein Celestial Group Inc. and Nestle are constantly expanding their organic product range to meet market needs.
- Organic infant food production start-ups now differentiate their brands based on specific health goals: from improving digestion to brain development and transitioning children onto solids, and offering functional beverages.
- The largest organic product consumer group is millennium parents aged 18-34.
- Previously, prices for organic products were an inhibitive factor in market growth. However, improved standards of living have helped create a preference for organic products.

Limitations

1. The agitation of breast feeding within the framework of government initiatives and WHO and UNICEF programmes
2. The decline in birth rates in developed countries
3. High production quality standards, especially for milk formula

Opportunities

1. Change in standards of living and increased birth rates in developing countries
2. A consumer preference for innovative products and packaging

Source: EMIS, FAO Publications, BIS Research Inc.

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Classification of the global infant food market

Dried products

- Dried fruit, dried cereals and dried nuts
- For children from 6 months old
- Products are dehydrated in specialised machines or dried in the sun to remove excess water, giving it a longer shelf life.
- Dried products, which are a rich source of fibre, protein, zinc, iron and other minerals, give children energy and the necessary nutrients.

Ready-to-eat products

- Ready-to-eat infant food, such as frozen items and puree, is pre-cooked food in bags and tins.
- For children from 6 months old.
- A growing body requires the significantly greater quantity of vitamins and minerals in ready-to-eat products.

Other products

- Other infant food products mostly include fruit and vegetable juices and products with high Omega-3, DHA and arachidonic acid (ARA) content, and other products.
- The best age for introducing the product is 6 months.
- Some products contain whole kernels, which are a source of iron and zinc.

Organic products

- Organic products are of 100% vegetable origin, without added gluten, sugar and GMO.
- Organic products contain 20–30% more healthy ingredients, reduce the risk of allergies, and increase immunity thanks to the high vitamin content.

Milk formula

Formula from 0-6 months
- Formula for children aged 0-6 months are in ready-to-use liquid and powder forms. They are recommended to replace to breast milk or as an addition to a child's diet.

Formula from 6-12 months
- Formula for children aged over 6 months contains vitamin D to support immunity. The iron contained in the formula helps maintain immunity.

Formula for children over 12 months
- Formula for children over 12 months is used as an alternative to unskimmed cow's milk.

Special formula
- Special formula has been developed for children who are allergic to milk protein or unable to digest protein.

Milk formula includes cow's milk, soya milk and hydrolysed protein based products.

- Cow's milk-based formula contains 46% carbohydrates, 45% fats and 9% calories. Milk is rich in casein that contains essential amino acids, carbohydrates and minerals, such as calcium and phosphorous. These dairy elements are produced in dry, powder form.
- Soybean formula is given to children over 1 year old who are lactose intolerant.
- Hydrolysed protein-based formula is given to lactose intolerant children. Protein-based milk formula uses the following protein forms: partially hydrolysed, extensively hydrolysed, pre-boiled, partially split and split.

Source: Allied Market Research

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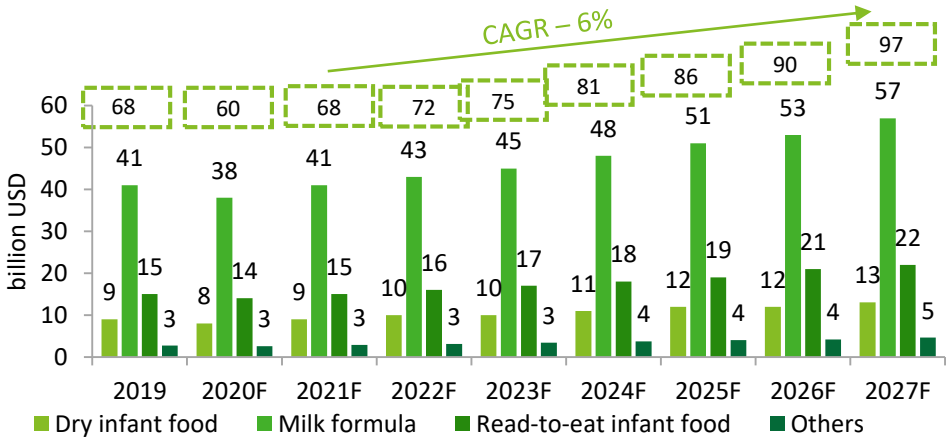
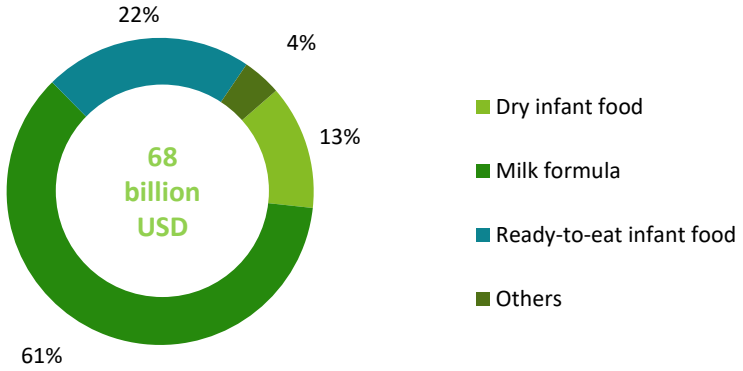
Global infant food market

Changes in the global infant food market, billion USD

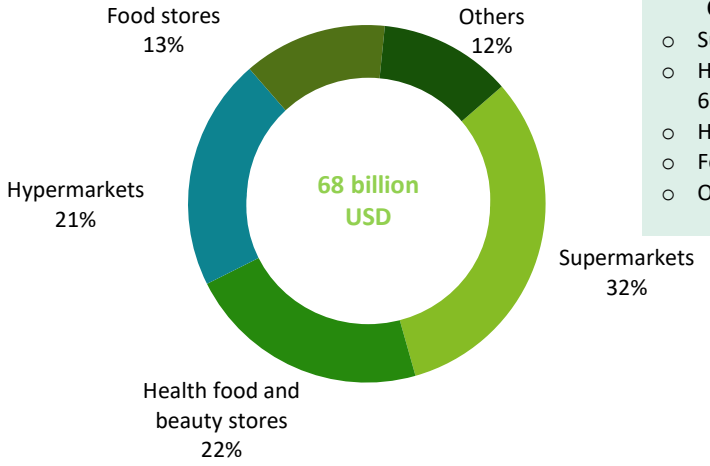


- The global infant food market was valued at 68 billion USD in 2019 and is predicted to reach 96 billion USD by 2027 with average annual growth at 6.0%. Milk formula accounts for the greatest share of the infant food market (approximately 61%).
- The main factors influencing consumer product choice in infant food include nutritional value, quality and safety; ease of use, price and packaging innovation. The infant food packaging issue plays an important role as it can increase product shelf life. For example, AptarGroup, Inc. recently repackaged its dry milk formula to allow the lid to incorporate a measuring spoon and a mechanism for protecting the product from external contamination.
- Supermarkets are gaining popularity thanks to the wide range of products in one place. Furthermore, some supermarkets offer a customer product suggestion service with respect to infant food.
- Due to the growing demand for natural infant food, the majority of companies are developing and launching organic products.

Structure of the global product market for infant food in 2019, %



Structure of the global product market for infant food in 2019, by sales channels, billion USD



CAGR 2021-2027

- Supermarkets – 5.2%
- Health food stores – 6.4%
- Hypermarkets – 6.5%
- Food stores – 6.6%
- Others - 6%

Source: Allied Market Research

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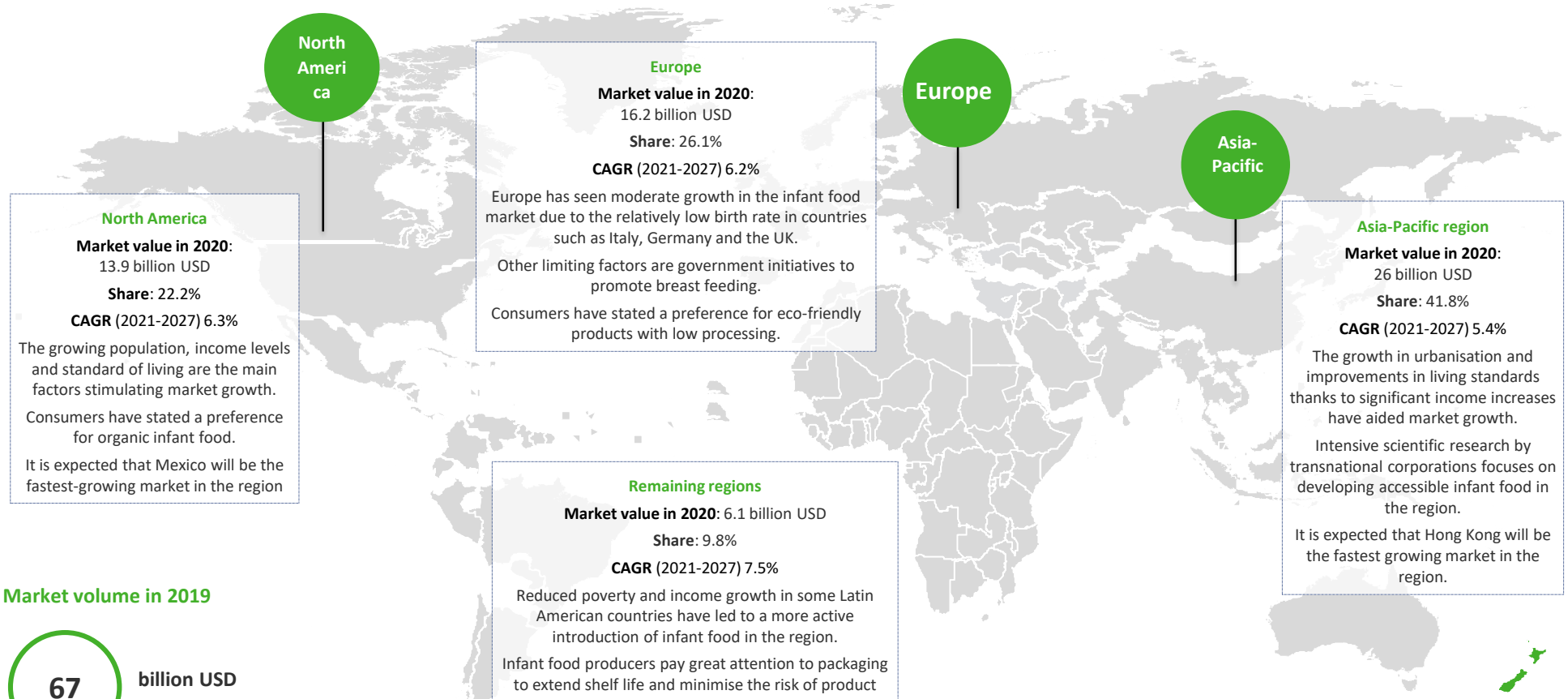
Global infant food market: regional characteristics

The majority of infant food sales are in the Asia-Pacific region – 42.1% and Europe – 26.1%. The greatest growth in 2021-2027 was seen in North and Latin America.



