



Manufacture  
of sugar and chocolate  
confectionery in Kazakhstan  
Industry teaser

August 2020.



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# Industry teaser for sugar and chocolate products

## Industry summary



- Confectionery products are classified into 3 main groups: chocolate products, sugar products and baked products. This teaser covers chocolate and sugar confectionery products with codes 1806 and 1704 assigned to them respectively, according to the Commodity Classification of Foreign Trade Activity.
- According to Marketline, the global chocolate and sugar confectionery market is valued at US\$ 169 billion. With compounded annual growth rate of 4.3%, the market will reach US\$ 207 billion by 2023.
- Over the past five years, the chocolate and sugar confectionery industry in Kazakhstan has shown positive dynamics. Production volumes increased by 28% in 2019 compared to production volumes in 2015.
- There are 3 large domestic manufacturers of chocolate and sugar confectionery in Kazakhstan: Rakhat JSC (Almaty and Shymkent), Bayan-Sulu JSC (Kostanay) and Konfety Karagandy LLP (Karaganda). The aggregate market share of these manufacturers is about 20%.
- In 2019, the shortage of confectionery products in the country reached over 68 thousand tonnes. Given the high level of per-capita consumption of confectionery products in the country and growing consumer demand, the industry has great potential for further development, as well as reducing import dependence and increasing exports.

### *Insufficiency of raw material base*

Today, Kazakhstan experiences a shortage of raw sugar. This situation has developed due to the price dumping of manufacturers from neighboring countries and the EAEU (Russia and Belarus). Nevertheless, the government is systematically developing the industry: there has been a steady increase in the cultivated area under beets to increase the production of Kazakh sugar by 1.5 times to 121 thousand tonnes per year in 2021.

### *Intra-industry competition and export development*

The local market for chocolate and sugar confectionery is very competitive. For the successful sale of products, local manufacturers need to:

- 1) focus efforts to expand product distribution channels;
- 2) organize direct targeted sales;
- 3) optimize the range of products, taking into account the consumer taste preferences;
- 4) manage brand effectively.

Given the geographical proximity of the country to capacious sales markets such as China (annual import of 83,790 tonnes) and the Central Asian countries and Mongolia (annual import of 68,500 tonnes), domestic confectionery factories need to intensively develop exports in order to take a significant share in these external confectionery markets.

### *Localization of foreign production*

According to Euromonitor International, 57% of the confectionery market in the country is represented by foreign brands such as Mars Ltd., Mondelez Kazakhstan, Ferrero SpA and Nestle Food Kazakhstan. These enterprises do not have production sites in Kazakhstan and supply their products from Russia. A favorable investment climate, proper comprehensive support for foreign investments, qualified labor resources and a favorable geographic location can become a good basis for localizing the production of foreign companies in Kazakhstan.

### *Governmental support*

The government is taking systemic measures to develop and support the manufacturing industry: it adopted programs such as the Business Roadmap, the State Program of industrial and innovative development of the Republic of Kazakhstan 2020-2025. and The Economics of Simple Things. The conditions created by the state make it possible to reduce the financial and tax burden on local producers and increase their competitiveness.

## Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



# Industry teaser for sugar and chocolate products

## Table of contents

Industry summary	3
Table of contents	4
Confectionery classification	5
Overview of the global commodity market	6
Overview of the global sugar and chocolate confectionery market	12
Overview of Kazakhstan commodity market	20
Overview of Kazakhstan sugar and chocolate confectionery market	24
State support measures	37
Conclusions and recommendations	43
Abbreviations	45



Industry summary
<b>Table of contents</b>
Confectionery classification
Overview of the global commodity market
Overview of the global sugar and chocolate confectionery market
Overview of Kazakhstan commodity market
Overview of Kazakhstan sugar and chocolate confectionery market
State support measures
Conclusions and recommendations
Abbreviations

# Confectionery classification

## Types of confectionery



### Chocolate products

- Cocoa powder with added sugar or other products
- Industrial chocolate (pasty chocolate, granulated chocolate, chocolate chips, milk chocolate curls, chocolate drops, chocolate chips, chocolate icing, chocolate syrups, liquid chocolate, decorative chocolate)
- Chocolate and cocoa-containing briquettes, plates, bars (with and without filling)
- Chocolate spreads, praline spreads and spreads containing cocoa
- Chocolates (filled, unfilled, containing alcohol)
- Products from sugar substitutes containing cocoa



### Sugar products

- Chewing gum (coated or not coated with sugar)
- White chocolate
- Pastes and masses including marzipan
- Dragee coated with sugar, lollipop caramel (with and without filling), cocoa free
- Toffee, caramels and similar sweets
- Fruit paste, jelly, gum products, marmalade



### Baked products

- Cookies, waffles, gingerbread, cracker
- Rolls, muffins, cakes, pies, cakes
- Cake, biscuits
- Pastry oriental products (zemaleh, baklava, shaker-churek)

Industry summary

Table of contents

**Confectionery classification**

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations





# Overview of the global commodity market



Industry summary

Table of contents

Confectionery classification

**Overview of the global commodity market**

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

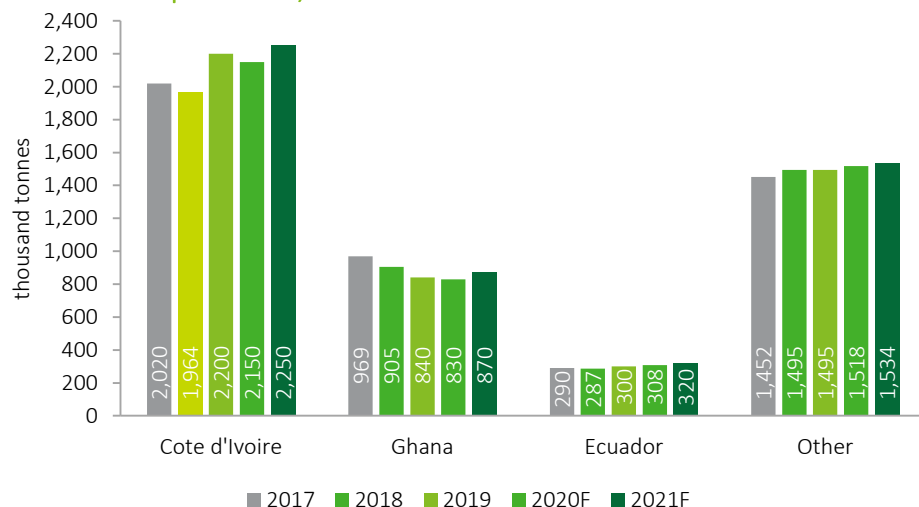


# Overview of the global commodity market

## World production and consumption of cocoa beans



World cocoa production, thousand tonnes



The global cocoa production market in 2019 is estimated at 4,835 thousand tonnes. The market is expected to reach 4,974 thousand tonnes by 2021 with a CAGR of 1.25% during 2020-2021.

The world leader in the production of cocoa is Cote d'Ivoire. In 2018-2019, cocoa production in Côte d'Ivoire decreased by 2.8% to 1,964 tonnes per annum due to unfavorable weather conditions. The production is expected to decrease in 2020-2021 due to a necessity to replace crops affected by the cocoa shoot strain virus.

As global demand for high quality chocolate grows, production in Latin America (Brazil and Ecuador) is expected to increase. The average annual production growth will reach 3.3%.

Source: EIU

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World cocoa consumption, thousand tonnes

Country	2016/17	2017/18	2018/19	2019/20	2020/21
USA	814	797	802	808	819
Germany	352	347	352	353	358
France	227	228	230	232	235
Great Britain	220	221	223	225	227
Japan	185	192	197	202	207
Russia	187	195	198	201	203
Brazil	182	182	183	185	190
Spain	119	122	125	128	131
Italy	104	103	104	105	106
China	87	86	92	98	103
Canada	89	88	89	90	92
Australia	77	80	82	84	86
Other	1,499	1,550	1,565	1,591	1,634
<b>Total</b>	<b>4,142</b>	<b>4,191</b>	<b>4,242</b>	<b>4,302</b>	<b>4,391</b>

The 10 largest cocoa consuming countries in the world account for 59.1% of the global consumption. In the period 2020-2021, consumption growth is expected to be modest at 1% per annum, due to changes in consumer priorities for a healthy lifestyle. Growing demand for dark chocolate with higher cocoa content will help sustain global cocoa consumption.

China and India have enormous potential to further increase of demand for cocoa given current low levels of per capita consumption – 50 g in India and 75 g in China in 2017-2018, compared to 2-6 kg in developed countries. Cocoa demand in China is projected to rise sharply at a rate of 5.8% per year until 2021 against the background of steady (albeit slowing down) GDP growth. Cocoa demand in India is expected to average 6.5% growth in 2019-2021.

Industry summary

Table of contents

Confectionery classification

**Overview of the global commodity market**

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



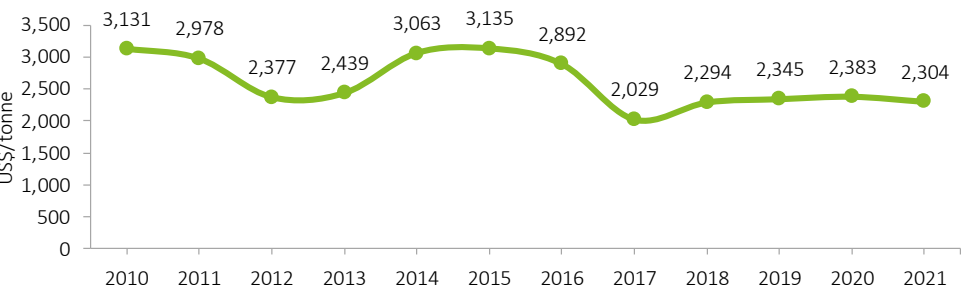


# Overview of the global commodity market

## Supply and demand, world prices for cocoa beans



Dynamics of prices for cocoa beans, US\$/tonne



According to the Economist Intelligence Unit, the growth in global cocoa consumption in the 2018-2019 harvest season (October-September) remained unchanged at 1.2% per year. Data from the International Cocoa Organization (ICCO) show that growth in cocoa demand in China and India has been weak, limiting the overall rate of growth in global cocoa demand. However, cocoa consumption is expected to rise in both countries during 2020-2021, which will help offset stagnant consumption levels in many large markets. Overall, global demand is projected to grow at 1.4% in 2020 and 2.1% in 2021.

Cocoa production will remain fairly concentrated among a relatively small number of countries: cocoa can only be grown in certain regions (three quarters of world production comes from regions within eight degrees of the equator) in warm and humid conditions.

Cocoa prices rose in the first half of 2019 reflecting the mild harmattan season in West Africa, which improved the forecast for product quality.

Following the announcement by Côte d'Ivoire and Ghana in early July that they would set a minimum selling price of US\$ 2,600 per tonne, prices reached US\$ 2,500 per tonne. However, the authorities subsequently set a premium of US\$ 400 per tonne above the market price, which goes directly to producers.

Cocoa prices stabilized in Q4 2019, at around US\$ 2,383 per tonne in early January 2020.

Supply and demand balance, thousand tonnes

Index	2017	2018	2019	2020F	2021F
Production	4,731	4,651	4,835	4,806	4,974
Consumption	4,142	4,191	4,242	4,302	4,391
Balance	542	413	545	456	533
Resources	1,714	1,722	2,268	2,595	2,980
Δ%	20.1	0.5	31.7	14.5	14.8

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

Source: EIU, International Cocoa Organization (ICCO)

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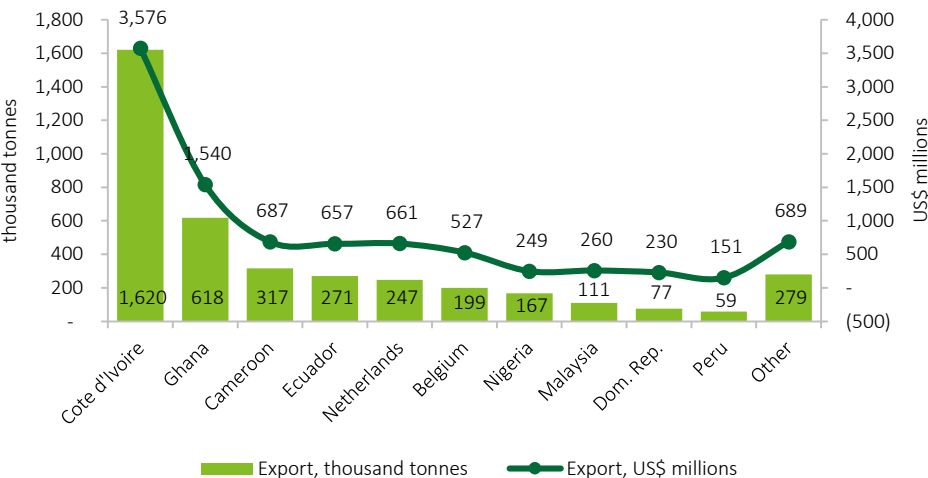


# Overview of the global commodity market

## World export and import of cocoa beans



World export of cocoa beans, 2019

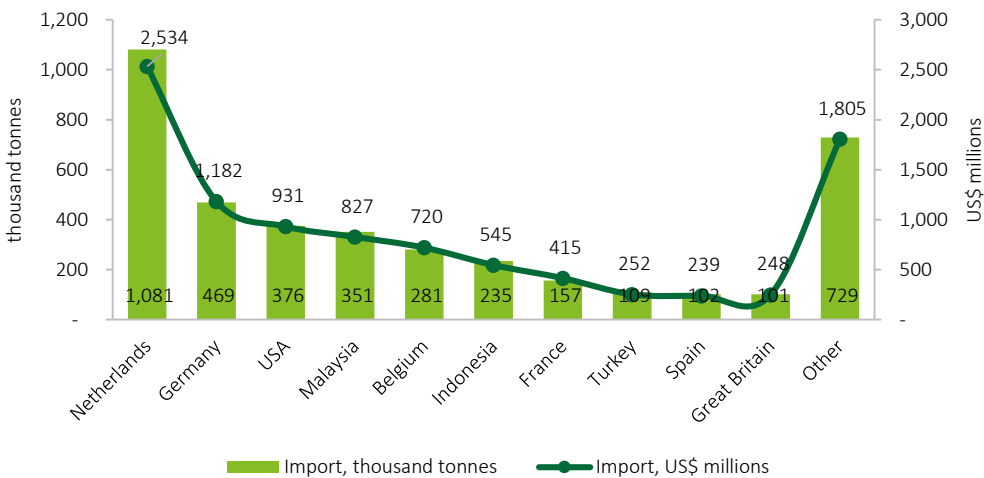


The largest cocoa exporters are Cote d'Ivoire (41%), Ghana (16%), Cameroon (8%), Ecuador (7%) and the Netherlands (6%). These countries account for almost 80% of global exports, the shares of other countries are insignificant.

Despite the origin of the cocoa tree in the subequatorial regions of South America, after a period of geographical discoveries and cultural and economic exchange, the plant is cultivated in many regions of the world. Nowadays, countries of the subequatorial Africa continent are the main producers of cocoa beans.

The EU countries such as the Netherlands and Belgium are also among the large exporters; still, their aggregate share does not exceed 11%.

World import of cocoa beans, 2019



The largest importers include the Netherlands (27%), Germany (12%), the USA (9%), Malaysia (9%) and Belgium (7%). High imports of cocoa beans in these countries are due to well-developed chocolate production and the confectionery industry, in general.

Belgium and the Netherlands are both the largest importers and exporters. This is explained by the fact that these countries are a primary destination for cocoa beans in Europe, with subsequent supply of the raw materials to other EU countries. The largest supplier of cocoa beans to the Netherlands is Cote d'Ivoire (481 thousand tonnes), while the largest consumers of Dutch cocoa beans are Germany (155 thousand tonnes), Austria (32 thousand tonnes), Slovakia (12 thousand tonnes) and France (7 thousand tonnes).

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

Source: International Trade Centre

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# Overview of the global commodity market

## Global sugar production and consumption, price dynamics



Global sugar production and consumption in 2019, thousand tonnes

Country	Production	Consumption
Brazil	29,925	10,650
India	28,900	27,000
Thailand	8,250	2,400
China	10,200	15,200
USA	7,280	11,000
Russia	7,800	6,100
Mexico	5,433	4,301
Pakistan	5,565	5,600
Other	62,825	105,826
<b>Total</b>	<b>166,178</b>	<b>188,077</b>

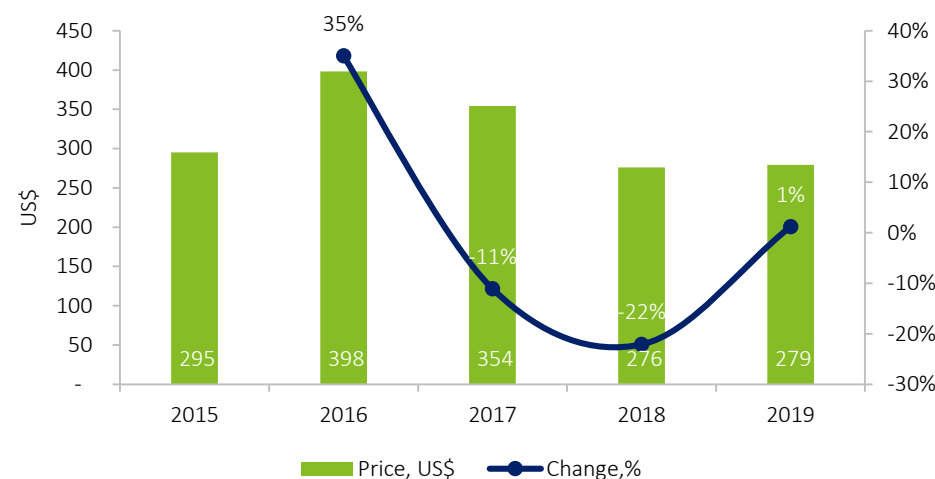
Traditionally, there are two types of sugar differing in the processed raw materials: cane sugar and beet sugar. Globally, more than 110 countries around the world produce sugar from cane or beetroot, while 8 countries produce sugar from both cane and beetroot. Overall, sugar cane accounts for over 80% of the sugar produced.

In 2019, the world produced about 166 million tonnes of sugar. The largest producing countries are Brazil (29.9 million tonnes), India (28.0 million tonnes), China (10.2 million tonnes), Thailand (8.2 million tonnes) and the USA (7.3 million tonnes). It should be noted that Thailand significantly reduced production from 14.6 million tonnes in 2018 to 8.2 million tonnes in 2019, which is explained by low yields due to drought. Russia increased production by 1 million tonnes as a result of high yield of sugar beet.