North America

Market value in 2020: 13.9 billion USD

Share: 22.2%

CAGR (2021-2027) 6.3%

The growing population, income levels and standard of living are the main factors stimulating market growth.

Consumers have stated a preference for organic infant food.

It is expected that Mexico will be the fastest-growing market in the region

Europe

Market value in 2020: 16.2 billion USD

Share: 26.1%

CAGR (2021-2027) 6.2%

Europe has seen moderate growth in the infant food market due to the relatively low birth rate in countries such as Italy, Germany and the UK.

Other limiting factors are government initiatives to promote breast feeding.

Consumers have stated a preference for eco-friendly products with low processing.

Asia-Pacific region

Market value in 2020: 26 billion USD

Share: 41.8%

CAGR (2021-2027) 5.4%

The growth in urbanisation and improvements in living standards thanks to significant income increases have aided market growth.

Intensive scientific research by transnational corporations focuses on developing accessible infant food in the region.

It is expected that Hong Kong will be the fastest growing market in the region.

Remaining regions

Market value in 2020: 6.1 billion USD

Share: 9.8%

CAGR (2021-2027) 7.5%

Reduced poverty and income growth in some Latin American countries have led to a more active introduction of infant food in the region.

Infant food producers pay great attention to packaging to extend shelf life and minimise the risk of product contamination.

Brazil is the most attractive market in the region for transnational corporations.

Market volume in 2019

67 billion USD

Source: EMIS, Marketline

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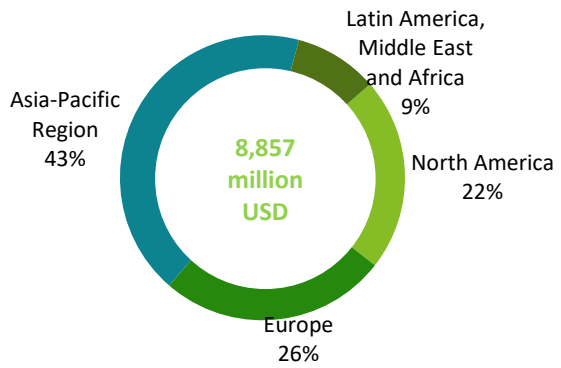
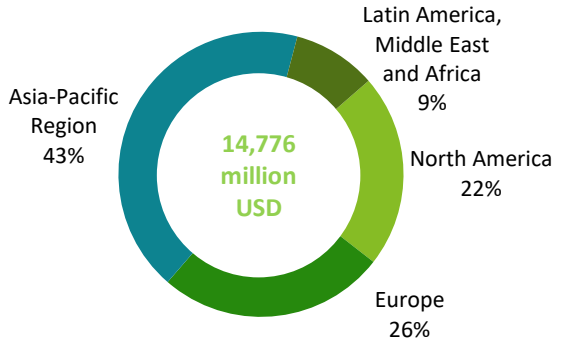
Global infant food market

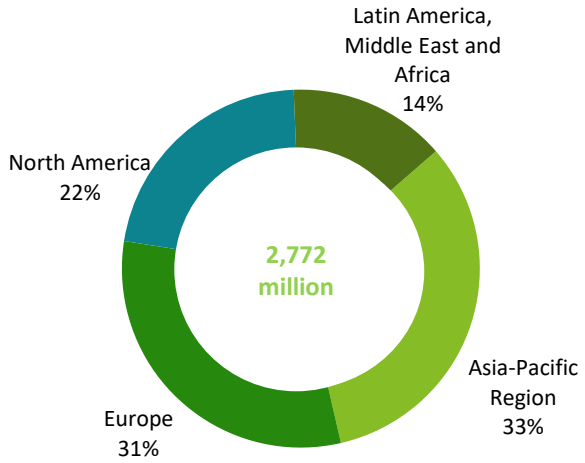
Structure of the global dried product market for infant food in 2019, %



Structure of the global finished product market for infant food in 2019, %



Structure of the global other product market for infant food in 2019, %



- The dried product market for infant food in 2019 was valued at 8,857 million USD and is forecast to reach 13,217 million USD in 2027 with average annual growth of 6.6%. The largest market share for dried infant food products belongs to the Asia-Pacific region and was worth 3,786 million USD in 2019, and is predicted to increase to 5,353 million USD by 2027, with CAGR at 5.9%.
- The ready infant food market in 2019 was valued at 14,766 thousand USD and is predicted to reach 21,897 thousand USD in 2027 with average annual growth at 6.5%.
- The largest ready infant food market share belongs to the Asia-Pacific region, valued at 6,287 thousand USD in 2019, and is predicted to reach 8,757 thousand USD by 2027, while average annual growth will be 5.7%.
- The ready infant food market is expected to reach 2,289 thousand USD by 2027 in Latin America, the Middle East and Africa, with average annual growth of 8%.
- The other products for infant food market in 2019 was valued at 2,722 million USD and is predicted to reach 4,604 million USD in 2027, with average annual growth of 8%.

Source: Allied Market Research

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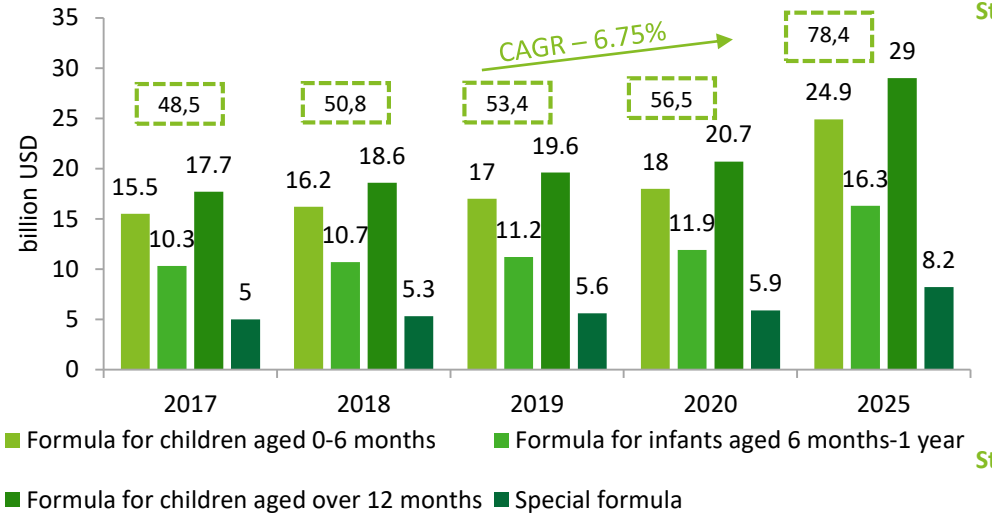
Global infant milk formula market

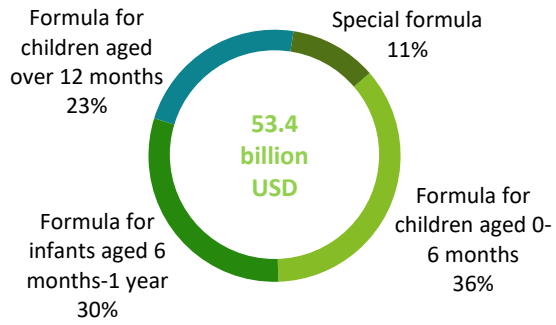
Changes in the global milk formula market, billion USD



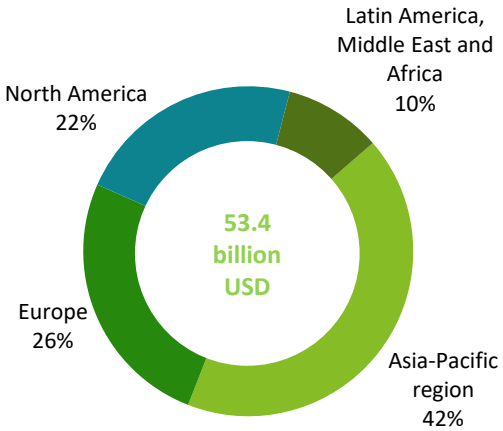
- The market for formula for children under six months is predicted to grow with CAGR at 6.69% to 24.9 billion USD by 2026. Likewise, advantages such as convenience and a good supply of all nutrients create global demand for formula. Abbott and Reckitt Benckiser Group PLC are the two companies that hold the greatest market share in this category (SIMILAC, ADVANCE and Enfamil).
- The market for formula for children aged between 6 months and 1 year is due to grow to 16.3 billion USD by 2026. In 2020, the British producer of children's formula Kendamil launched a new line of organic children's formula for children aged between 6 months and 1 year, which contains human milk oligosaccharides (HMOs).
- Formula for children over 12 months has become more popular recently because parents believe that it is better from the nutrition perspective. The key brands are BIOMIL, NuZtri and Novalac.
- Due to the cost and difference in taste from other formulas, demand for special formula is lower than in other segments. Specialised and adapted milk formulas that replicate breast milk are the best solution if breast feeding is not possible.