Source: USDA; Index Mundi; ISO

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Dynamics of global prices, US\$/tonne



India which reports high volumes of sugar production, is also one of the largest consumers of sugar, like the USA and China where consumption exceeds domestic production and the shortage is covered by imports.

During the period of 2015-2019, the sugar price peaked at US\$ 398 per tonne in 2016 followed by a significant decline in the price. In 2019, the world sugar price was US\$ 279 per tonne.

Industry summary

Table of contents

Confectionery classification

**Overview of the global commodity market**

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

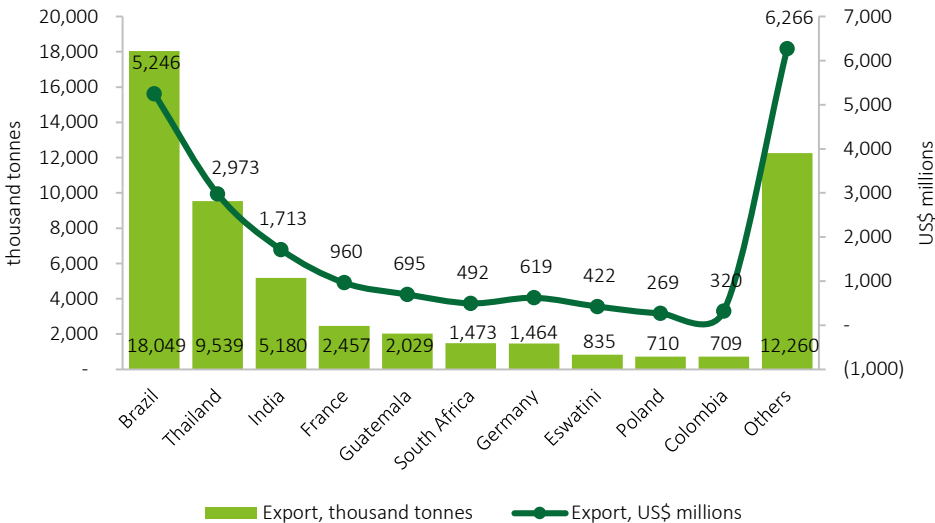


# Overview of the global commodity market

## Global export and import of sugar



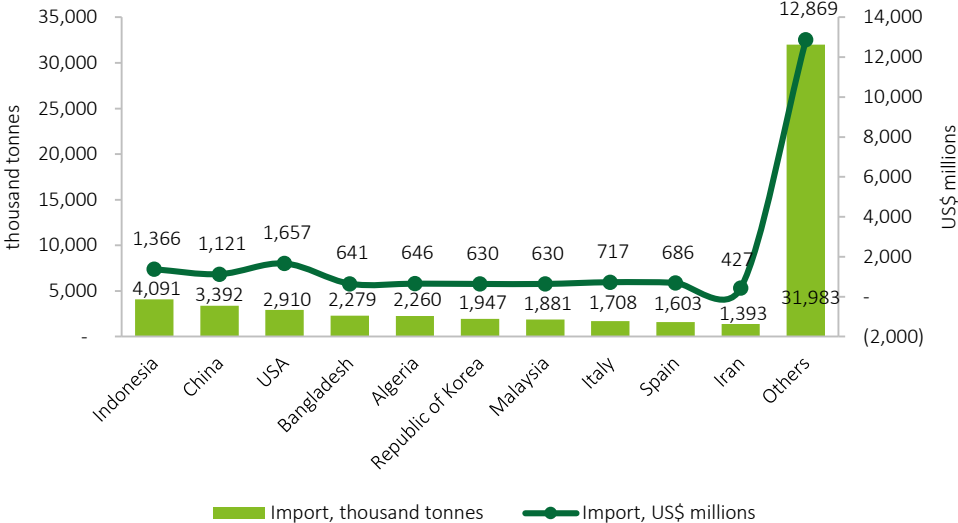
Global export of sugar, 2019



The largest sugar exporting countries are Brazil (33%), Thailand (17%), India (9%), France (4%) and Guatemala (4%), which account for almost 70% of global exports. The shares of all other countries are insignificant.

These countries export large volumes of sugar mainly because of favorable climate conditions for the cultivation of sugar cane.

Global import of sugar, 2019



In 2019, the largest sugar importing countries were Indonesia (7%), China (6%), USA (5%), Bangladesh (4%) and Algeria (4%). In general, the shares of world sugar imports are evenly distributed among the importing countries, with the exception of Indonesia, China and USA. These countries have large populations and report high level of sugar consumption due to taste and food preferences.

China and USA, while being among the largest sugar producers, are also the largest importers of the product. This fact indicates a shortage of sugar products within these countries.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations





# Overview of the global sugar and chocolate confectionery market



[Industry summary](#)

[Table of contents](#)

[Confectionery classification](#)

[Overview of the global commodity market](#)

[Overview of the global sugar and chocolate confectionery market](#)

[Overview of Kazakhstan commodity market](#)

[Overview of Kazakhstan sugar and chocolate confectionery market](#)

[State support measures](#)

[Conclusions and recommendations](#)

[Abbreviations](#)



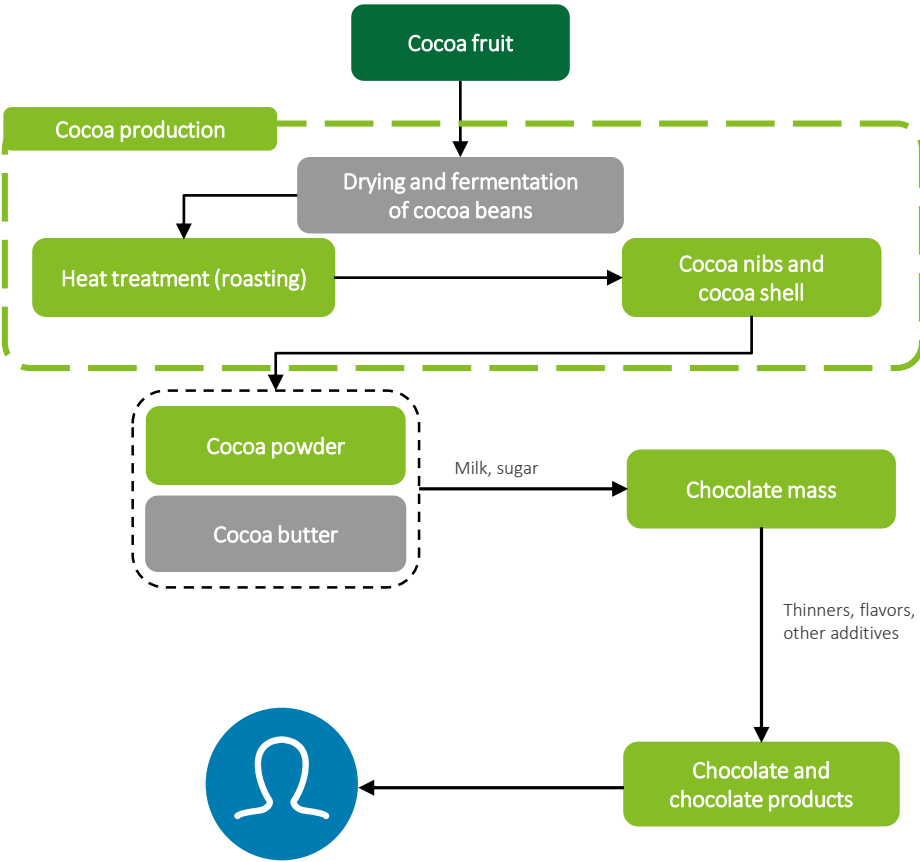


# Overview of the global sugar and chocolate confectionery market

## Industrial chocolate market



### Industrial Chocolate Value Chain



### Cocoa production process

- **Harvesting.** Cocoa fruits ripen throughout the year, but the main crop is harvested twice a year - in November-January and May-July. The optimal harvesting time is considered to be 2-3 weeks after fruit ripening.
- **Drying and fermentation.** After harvesting the fruits, the thick shell of the cocoa beans is opened, the cocoa beans are manually removed, dried for 24 hours in the sun, put in troughs or boxes, covered with banana leaves or burlap, left for 24-48 hours and again dried in the sun. The beans are then piled in mildly heated rooms and left for 4-6 days, or placed in barrels and buried in the ground. In this way they undergo fermentation and so get brown tones of varying degrees of saturation. Then the beans are scattered on dry soil or mats and dried in the sun for 4-6 days, with spoiled or damaged ones eliminated.
- **Heat treatment.** After thorough cleaning of impurities, cocoa beans are roasted with a stream of hot air in roasting machines on grates or in large rotating drums. Depending on the selected temperature (130-150 °C), roasting can last from 10 to 35 minutes. Roasting time depends not only on the size and variety of cocoa beans, but also on their quality.
- **Cocoa nibs and cocoa shells.** Roasted cocoa beans are subject to crushing into cocoa nibs (crushed kernels) and cocoa shells (husks) to get, the fractions not exceeding 0.75–8.00 mm. Then cocoa nibs are heated and converted into grated cocoa by fine grinding on rollers or special mills; grated cocoa is used to extract cocoa butter by pressing. To obtain cocoa powder, the remaining cake is crushed, and then finely ground.
- **Cocoa powder and cocoa butter.** Grated cocoa is heated to +40°C and turns into a thick creamy mass. It contains cocoa butter and ground cocoa beans: the finer the grinding, the richer the taste of the finished chocolate product. Next, cocoa powder, cocoa butter, powdered sugar and milk are mixed into a homogeneous chocolate mass. Then the chocolate mass is diluted with an inexpensive natural thinner (most often palm oil) and flavorings are added. Immediately after that, the chocolate mass is crowned, poured into molds and cooled to obtain industrial chocolate.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

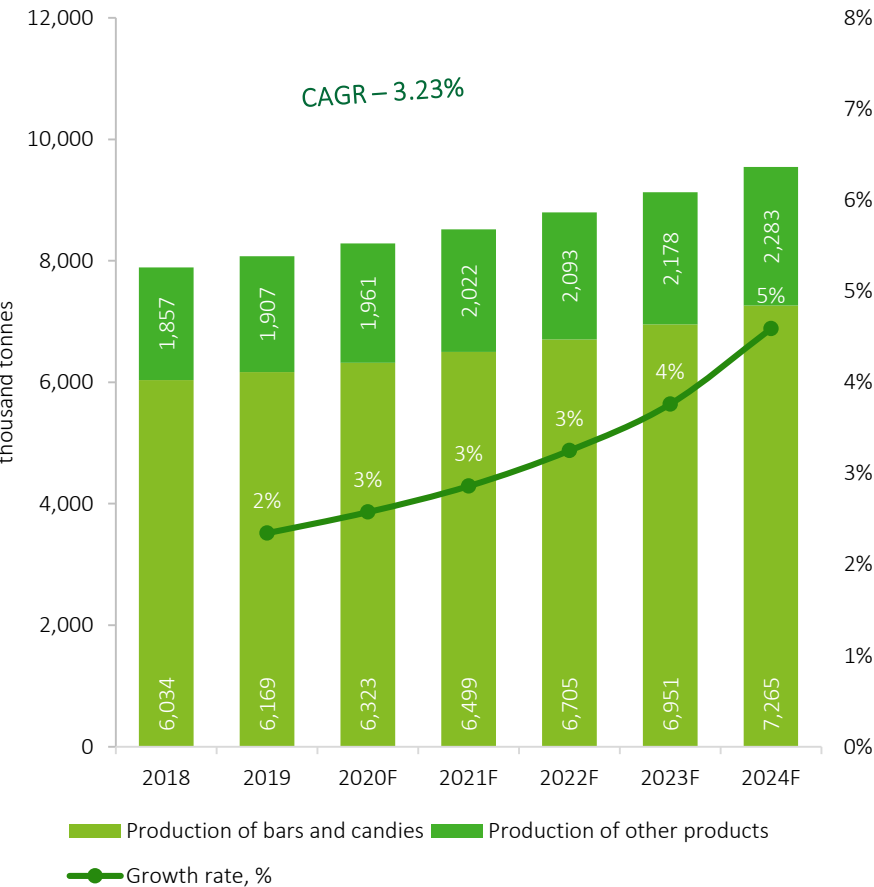


# Overview of the global sugar and chocolate confectionery market

## Industrial chocolate market forecasted production volumes

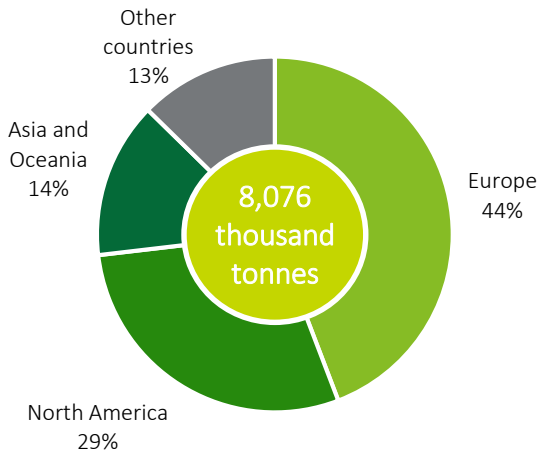


Industrial chocolate production by product, thousand tonnes



- The global industrial chocolate market was estimated at 8,076 thousand tonnes in 2019 and is expected to reach 9,548 thousand tonnes by 2024, with a CAGR of 3.23%. Bars and candies significantly prevail over other items in the structure of production.
- Western Europe and North America have historically dominated the global industrial chocolate market. The world market is largely oversaturated (eg. Germany). Producers in slower markets can boost sales by increasing their share in emerging markets such as Mexico and India. Also, the regions of Asia, the Far East and the Pacific countries have high market potential.

Industrial chocolate production by region in 2019



Source: Arizton Advisory and Intelligence  
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Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

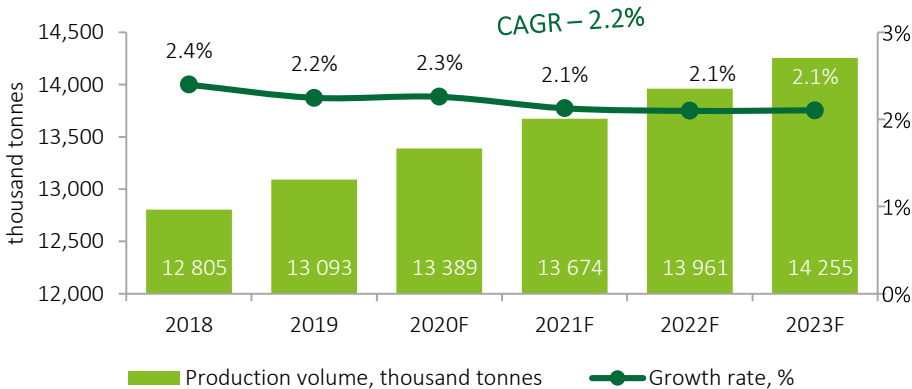
Abbreviations



# Overview of the global sugar and chocolate confectionery market

## Production and prices for sugar and chocolate confectionery

Production volumes of chocolate and sugar confectionery in 2018-2023, thousand tonnes

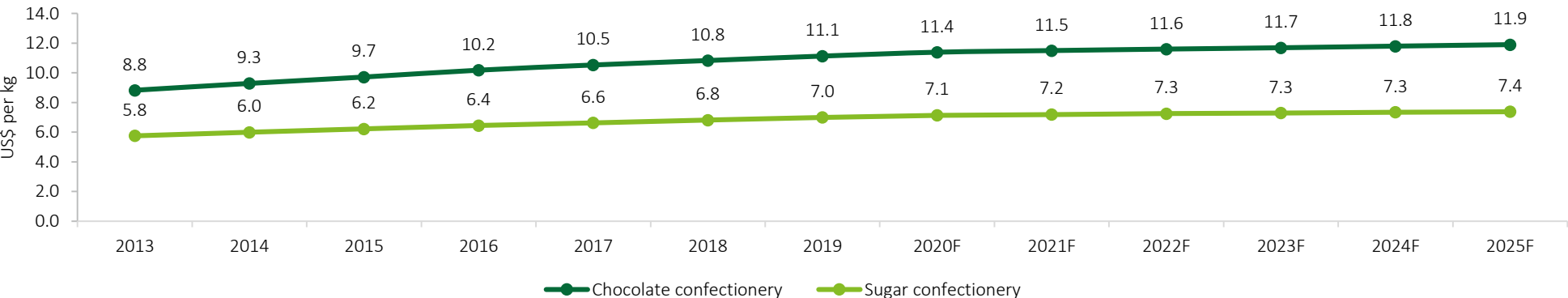


According to Marketline estimates, the global market for sugar and chocolate confectionery will reach 14,255 thousand tonnes by 2023, an increase of 11.3% since 2018.

Significant production growth is expected in the sugar confectionery market, due to the global growth in demand for this type of product, which is associated with the popularization of gift sets of sweets and lollipops in the countries of Asia and Eastern Europe. Also, the production of chocolate confectionery is expected to increase due to rising income per capita and demographic growth.

Globally, the average cost per kilogram of chocolate products was US\$ 11.9 and sugar products US\$ 7.4 in 2019. Over the past 5 years, the average annual growth of world prices amounted to 2.7% for chocolate confectionery and 3.1% for sugar confectionery.