Source: Allied Market Research, Mordor Intelligence

Structure of the global milk formula market in 2019, billion USD



Structure of the global milk formula market in 2019, %



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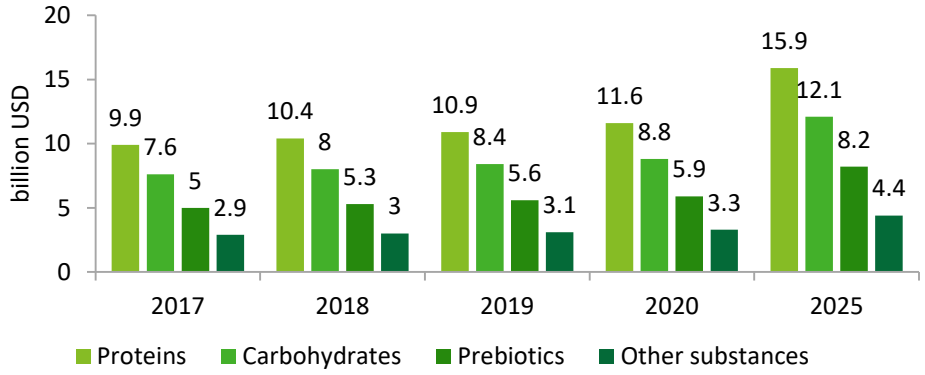
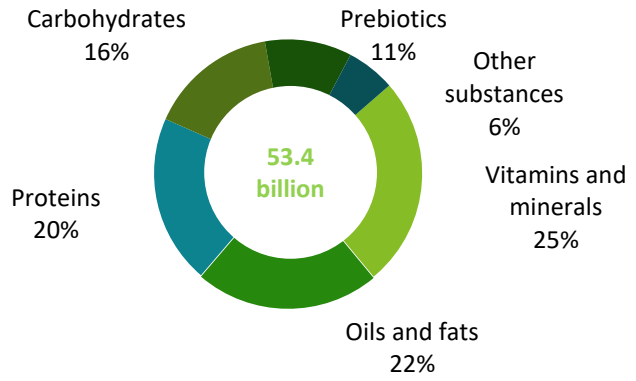
Global infant milk formula market

Changes in the global infant formula market by composition in 2019, billion USD

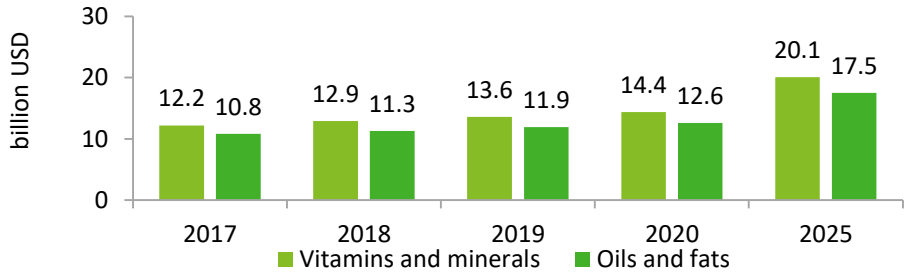


Structure of the global infant formula market by composition in 2019, billion USD



Source: Mordor Intelligence

Changes in the global infant formula market by composition in 2019, billion USD



- Products with protein content accounted for 20% of the total global infant formula market. Currently, a third of young children suffer from allergies and immunity problems. According to Baby Food research, formula containing protein reduces the risk of allergies.
- Lactose is the main carbohydrate used in infant formula. Research has shown that lactose helps the bowels function and also improves calcium carbonate absorption. Lactose content in infant formula helps consumer growth in demand for the product.
- Prebiotics are components that accelerate the growth of beneficent bacteria in the intestines.
- The other substance segment mostly includes nucleotides, emulsifiers and stabilisers, which help in vital metabolism processes.
- Vitamins and minerals are important for healthy growth and development in children. At the age of 4–5 months, the body requires up to 0.5 mg of iron per day, which gives rise to additional sources of nutrients.
- Companies are focusing on researching how to develop oil and fat formula with balanced ingredients replacing breast milk. For example, the global leader AAK supplies special fats acquired from natural vegetable sources.

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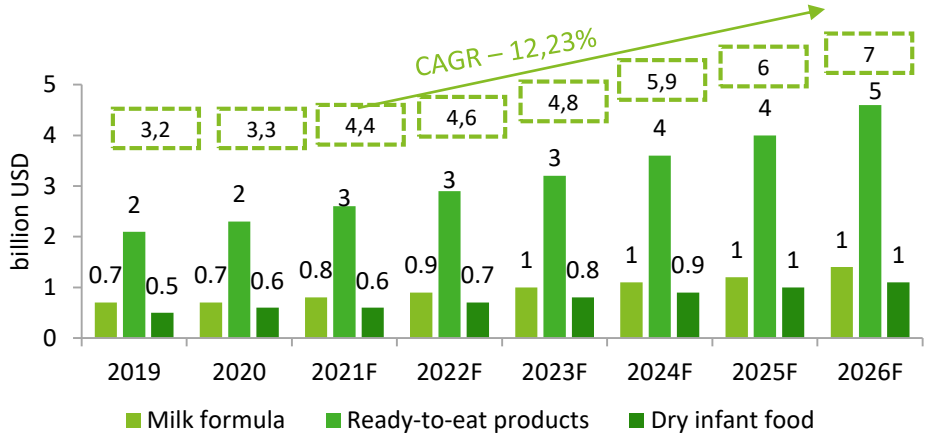
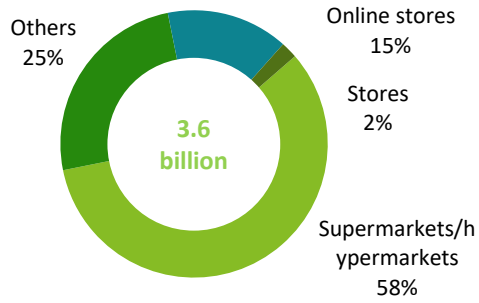
Global organic infant food market

Changes in the global organic product market for infant food, billion USD



Structure of the global organic product market for infant food, by sales channel, in 2020



- The global organic product market for infant food was valued at 3.6 billion USD in 2020, and is expected to reach 7.1 billion USD by 2026 with average annual growth of 12.23%. Previously, prices for organic products were a deterrent to growth, but improvements in living standards for consumers has helped to allow consumers to choose organic products.
- The largest group of organic product purchasers (52%) is the millennial parent group aged 18-34. The labelling of organic and 100% natural food is the deciding factor in choosing between similar products in the USA and Europe.
- Companies differentiate their products to meet consumer preferences: from improving digestion to increased brain function and weaning children off the breast. In 2021, the Australian company Sprout Organic created an infant formula containing only vegetable and organic substances. In 2020, Gerber launched its organic smoothies for children.
- Mordor Intelligence has forecast that the ready product market will be worth 4.6 billion USD in 2026 with the greatest average annual growth rate of 12.46% compared to other infant food market segments. The main factors aiding growth in demand are that it is ready to eat and easy to use. The largest producers of organic semi-ready products for children are Earthsbest (The Hain Celestial Group, Inc.), Aldi Mamia, Hipp Organic, Ella's Kitchen, Pure Spoon and others.
- Internet sales are expected to be worth 1 billion USD in 2026 with CAGR of 12.63%, as Internet stores offer a wide range of children’s brands.

Source: Mordor Intelligence

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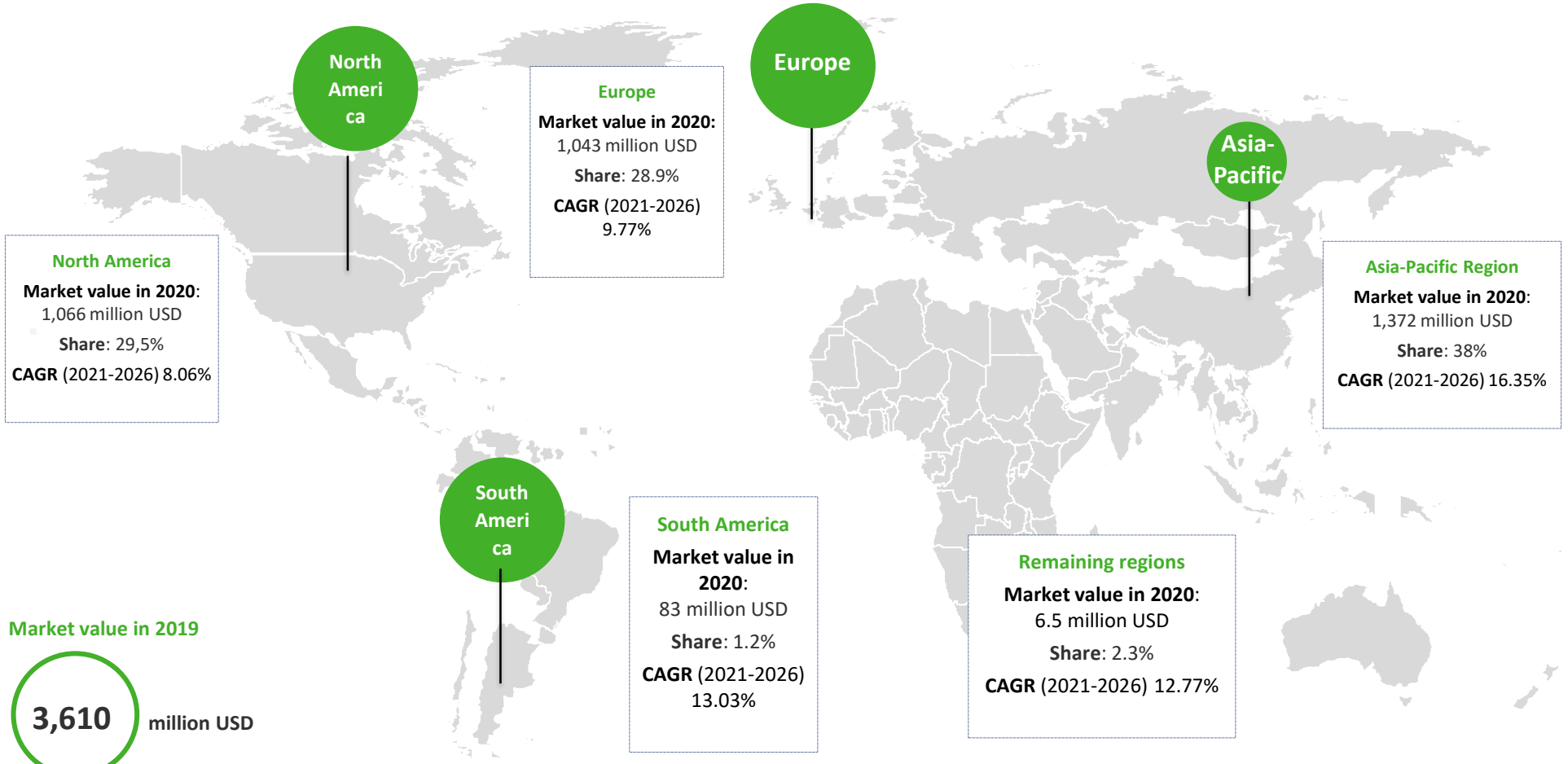
Global organic infant food market: regional characteristics

The Asia-Pacific region is responsible for 38% of organic infant food sales. The largest growth in 2021-2026 will be in the Latin America and Asia-Pacific regions.



North America
Market value in 2020: 1,066 million USD
Share: 29,5%
CAGR (2021-2026) 8.06%

Europe
Market value in 2020: 1,043 million USD
Share: 28.9%
CAGR (2021-2026) 9.77%

Asia-Pacific Region
Market value in 2020: 1,372 million USD
Share: 38%
CAGR (2021-2026) 16.35%

South America
Market value in 2020: 83 million USD
Share: 1.2%
CAGR (2021-2026) 13.03%

Remaining regions
Market value in 2020: 6.5 million USD
Share: 2.3%
CAGR (2021-2026) 12.77%

Market value in 2019

3,610 million USD

Source: Mordor Intelligence

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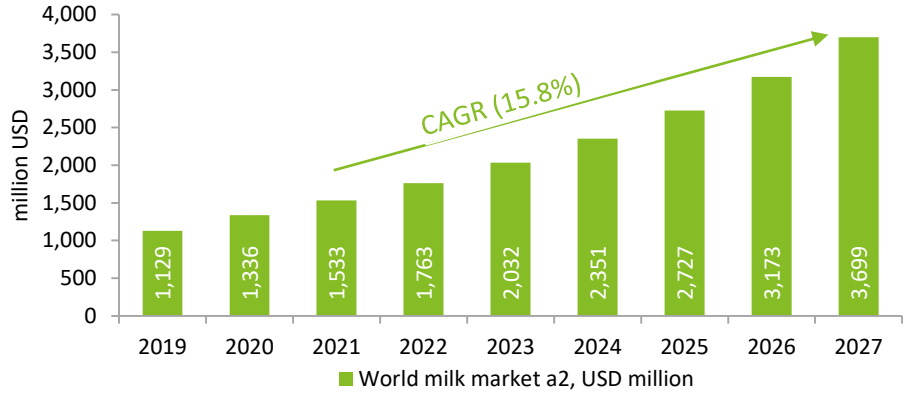
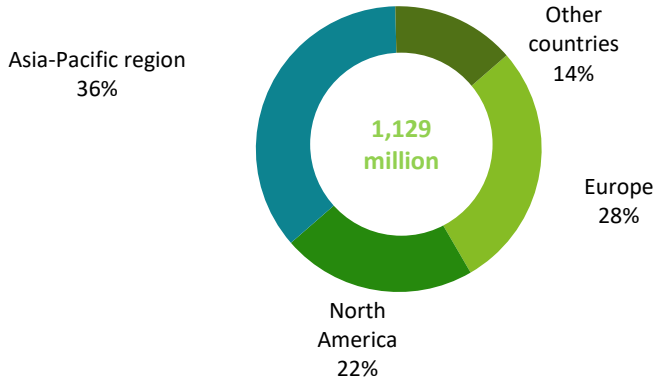
Global A2 milk market

Changes in the global A2 milk market, million USD

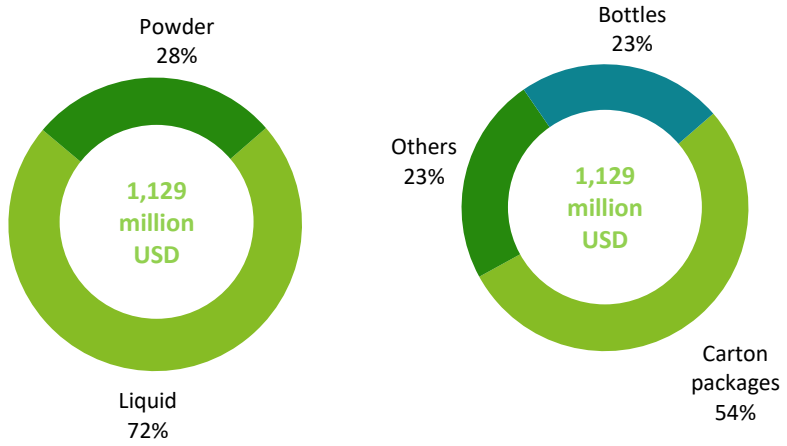


Structure of the global A2 milk market, million USD



- The current trend in the infant food market is for alternative types of raw materials and to create specialised products based on them.
- A2 milk is cow's milk that has no A1 β-casein, which, when digested, produces BCM-7, causing stomach discomfort and a number of related dangerous illnesses. A2 β-casein is easier to digest and is more beneficial to children than traditional milk.
- The global A2 milk market was valued at 1,129 million USD in 2019 and is forecast to reach 3,699 million USD by 2027, with average annual growth of 15.8%.
- International brands are being developed gradually to produce infant formula using A2 milk as an ingredient. In 2020, Nature's One declared it was using A2 in its Baby's Only, Premium Dairy Toddler Formula , Baby's Only and Premium Dairy DHA/ARA Toddler Formula products.
- A2 milk is common in Australia and New Zealand. A2 Milk company is expanding sales to many countries, including adapted infant formula. One of the company's latest innovations is the A2 Platinum dry formula.

Structure of the global A2 milk market by form and packaging, million USD



Source: Allied Market Research

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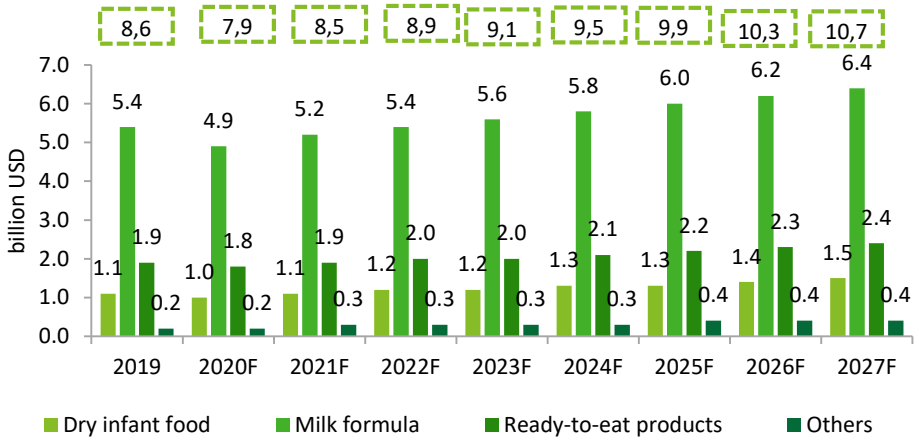
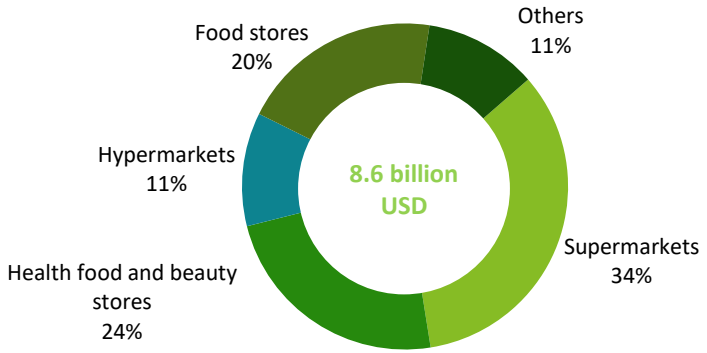
Market for infant food products in China

Changes in the market for infant food products in China, billion USD



Structure of the market for infant food products in China, billion USD



- The infant food market in 2019 was valued at 8.6 billion USD and is predicted to reach 10.7 billion USD by 2027, with average annual growth at 4.1%.
- China has achieved huge progress in infant food in the last decade, but quality infant food is still a problem.
  In 2018, to ensure food security, China banned the sale of approximately 1,400 types of milk formula, because their ingredients do not correspond to government standards.
- In May 2019, a new division of the dairy cooperative Liata, ESI Nutricia, received approval to produce milk formula in China. In October 2019, Nestlé opened the Nestlé Gerber Nutripuff production division in Schuancheng, Harbin. In March 2020, Danone launched a new service tracking its milk formula in China, and then in other Asia-Pacific markets. In June 2020, Wyeth announced the official launch of the high-quality brand of children's milk Belsol. In February 2021, Bunge Loders Croklaan, a supplier of oil and fat for the global food industry, launched a new lipidic ingredient called Betapol Select, which is a substitute for breast milk in Asia.
- It is expected that the share of international players in the Chinese infant food market will continue to grow due to the government initiative to remove birth rate limitations and expand the access of global international corporations to its infant food market.