Average price for sugar and chocolate confectionery in 2013-2025, US\$ per kilo



Source: Statista, Marketline, Polaris Market Research

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Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

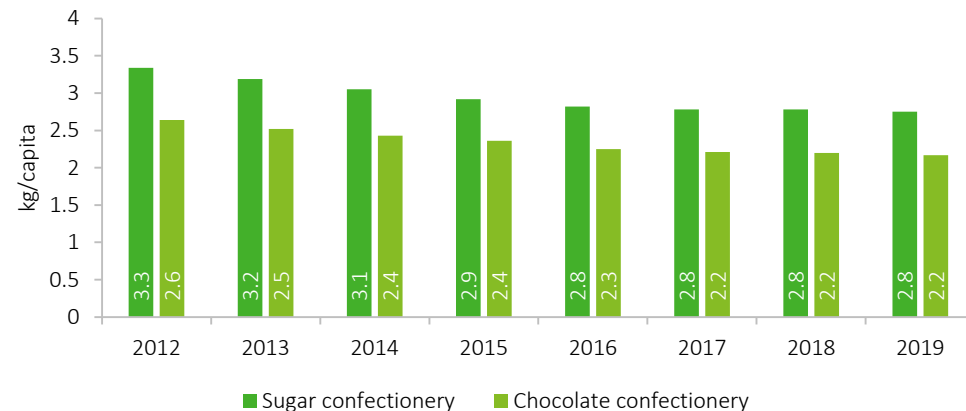


# Overview of the global sugar and chocolate confectionery market

## Consumption of sugar and chocolate confectionery



Dynamics of global consumption of sugar and chocolate confectionery, kg per capita



Global demand for chocolate and sugar confectionery, US\$ millions

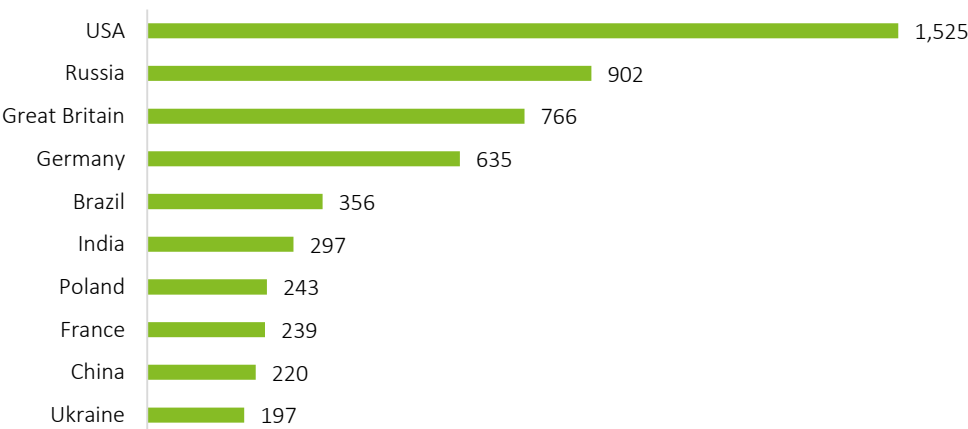


Source: Statista, Global Research and Data Services

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- In 2019, the per capita consumption of sugar and chocolate confectionery in the world was 4.9 kg. The demand for confectionery has grown steadily since 2015, and with a forecast CAGR of 0.7%, it will reach US\$ 176,813 million by 2024. The per capita consumption of sugar confectionery exceeds the average consumption of chocolate products by 26%, which is explained by lower prices for sugar products.
- The leading countries in the consumption of confectionery products include Russia (2<sup>nd</sup> place) and China (9<sup>th</sup> place) bordering Kazakhstan. On average, in Russia, the per capita consumption of chocolate confectionery products in 2018 reached 25.2 kg. The demand for confectionery products in Russia is growing steadily
- In China, the average per capita consumption is relatively low - 0.1 kg of chocolate products. Most Chinese people usually don't consume chocolate. However, the consumption of chocolate is becoming a fashionable trend in the largest cities in China, which indicates a change in consumer habits among the population.

Top 10 countries-consumers of chocolate confectionery in 2020, thousand tonnes



Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



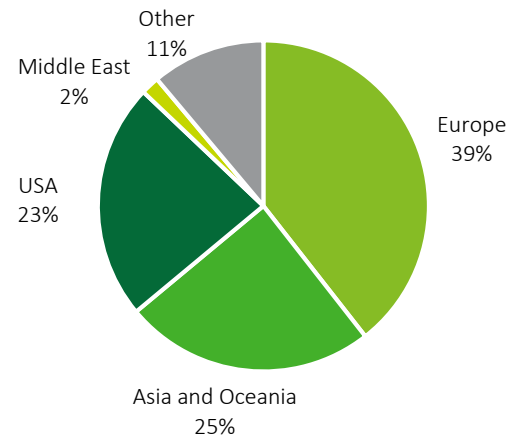


# Overview of the global sugar and chocolate confectionery market

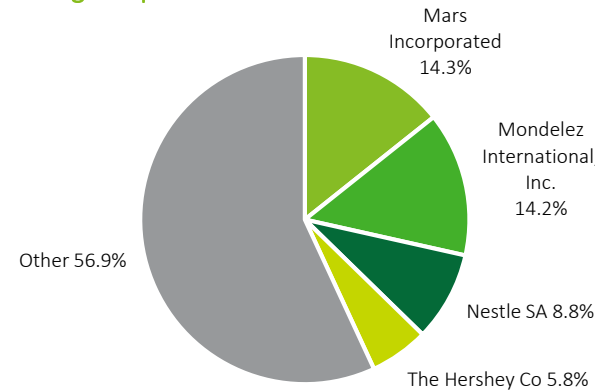
## Competition in the sugar and chocolate confectionery market



Structure of the chocolate and sugar confectionery market by country in 2019



Structure of the chocolate and sugar confectionery market in the context of the largest manufacturing companies in 2019



The chocolate and sugar confectionery market is estimated at 13,093 thousand tonnes in 2019 and is projected to reach 14,255 thousand tonnes by 2023, an increase of 11.3%. The chocolate market is characterized by a high level of branding and consolidation around key brands. The main characteristics of brand perception by consumers are uniqueness, brand awareness and trust.

The world's largest confectionery manufacturer is Mars Inc., an American company (Snickers, Dove and Orbit brands) with a share of 14.3% in the global market. It is followed by Mondelez International Inc. (Milka, Alpen Gold, Halls brands) with a share of 14.2%, Nestle SA (Nestle, KitKat, Nuts, Nesquik brands) with a share of 8.8% and the US company Hershey Co (Hershey's Reese's, Twizzlers brands) with a 5.8% share.

The EU countries take the main share (US\$ 66,465 million) of the chocolate and sugar confectionery market. The USA also accounts for a significant share – 62% or US\$ 105,470 million together with Europe. In total, sugar and chocolate confectionery was sold globally in the amount of US\$ 168,623 million.

The largest share of sales in monetary terms falls on chocolate confectionery (US\$ 94,560 million or 56%). Sugar confectionery accounts for 44% of global sales in 2019, 12.2% of which comes from chewing gum sales (US\$ 20,561 million).

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

**Overview of the global sugar and chocolate confectionery market**

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

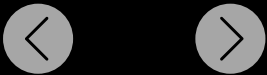
State support measures

Conclusions and recommendations

Abbreviations

Source: Marketline

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# Overview of the global sugar and chocolate confectionery market

## World export and import of chocolate confectionery



### World export of chocolate confectionery, 2019

Country	Volume, thousand tonnes	Volume, US\$ millions
Germany	905	4,925
Belgium	663	3,143
Netherlands	432	2,042
Canada	383	1,595
Poland	375	1,835
Italy	346	2,100
USA	324	1,657
France	279	1,225
Russia	277	715
China	62	331
Kazakhstan	13	32
Kyrgyzstan	0.3	0.6
Tajikistan	0.01	0.01
Other	1,800	28,139
<b>Total</b>	<b>5,859</b>	<b>29,218</b>

The list of the largest exporters of chocolate products includes: Germany (15%), Belgium (11%), Netherlands (7%), Canada (7%) and Poland (6%). These countries are historically famous for the production of chocolate products. What concerns the EU countries, they report a high level of chocolate consumption, 8-10 kg per capita a year, which explains the high level of both exports and imports due to mutual trade in chocolate products.

Source: International Trade Centre

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### World import of chocolate confectionery, 2019

Country	Volume, thousand tonnes	Volume, US\$ millions
USA	692	2,957
Germany	498	2,418
France	459	2,167
Great Britain	448	2,079
Netherlands	290	1,359
Belgium	243	934
Canada	210	1,017
Poland	202	833
Russia	128	585
China	84	483
Kazakhstan	70	183
Kyrgyzstan	17.5	41.4
Tajikistan	10.4	33
Other	2,673	25,710
<b>Total</b>	<b>5,955</b>	<b>28,620</b>

The largest importers include USA (12%), Germany (8%), France (8%), Great Britain (8%), Netherlands (5%), Belgium (4%), Canada (4%), Poland (3%), Japan (3%) and Spain (3%). Most of these countries are located in North America or Western Europe, where a high level of per capita consumption exists due to cultural and gastronomic preferences along with high incomes.

Kyrgyzstan and Tajikistan, the closest neighbors of Kazakhstan and potential sales markets for Kazakhstan's chocolate, together imported 27.9 thousand tonnes of chocolate products in 2019.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

**Overview of the global sugar and chocolate confectionery market**

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



# Overview of the global sugar and chocolate confectionery market

## World export and import of sugar confectionery



### World export of sugar confectionery, 2019

Country	Volume, thousand tonnes	Volume, US\$ millions
China	341	988
Germany	334	1,248
Belgium	243	738
Turkey	216	468
Spain	207	606
Netherlands	187	763
USA	150	542
Canada	144	479
Poland	103	431
Brazil	88	143
Kazakhstan	24	30
Uzbekistan	3.1	4.7
Mongolia	0.2	0.5
Other	1,465	6,400
<b>Total</b>	<b>3,505</b>	<b>11,593</b>

The largest exporters of sugar products are China (10%), Germany (10%), Belgium (7%), Turkey (6%) and Spain (6%). Also, the largest countries include the Netherlands (5%), USA (4%), Canada (4%), Poland (3%) and Brazil (3%).

In general, the structure of exports is relatively uniform across countries. However, in regional terms, the market is dominated by Western Europe and America due to high production capacities.