Source: Allied Market Research, Mordor Intelligence

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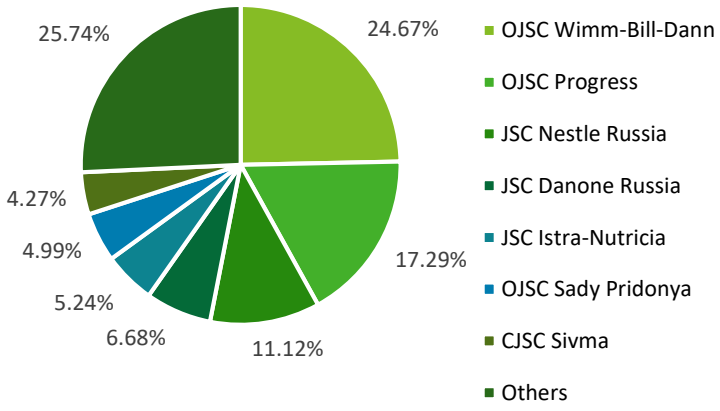
Market for infant food products in Russia

Current and forecast infant food consumption in Russia, thousand tonnes

Share of major infant food market players in Russia in 2020, %



Source: Euromonitor

According to Euromonitor, infant food consumption growth in 2021-2025 will remain at 0.3-0.4% in Russia.

The main infant food players are OJSC Wimm-Bill-Dann (24.67%), OJSC Progress (17.29%) and JSC Nestle Russia (11.12%).

According to Streda Consulting, infant formula imports account for 70% of the total. One of the reasons for the reliance on imports is the lack of production of the required components, including DWP-90, vitamin premixes and protein multicomponent mixtures.

For example, all DWP-90 (90% demineralised whey powder), which is one of the most important components used by children up to 6 months of age to normalise the assimilation of vitamins and minerals, is imported, even though Russian companies have the technical capability to produce it. The main problem is a lack of customers to justify industrial production. Infaprim, which is the only company with a full production cycle, imports the whey.

Another hard-to-get component is maltodextrin, which is needed to stabilise chemical composition and improve nutritional value. In Russia, Maltodextrin is currently only produced at the Gulkevichi starch plant.

Lactose, milk protein concentrates and various vitamin and mineral mixtures are also not produced in Russia. In comparison, Belarus produces the majority of milk ingredients, but the vitamin complexes required for production are still imported.

This trend, and dominant overseas infant food significantly reduce the ability of new players to enter the market.

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Global infant food market: country characteristics

Country	Market characteristics	Projects
USA	• Developed healthcare infrastructure; high number of working mothers; rise in child health costs and state initiative to improve infant food. • Infant food enriched with iron is recognised as the only safe and recommended alternative to breast milk. 70% of infants receive formula during the first year of life.	• In January 2021, the company Bobby launched the first organic infant formula that meets FDA requirements. • Happy Family Organics announced the launch of new organic Happy Baby infant food products.
Canada	• An increase in the number of working mothers and rise in child health costs. • Significant investment in mother and child health projects. • The sale and advertising of formula that does not meet Ministry of Health requirements have been banned.	• In January 2021, Else Nutricia Holdings Inc. announced the receipt of a parent for its infant formula. • In July 2020, Kraft Heinz Canada launched the HEINZ BY NATURE brand, a new line in infant food, which includes organic products. • In 2021, the Hero group purchased the Canadian organic infant food production company Baby Gourmet.
Mexico	• Mexico is becoming an attractive market for international corporations due to a lack of strict regulation of the infant food market and the growth in the number of working mothers.	• La Huerta de Elisa has developed production of natural infant food prepared from local fruit and vegetables. • In September 2019, Genomma Lab Internacional announced it had signed an agreement with UP International, S.A. to promote a full range of infant food products under the Novamil and Novalac brands in Mexico.
UK	• The UK has seen a number of new, innovative products, growth in demand for highly nutritional products and an increase in state investment in healthcare. • The number of employed women reached a record high of 72.4% in October-December 2019.	• In March 2021, Danone announced the launch of its first milk formula Aptamil in single-portion tablet form. One tablet is the equivalent of one standard spoon of dry infant formula. • In February 2020, the UK infant food brand Piccolo launched three new infant food products: Organic First Infant Milk, Organic Follow-On Milk and Organic Growing Up Milk.
Germany	• One of a few developed countries where the birth rate grew in the last few years (from 1.38 in 2008 to 1.42 in 2013 and 1.56 in 2018). • The employment rate for women aged 20-64 was 76%.	• DMK Group launched high-tech infant food production under the Humana brand.
France	• In 2019, 88.96% of French women were employed, which is one of the highest figures in Europe. • The birth rate is 1.9, which is higher than other developed countries in the region.	• Laïta announced a new infant and dietary food products. • Danone launched a service tracking the production of Aptamil, Karicare, Laboratoire Gallia and Nutrilon infant formula.
Italy	• In 2019, the employment level for women aged 20-64 was 53%.	• In June 2020, Hero Group and Angelini Holding announced the creation of a joint venture to produce organic infant food. In May 2018, Friesland Campina launched the construction of a plant to produce human milk oligosaccharides.

Source: Allied Market Research

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Spain	• In 2019, the level of employment of women aged 20-64 was 61%. • Aptamil, Cow and Gate (Almiron in Spain), Hipp Organic, Hero, Baby Bio and Nestle formula are the most popular in the country.	• In August 2020, an experiment was conducted on the use of human milk oligosaccharides, which resulted in confirmation of the additive's effectiveness.
Other European countries	• A large quantity of major players. • Increases in the number of working women. • More money spent on infant health and government initiatives to increase awareness of infant health.	• Nestlé opened a mother and child food research centre in Ireland. In September 2020, Nestlé opened an R&D Accelerator in Switzerland for dairy and vegetable products. • In March 2019, Danone announced the opening of a plant in the Netherlands to produce highly-specialised infant formula, including formula for children specific illnesses.
Japan	• In 2019, women accounted for 44.4% of the entire work force. • Beanstalk is the only milk formula brand in Japan that includes RNA in infant formula. The Meiji and Morinaga formulas contain docosahexaenoic acid (DHA) and arachidonic acid (ARA), which children need to grow. • Soybean (Wakodo Bonlact-i) milk formula and amino acid-based products are available. Milk formula is available in Japan from drugstores (without a prescription) and in supermarkets. • There are practically no international brands available on the market.	• Morinaga Milk Industry Co.Ltd has expanded its infant formula sales to Indonesia and Pakistan. • In November 2020, Ezaki Glico Co. became the first Japanese company to produce liquid infant formula in Japan.
India	• In 2019, the population of children up to the age of 5 was 112.8 million. • The State regulate the production, supply and distribution of infant food. • Sales in India have shown potential for growth given the high child malnutrition. Amul and Nestlé are the largest players in India.	• In 2018, Danone launched the Aptamil infant food brand in India. • In May 2020, the Israeli vegetable-based formula brand Else Nutricia received a patent in India. • In May 2019, Nestle launched an organic infant food product under its own Ceregrow brand.
Australia	• The Infant Nutricia Council, together with the Government, promote brands supporting a health population. The production and sale of infant food products in Australia are strictly regulated by the State. • In 2021, women accounted for 47.2% of the entire workforce.	• In May 2019, Bubs Australia announced the launch of the first certified organic infant formula in Australia together with Fonterra Australia. • In January 2021, Sprout Organic announced its intention to produce its first vegan infant formula fully consisting of organic and vegetable ingredients.
South Korea	• The birth rate in Korea fell sharply in 1970-2015 (7 per 1,000 people per year). • The market consists predominantly of local producers. The majority of well known infant food brands belong to Maeil Dairies Co. Ltd.	• In January 2020, A2 Milk merged with the company Yuhan Pharmaceuticals to launch milk formula production. In 2018, Lotte food Co. Ltd announced it had signed a memorandum with the New Zealand company Spring Sheep Milk Co. to produce a new line of sheep's milk for infants.

Source: Allied Market Research

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Country	Market characteristics	Projects
Other Asia-Pacific countries	• Malnutrition among children aged 0-3 years is common • The APIYCNA, which focuses on improving infant nutrition, has helped countries such as Singapore improve the distribution of infant formula and breast feeding. • The region has a number of domestic producers whose product and profile do not meet WHO and UNICEF recommendations.	• In 2019, Arla Indofood launched the Puregrow Organic brand, the first organic milk in Indonesia. • The Singapore start-up Turtle Tree is intending to make breast milk available that was created in a laboratory before the end of 2021.
Gulf Cooperative Council	• The local market is very competitive. • A large number of local producers exist in Saudi Arabia as breast feeding is not popular and the market is not strictly regulated.	• In February 2020, a leading international dairy company presented a new Arla Baby & Me Organic product line in Saudi Arabia.
South Africa	• Government initiatives are in place to provide free infant formula. • Infant food initiative focus on improving breast feeding, while supplementary feeding products are underfinanced.	• In September 2018, Aspen Pharmacare Holdings Limited, which is based in South Africa, announced it had signed an agreement to sell its food production business to the company Lactalis. • In 2019, Nalydia food launched a new natural product specially developed to meet infant needs.
Other Middle east and African countries	• Infant malnutrition is high. • Women's and children's nutrition is deteriorating due to the consequences of geopolitical conflicts.	• Nutricia has launched it own Aptamil Infant Formula brand in Nigeria. • UNICEF is working on eradicating malnutrition before 2030.
Brazil	• There has been an increase in working women: 43.9% of women in Brazil were employed in 2019. • Income levels are rising. • The State control food for babies and younger children.	• Carrefour increased the production of organic products by 85% in 2019.
Argentina	• There has been an increase in working women: 43.27% of women were employed in Argentina in 2019. • Income levels are rising and the birth rate is at 2.3.	• The Argentine Association of Dieticians and Nutriciaists Dieticians, Sociedad Argentina de Nutrición and Argentine Society of Pediatrics focus on promoting health food in Argentina.
Other countries in South America	• The share of employed women was 42.2% in 2019. • In the majority of South American regions, the government has taken measures to reduce undernourishment.	• UNICEF and the Latin American Health Institute Unilever entered into a partnership to improve infant food and health. • The Chilean Government has distributed infant formula since 2016.

Source: Allied Market Research

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Major infant food producers

Brand	Trade mark	Product	Overview	Initiative and projects
Nestle	NESTOGEN 3, NAN, Gerber, CERELAC, Naturnes	Adapted milk formula, porridge, deserts, soups, purees, juices and others	Nestle S.A. (Nestle) is a leading international food producing company. It has over 2,000 brands in 180 countries. Nestle owns 436 factories	• In 2019, Nestle launched over 1,300 new products focusing on infants' food needs. • Nestlé has opened a new plant in Mexico. • In January 2019, Nestlé open a research centre in Ireland.
Danone	ПРОСТОКВАШИНО, ТЁМА, Растишка, DANONE, PediaSure	Cream yoghurt, yoghurt, biolact, meat and meat/vegetable purees, milk, kefir and juice for infant food	Danone is an international food company founded in 1919 with its headquarters in Paris. Product brands included Danone, Activia, Actimel, Rastishka, Fantasia, Danissimo, Evian, Badoit, Volvic, Raumplus and others	• Danone's goal is to develop and promote its organic product across the world. • In April 2017, Danone purchased WhiteWave, which is used to brand a new line of vegetable-based products and beverages. • In March 2019, Danone invested 240 million Euros to open a modern non-waste factory in the Netherlands. • In September 2019, the company presented its latest innovation – a unique mixture of prebiotics and oligosaccharides Aptamil Profutura.
Abbot	Abbott, Similac, Eleva Organic	Milk formula, children's milk and children's beverages	Abbott Laboratories (Abbott) is an international company that specialises in opening, developing, producing and selling health products. Abbott sells its products in over 150 countries	• In 2019, Abbott launched its Similac Pro-Advance product, containing 2'-oligosaccharide fucosyl lactose (2'-FL†) in Canada.
Royal Friesland Campina NV	Friesche Vlag, Fristi, campina	.Milk formula, porridge and yoghurts	Royal Friesland Campina N.V. is a Dutch multinational dairy cooperative that has operations in over 32 countries and exports its products to over 100 countries.	• In May 2020, Friesland Campina purchased the company Dutch Nutricia. • In September 2019, Kezzler and Friesland Campina launched the first tracking and interaction system with customers for infant formula.

Source: Allied Market Research, open sources

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Brand	Trade mark	Product	Overview	Initiative and projects
Hero Group	Beech-Nut, FRECHE FREUNDE, Organix	Fruit juices, porridge, fruit puree, biscuits and snacks and muesli bars	The Hero Group is an international producer of infant formula, jam and nutritious snacks. The Hero Group is in Lenzburg.	• In 2021, the Hero Group purchased the Canadian organic food production company Baby Gourmet. • In 2018, the Hero Group entered into a strategic partnership with the German company producing eco-friendly children's products Goodforgrowth GmbH.
The Kraft Heinz Company	Моя семья, Heinz For Baby, Умница	Children's puree, porridge, biscuits and juice	The Kraft Heinz Company is an American food company that was formed as a result of the merger of Kraft food and Heinz, with head quarters in Pittsburgh and Chicago.	• Research expenses in 2020 were 119 million USD. • In July 2020, Kraft Heinz Canada launched the Heinz by Nature brand, a new infant food line, including eco-friendly products made from natural products.
Lactalis	Stonyfield Organic, siggi's, Galbani Professionale	Yoghurts, smoothies, milk and cereals	Lactalis is a major company dairy company with over 2,000 products across the world. Lactalis has 250 production sites in 50 countries.	• In 2017, Lactalis purchased Stonyfield Organic for 875 million USD to enter the US yoghurt market.
Meiji Holdings Co. Ltd	meiji	Milk formula, yogurts, milk and cheese	Meiji Holdings Co. Ltd is a Japanese holding company that produces and sells dairy products, confectionery and pharmaceutical products.	• Research expenses in 2020 amounted to roughly 31.4 billion Yen. • Meiji Co. Ltd has created a production line under the Zabas brand at plants in Tokyo and Kyushu. • Meiji Co. Ltd has signed a partnership agreement with Danone to produce infant food in tablet-form for the European market.

Source: Allied Market Research, open sources

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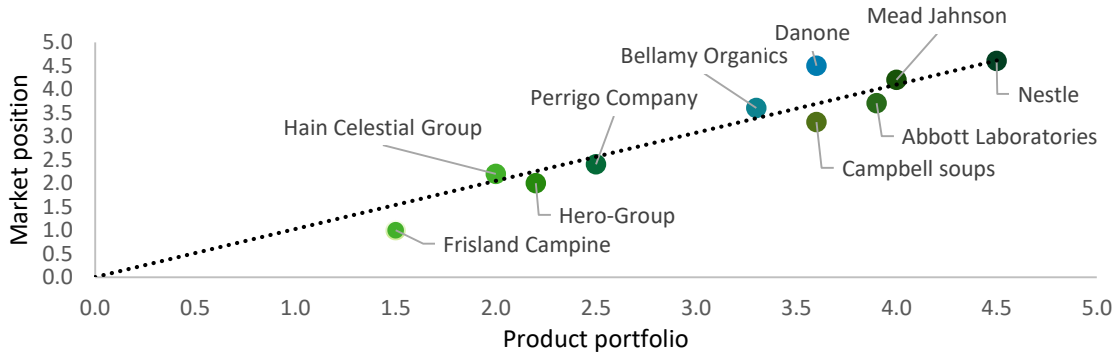
Major producer positions



Competitive product portfolio advantage

Companies	Milk formula	Porridge	Others
Abbot Laboratories	Strong	Strong	Strong
Bellamy's Organic Pty	Strong	Weak	Strong
Campbell Soup Company	Strong	Average	Weak
Danone	Strong	Strong	Average
Hero Group	Strong	Weak	Average
Mead Johnson & Company	Average	Average	Average
Nestle	Strong	Strong	Strong
Perrigo Company	Average	Strong	Strong
Royal Frieslandcampina N. V.	Strong	Strong	Average
The Hain Celestial Group	Strong	Strong	Weak

Strong
Average
Weak

Source: Allied Market Research

- The lading companies in terms of global revenue are Nestle, Mead Johnson, Abbot Laboratories, Danone and others.
- The product portfolios of Abbot Laboratories and Nestle are the most competitive among all international companies.
- Nestle's strategy involves determining customer demands and meeting them. As part of its key strategy, Nestle invested 1.7 billion Swiss Francs in research and development.
- Danone's strategic focus is on innovation and diversity in healthy food products. Danone has expanded its opportunities by investing 100 million Euros in opening a research centre in Shanghai.
- Frisland Campine focuses on innovation, digitalising services and partnership with other producers.

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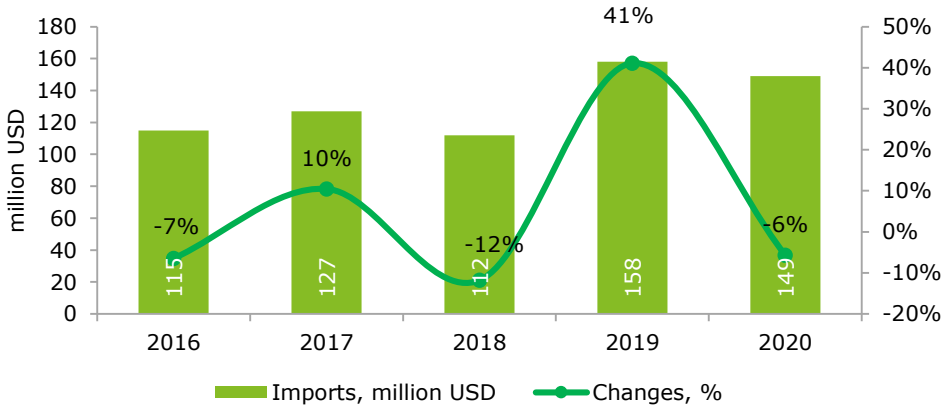
Changes in the import of meat products for infant food, million USD



Structure of the import of meat products for infant food in 2020, million USD

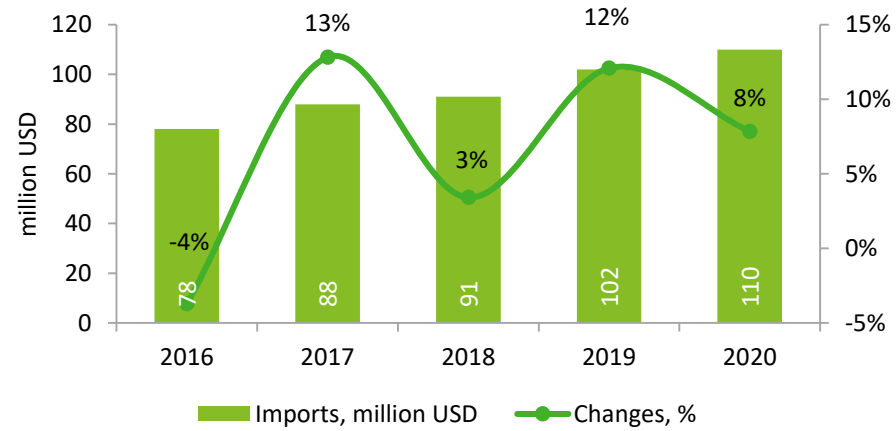
Saudi Arabia
35 million USD (23%)

Belgium
14 million USD (9%)

UK
11 million USD (7%)

Hungary
10 million USD (7%)

Changes in the import of vegetable products for infant food, million USD



Structure of the import of vegetable products for infant food in 2020, million USD

UK
24 million USD (22%)

Russia
9 million USD (8%)

Belgium
13 million USD (12%)

France
4 million USD (4%)