Source: International Trade Centre

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### World import of sugar confectionery, 2019

Country	Volume, thousand tonnes	Volume, US\$ millions
USA	702	2 008
Germany	202	756
Great Britain	202	637
Canada	141	424
Netherlands	131	323
Belgium	114	323
France	109	418
Chile	105	49
China	82	284
Sweden	78	244
Kazakhstan	36	71
Uzbekistan	7.5	13
Mongolia	11.5	24
Other	1,804	7,694
<b>Total</b>	<b>3,725</b>	<b>11,260</b>

In 2019, the leading importers among countries were the USA (20%), Germany (6%), Great Britain (6%), Canada (4%) and the Netherlands (4%). USA is the absolute leader, which is explained by the high level of confectionery consumption by the population. Germany and Great Britain together are almost two times behind the USA in terms of imports, which is justified by the preferences of the Western European population in favor of chocolate products. Uzbekistan and Mongolia considered as potential sales markets for Kazakh products, in 2019 imported 19 thousand tonnes of sugar confectionery in total.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

**Overview of the global sugar and chocolate confectionery market**

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations





# Overview of Kazakhstan commodity market



Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

**Overview of Kazakhstan  
commodity market**

Overview of Kazakhstan sugar and  
chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



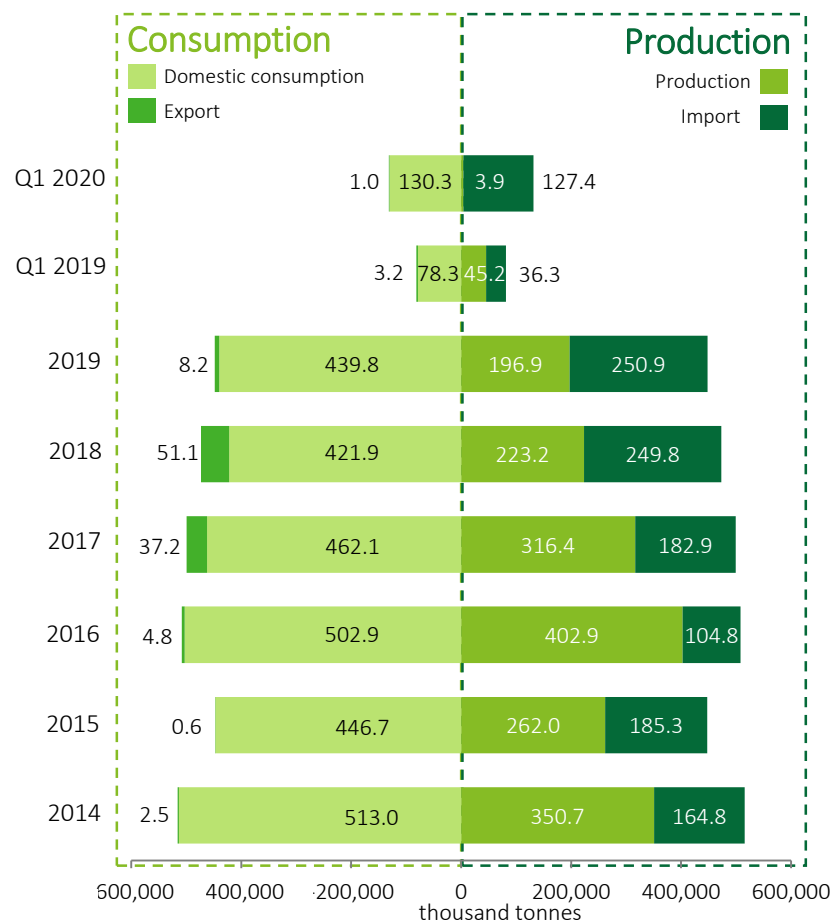


# Overview of Kazakhstan commodity market

## Balance of production and consumption

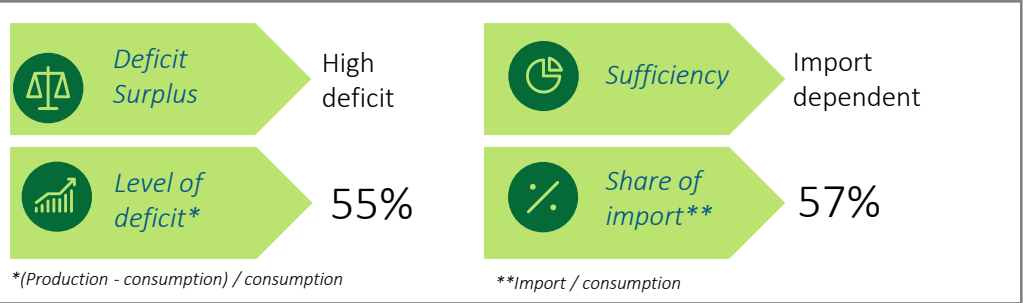


### Resources and consumption



Source: Kazakhstan Statistics Committee  
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### Key indicators



- Over 2014-2019, sugar production in Kazakhstan decreased from 350 thousand tonnes to 197 thousand tonnes (by 78%). This decrease was due to the high cost of production in comparison with similar products from neighboring countries (Russia, Belarus) and world leaders (Brazil).
- Kazakhstan is import dependent on sugar. The existing sugar production capacity is not sufficient to meet domestic demand. However, the government is taking a number of measures to reduce import dependency. As part of supporting the industry funds were allocated for modernization of existing plants, as well as the construction of new sugar plants.
- In 2019, Russia and Brazil accounted for 49% and 35% respectively in the structure of sugar imports to Kazakhstan. Russia had a surplus of white sugar in 2019, with 62 sugar factories operating and the daily volume of sugar beet processing at 315.6 thousand tonnes. Kazakhstan has 7 sugar factories, 3 of which are operating.
- The volume of imports for 3 months of 2020 increased by 3.5 times compared to the same period in 2019. This is due to a decline in production and the suspension of the work of the Shuisky, Taraz and Merken sugar plants. It is planned to put into operations Zhambyl and Pavlodar sugar plants by the end of 2021, which will reduce import dependence by 100 thousand tonnes of sugar per year.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



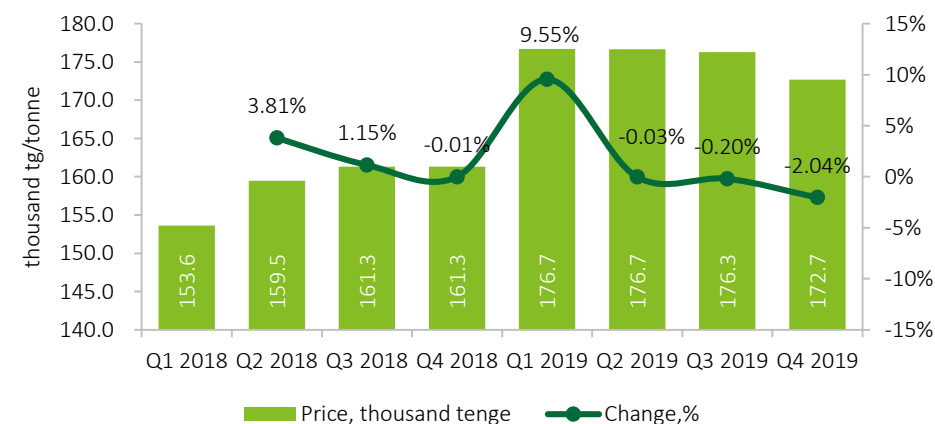
# Overview of Kazakhstan commodity market

## Import and export structure, sugar prices



- Sugar prices have been rising steadily since the beginning of the decade. Over the period of 2018-2019, the price increased by more than 12%. This trend is explained by the uncompetitive price of domestically produced sugar in comparison with imports from Russia. Devaluation of the national currency, coupled with the country's high dependence on sugar imports, increases the production cost of raw materials.
- The largest volume of sugar exports falls on Uzbekistan (5.9 thousand tons). Also, the export structure includes Russia (1.3 thousand tonnes), Kyrgyzstan (706 thousand tonnes), Tajikistan (182 tonnes) and Mongolia (9 tonnes).
- The largest sugar supplier is Russia (123 thousand tonnes), followed by Brazil (88.5 thousand tonnes) and Belarus (22 thousand tonnes). The leadership in the structure of imports changed in favor of Russia during the period of 2015-2019, due to imposed restrictions within the EAEU on the import of sugar from countries outside the EAEU. For example, in 2016, sugar imports from Russia amounted only 27 thousand tonnes, while Brazil supplied 327 thousand tonnes.