Source: trademap

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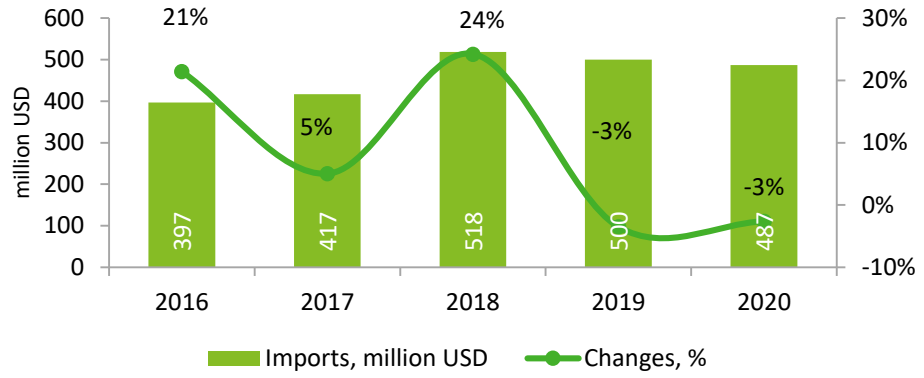
Global imports

Changes in fruit and berry infant food imports, million USD



Structure of fruit and berry infant food imports in 2020, million USD

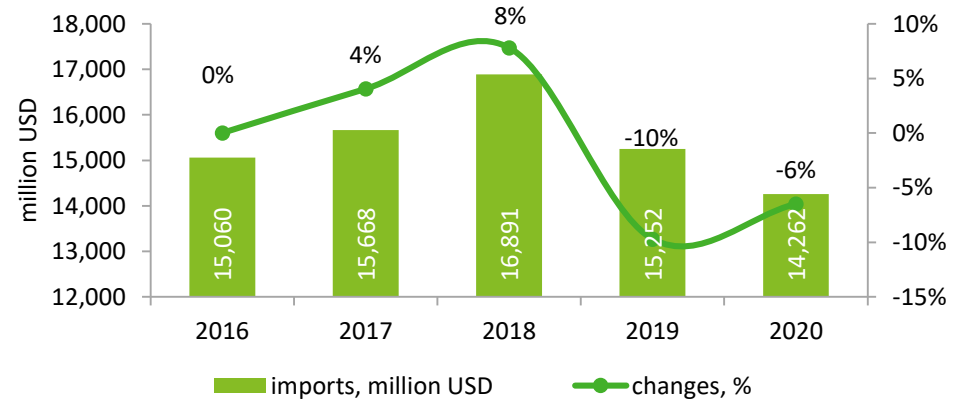
UK
42 million USD (9%)

Russia
38 million USD (8%)

Germany
56 million USD (11%)

Ireland
23 million USD (5%)

Changes in juice imports for infant food, million USD



Structure of juice imports for infant food in 2020, million USD

USA
1,895 million USD (13%)

Germany
1,360 million USD (9%)

Netherlands
1,256 million USD (13%)

France
1,160 million USD (8%)

Source: trademap

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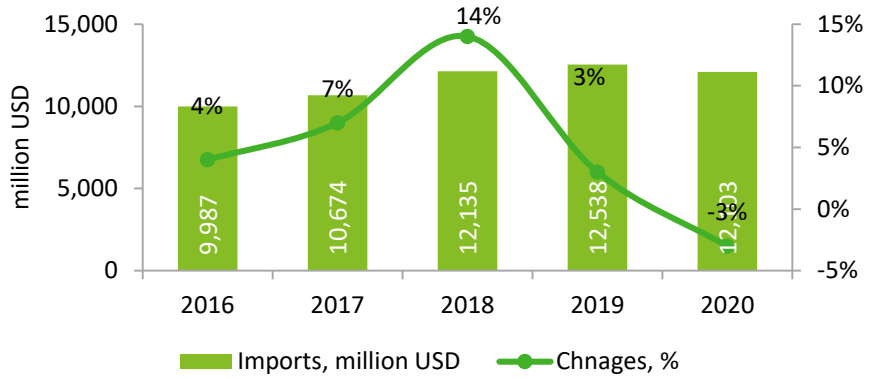
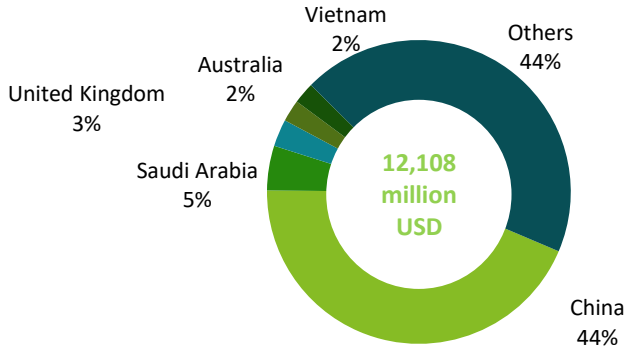
Global imports

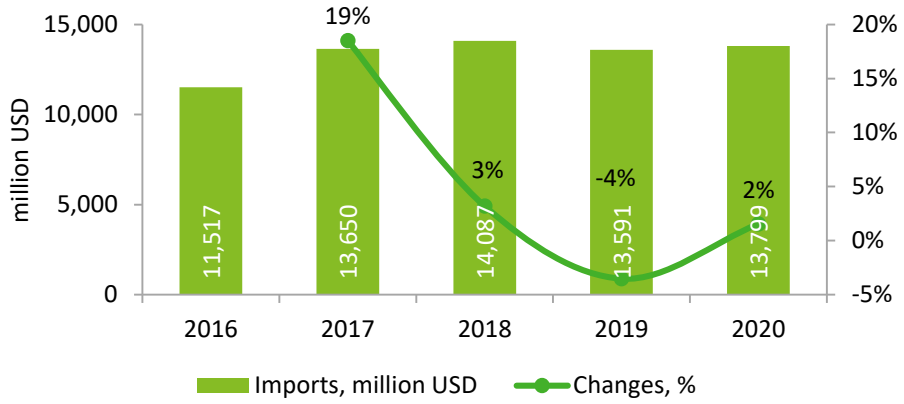
Changes in infant food imports in packaging of less than 250 g, million USD



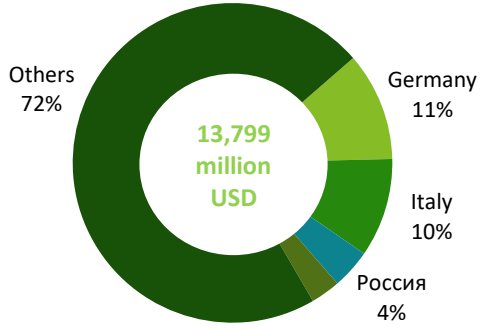
Structure of infant food imports in packaging of less than 250 g in 2020, million USD



Changes in milk-based infant food imports, million USD



Structure of milk-based infant food imports in 2020, million USD



Source: trademap

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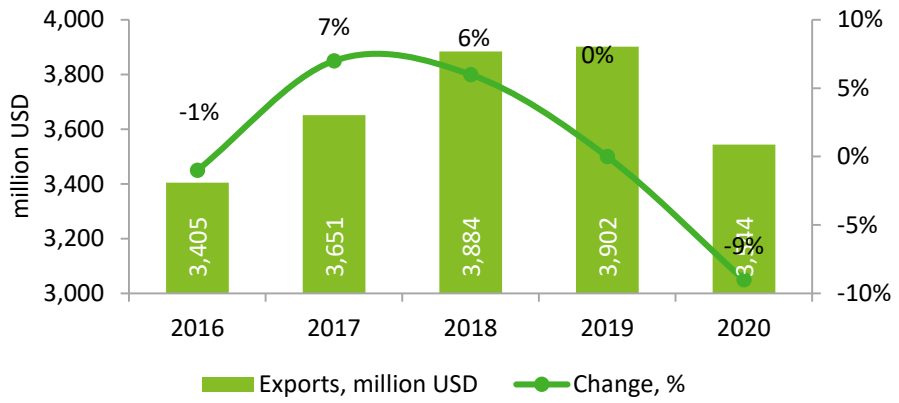
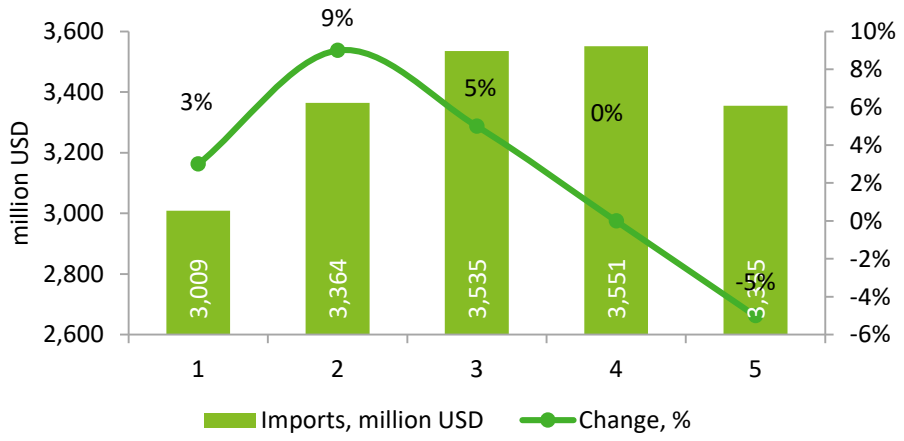
Global exports and imports

Changes in the export of products for flour-based infant food, million USD



Changes in the import of products for flour-based infant food, million USD



Structure of the export of products for flour-based infant food, million USD

France
502 million USD (14%)

USA
488 million USD (14%)

Germany
383 million USD (11%)

Canada
293 million USD (8%)

Structure of products for flour-based infant food, million USD

USA
370 million USD (11%)

Germany
272 million USD (8%)

Canada
243 million USD (8%)

Italy
167 million USD (8%)

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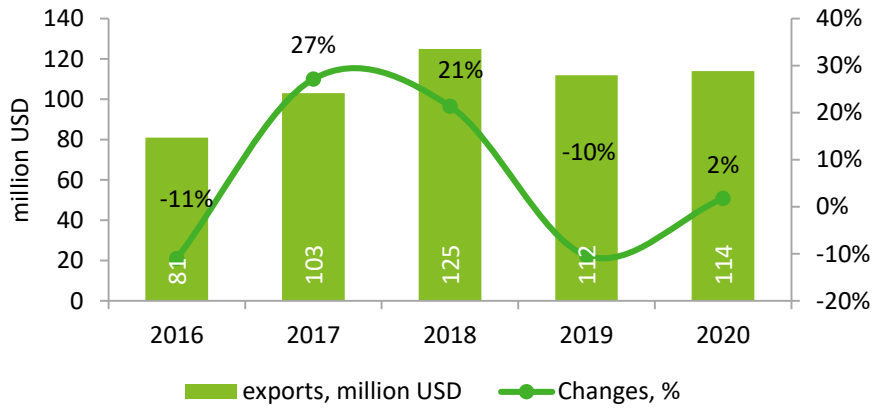
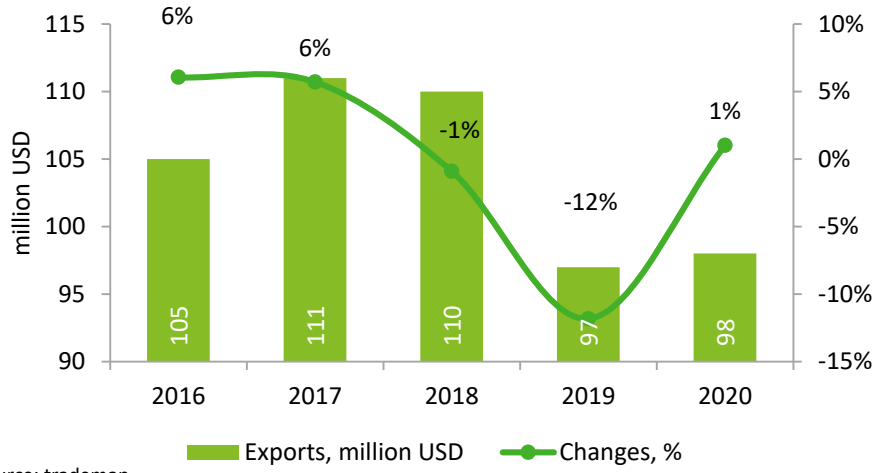
Changes in the export of meat products for infant food, million USD



Changes in the export of vegetable products for infant food, million USD



Source: trademap

Structure of meat product exports for infant food, million USD

Czech Republic
17 million USD (15%)

Netherlands
15 million USD (13%)

Thailand
14 million USD (12%)

Poland
14 million USD (12%)

Structure of the export of vegetable products for infant food, million USD

Italy
20 million USD (20%)

Poland
10 million USD (10%)

France
10 million USD (10%)

Poland
7 million USD (7%)

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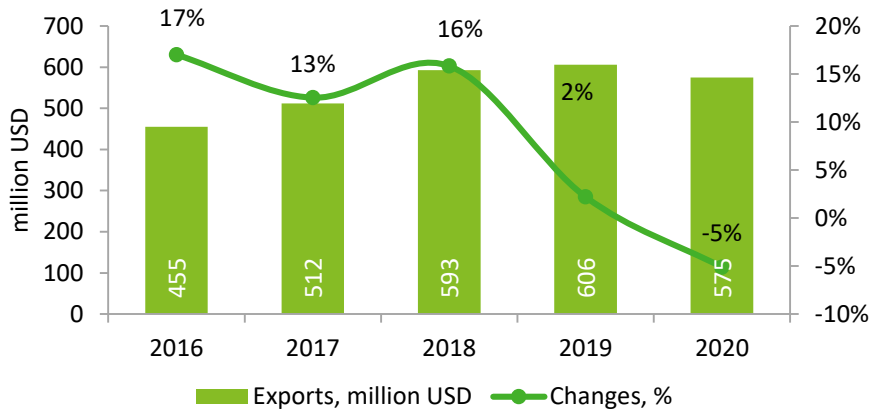
Changes in fruit and berry-based infant food exports, million USD



Structure of fruit and berry-based infant food in 2020, million USD

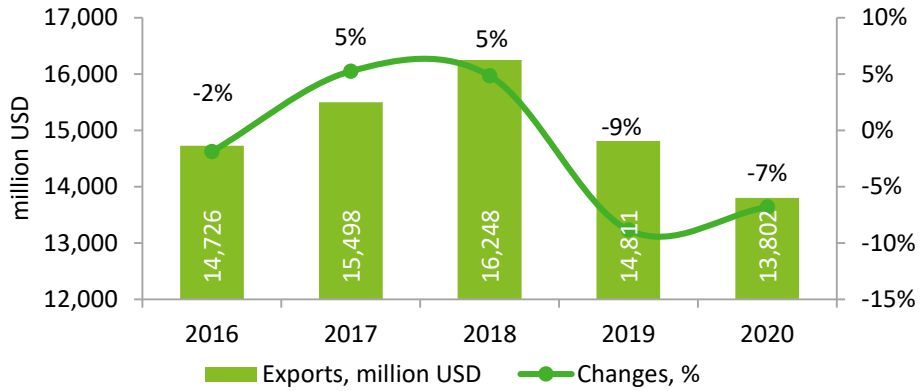
Spain
157 million USD (27%)

Austria
33 million USD
(6%)

Italy
51 million USD
(9%)

Czech Republic
32 million USD
(6%)

Changes in the export of juice for infant food, million USD



Structure of juice exports for infant food in 2020, million USD

Brazil
1,603 million USD
(27%)

Netherlands
1,517 million USD (11%)

Germany
941 million USD
(7%)

Spain
899 million USD
(6%)

Source: trademap

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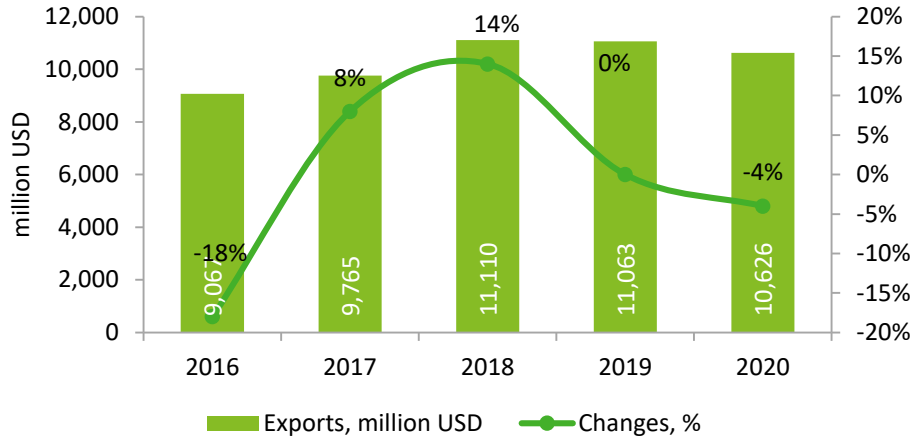
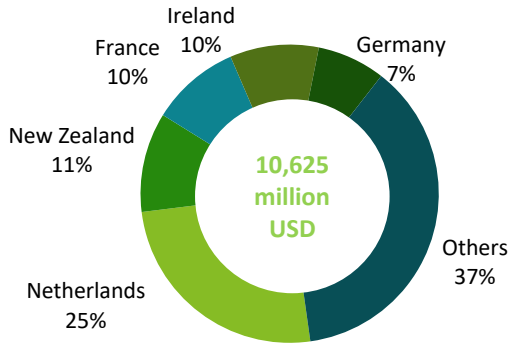
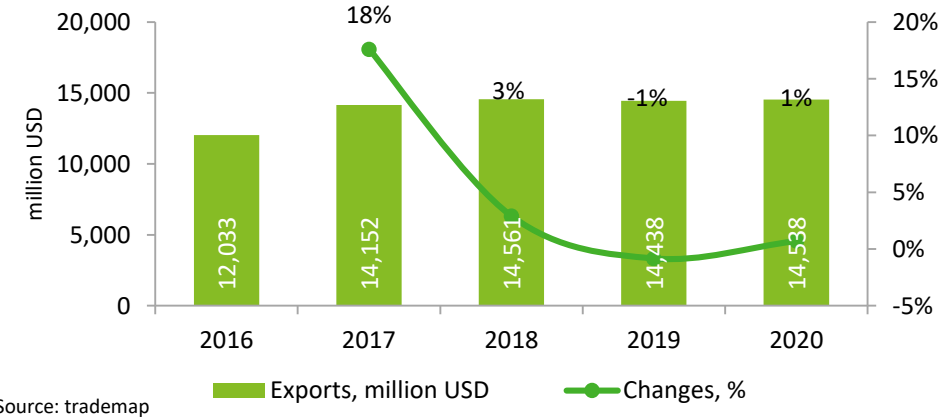


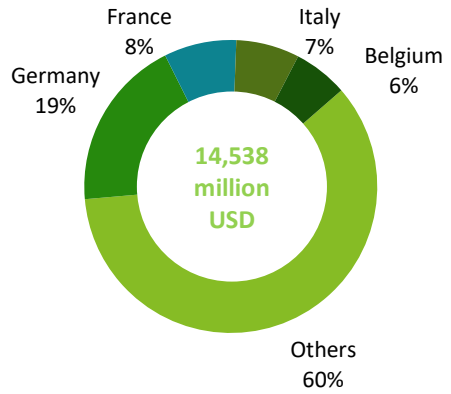
Structure of flour-based infant food exports in 2020, million USD



Changes in milk-based infant food exports, million USD



Changes in milk-based infant food exports, million USD



Source: trademap

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CAGR	Compound Annual Growth Rate
CIS	Commonwealth of Independent States
CIT	corporate income tax
EEU	Eurasian Economic Union
F	Forecast
Gcal	Gigacalories
GCEA	General classification of types of economic activities
GDP	gross domestic product
GMO	Genetically modified organisms
JSC	joint stock company
kg	kilogram
kWh	kilowatt hour
LLP	limited liability partnership
m^3	cubic metre
n/a	not applicable/no data
OJSC	Open Joint Stock Company
SEZ	free economic zone
USD	US Dollar
VAT	value added tax

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