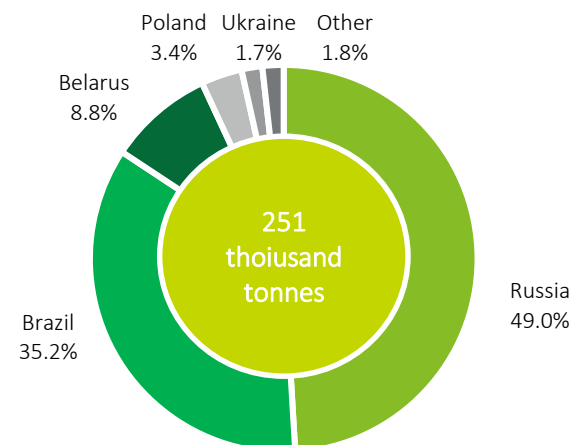
### Dynamics of sugar prices in Kazakhstan, KZT thousand per tonne



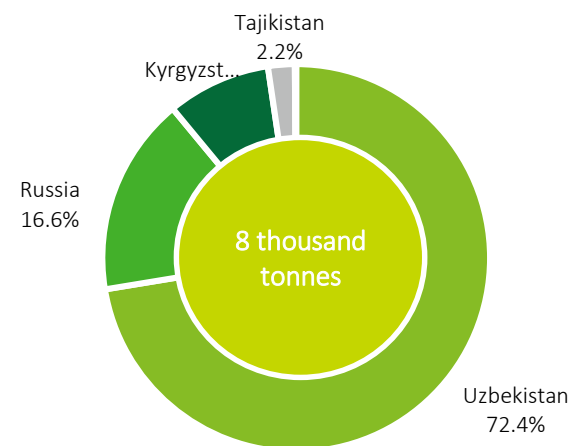
Source: Kazakhstan Statistics Committee; Deloitte analysis

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### Structure of sugar imports in 2019



### Structure of sugar exports in 2019



Manufacture of sugar and chocolate confectionery in Kazakhstan  
Industry teaser

Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

Overview of Kazakhstan  
commodity market

Overview of Kazakhstan sugar and  
chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



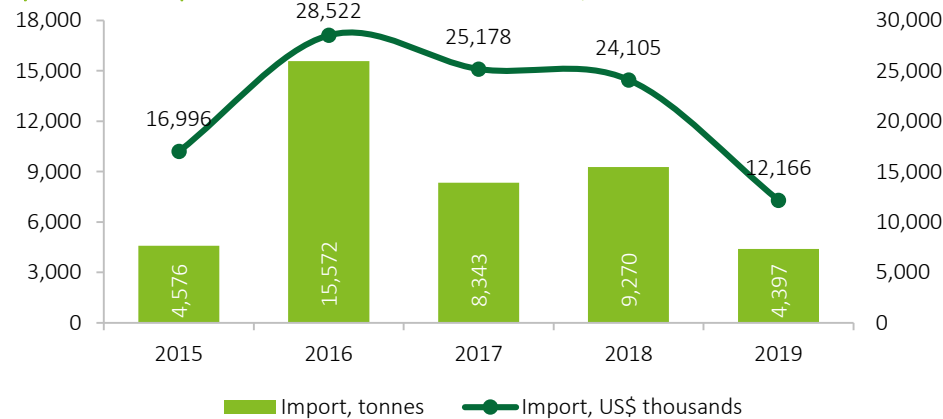
# Overview of Kazakhstan commodity market

## Imports of cocoa beans

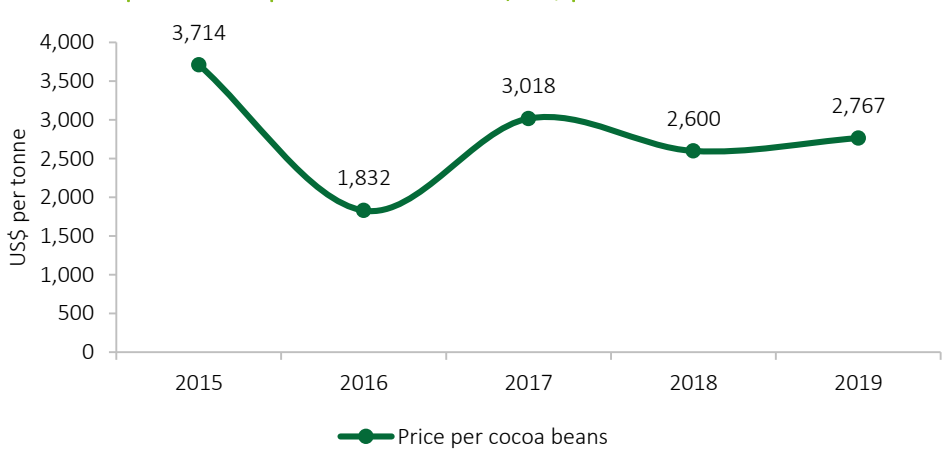


- Over 2015-2019, Kazakhstan imported cocoa beans for the value of US\$ 107 million. The largest volume of imports is reported in 2016 – US\$ 28.5 million or 15.5 thousand tonnes.
- Over the past 5 years, world leaders in the production of cocoa beans, Ghana and Cote d'Ivoire, have accounted for the main share of Kazakhstan's imports of cocoa beans (over 98%)
- External prices for imports of cocoa beans are calculated as the ratio of total imports of cocoa beans in monetary terms divided by total imports of cocoa beans in physical terms. There was a decrease in import prices for cocoa beans in Kazakhstan in 2016, due to a decrease in world prices, as well as in connection with the decision of the EAEU to zero the duty on cocoa beans and cocoa products (cocoa butter, cocoa fat, cocoa -paste). Duty-free import deadlines for unfatted cocoa paste, cocoa butter and cocoa fat have been extended until the end of 2022.

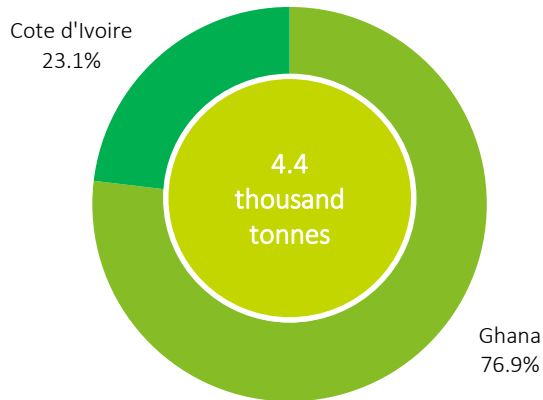
Dynamics of imports of cocoa beans to Kazakhstan, 2015-2019



External prices for imports of cocoa beans, US\$ per tonne



Cocoa beans import structure in 2019



Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

Source: Trade Map

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# Overview of Kazakhstan sugar and chocolate confectionery market



Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

**Overview of Kazakhstan sugar and chocolate confectionery market**

State support measures

Conclusions and recommendations

Abbreviations



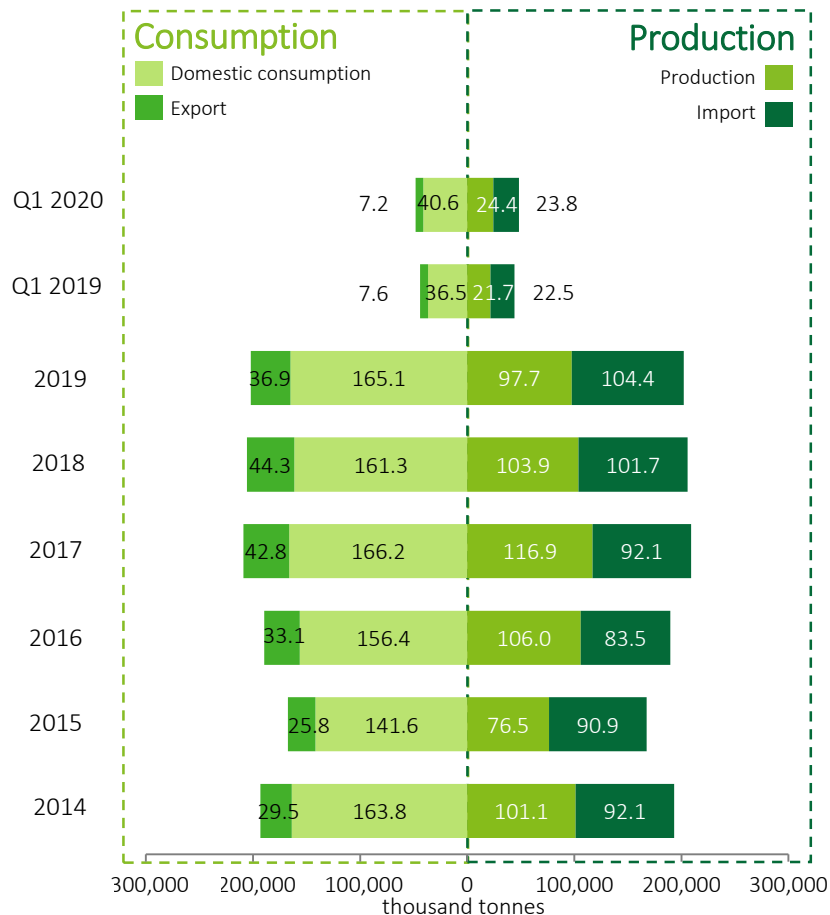


# Overview of Kazakhstan sugar and chocolate confectionery market

## Balance of production and consumption

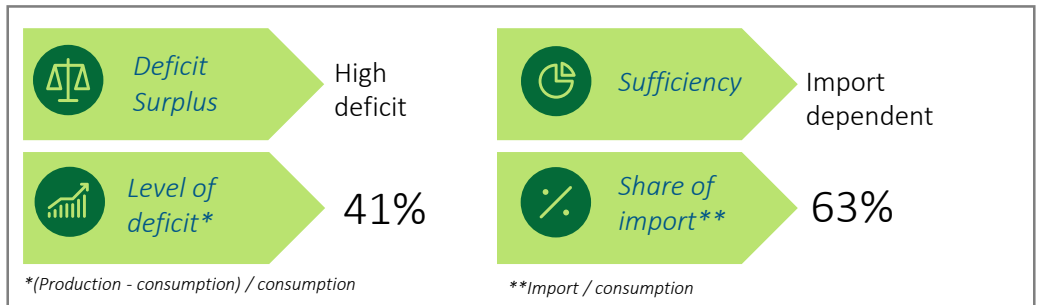


### Resources and consumption



Source: Kazakhstan Statistics Committee  
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### Key indicators



- In 2019, the volume of chocolate and sugar confectionery production amounted to 97,687 tonnes, 1.5 times higher than in 2015. Significant decline in production volumes was reported in 2015 and 2018 (by 24% and 11% respectively).
- The city of Almaty and Kostanay Oblast account for the largest volume of production – 83.4 thousand tonnes of chocolate and sugar confectionery by the end of 2019, which is 85% of the country's total production. Karaganda Oblast produced 18 tonnes of sugar and chocolate confectionery, less than 1% of the total production.
- Kazakhstan is import-dependent for the chocolate and sugar confectionery products, as almost all domestic demand in the country is satisfied by imports.
- In the structure of imports, the share of Russia and Ukraine at the end of 2019 accounted for 70% and 15% respectively. Over the past five years, the country has imported the chocolate and sugar confectionery products for the total of US\$ 1.2 billion.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

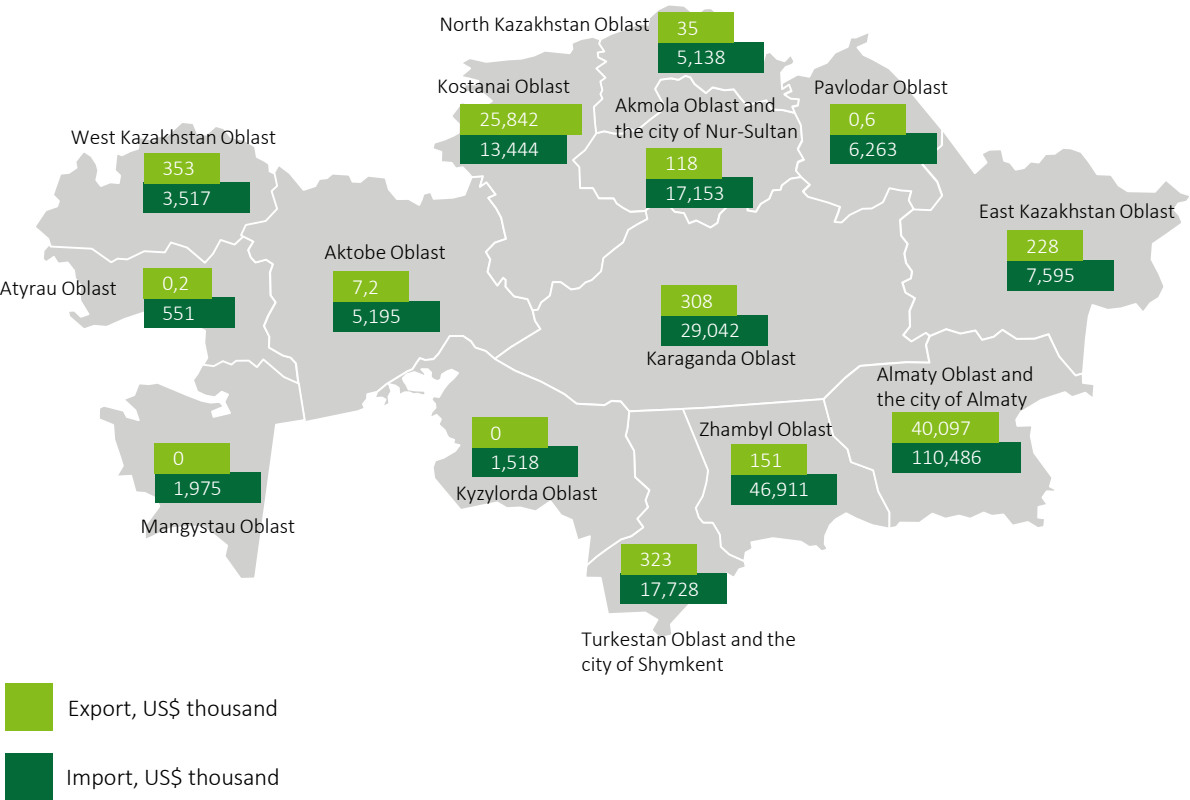


# Overview of Kazakhstan sugar and chocolate confectionery market

## Export and import of chocolate and sugar products



Export and import of cocoa-containing products, chocolate and sugar confectionery by region in 2019, US\$ thousands



Kazakhstan is a net importer of cocoa-containing products and confectionery products made of chocolate and sugar.

In 2019, in aggregate, Kazakhstan exported products for the value of US\$ 67.5 million, while an import indicator was US\$ 262.9 million, which indicates a severe shortage of cocoa-containing products and chocolate and sugar confectionery in the country.

The largest exporting regions are the city of Almaty, Almaty Oblast (59%) and Kostanay Oblast (38%), which occupy almost 98% of the market. This trend is due to the location of large manufacturers such as Rakhat JSC and Bayan-Sulu JSC in these regions. Kostanay Oblast is the only region which export prevails over import.

The largest deficit of chocolate and confectionery products is reported in Zhambyl Oblast, Akmola Oblast, the city of Nur-Sultan, Turkestan Oblast and the city of Shymkent. In these regions, imports significantly exceed exports. The main warehouses are located in the city of Almaty and Almaty Oblast, where the proper storage conditions for confectionery products and chocolate are maintained.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations



# Overview of Kazakhstan sugar and chocolate confectionery market

## Competition in the sugar and chocolate confectionery market



### The largest manufacturers of chocolate and sugar products in Kazakhstan

Name	Address	Company size
Rakhat JSC	Almaty, Zenkov St., 2a	above 3,000 employees
Bayan-Sulu JSC	Kostanai, Borodin St., 198	above 1,000 employees
Konfety Karagandy LLP	Karaganda, Gogol St., 86	100-150 employees
Almatinskije Konfety LLP	Almaty Oblast, Kargaly, Geologia St., 127	40-50 employees
Aktobe Confectionery LLP	Aktobe, Pozharskyi St., 50	40-50 employees
Pavlodarpisheprom LLP	Pavlodar, Ploshad Pobedy, 3	30-40 employees
Hilsan Chocolate-Caramel Production, Ltd.	Almaty, Auezov St., 3	20-30 employees

Rakhat JSC is the largest manufacturer of confectionery products in Kazakhstan. The product range includes more than 400 items. It is the only confectionery on the market that offers products for diabetics. In 2019, the company's share in the total market was 24% in monetary terms. Among the leading companies in the confectionery market are Bayan-Sulu JSC and Konfety Karagandy LLP. In total, there are 13 chocolate and sugar confectionery manufacturers in the country, but their production volumes are mostly insignificant.

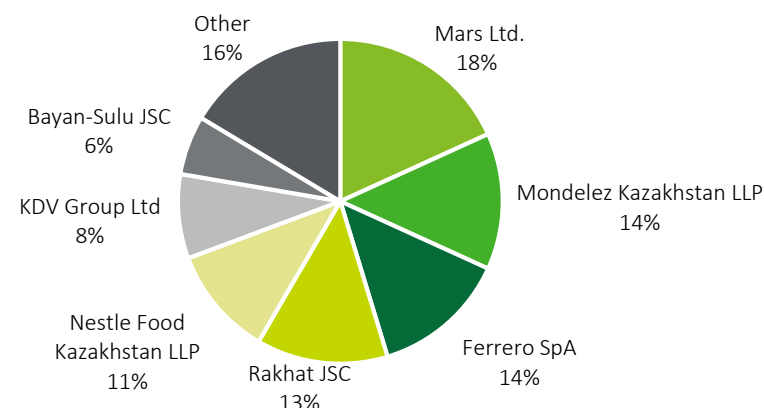
According to industry analysts, the industry will undergo a reorganization, in which a drop in demand for premium products will be offset by an increase in demand in the economy segment. Also, many companies will revise their assortment policy, begin to produce smaller chocolate products, change the packaging format following modern trends and consumer preferences.

According to experts, the leading products in the chocolate market are slab chocolate, chocolate sweets in boxes, chocolate bars and bulk packaging sweets.

Source: Kazakhstan Statistics Committee, Euromonitor International

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### Shares of major players in the sugar and chocolate confectionery market in 2019



In 2019, chocolate and sugar confectionery products were sold for the value of about KZT 200 billion or US\$ 523 million:

- Mars Ltd. accounts for most of the sales (Snickers, Dove, Orbit trademarks) – US\$ 94 million.
- Mondelez Kazakhstan LLP ranks second (Milka, Alpen Gold, Halls trademarks) with sales of US\$ 71.1 million.
- Ferrero SpA, the Italian manufacturer of chocolate and other confectionery (Raffaello, Nutella, Kinder Chocolate trademarks) closes the top three with total sales of US\$ 70.6 million. These manufacturers do not have production facilities in Kazakhstan.
- The domestic confectionery manufacturer, Rakhat JSC ranked 4<sup>th</sup> in terms of sales of sugar and chocolate products in 2019 and earned US\$ 68.5 million overtaking Nestle Food Kazakhstan by 2% with its share of total sales.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

**Overview of Kazakhstan sugar and chocolate confectionery market**

State support measures

Conclusions and recommendations

Abbreviations



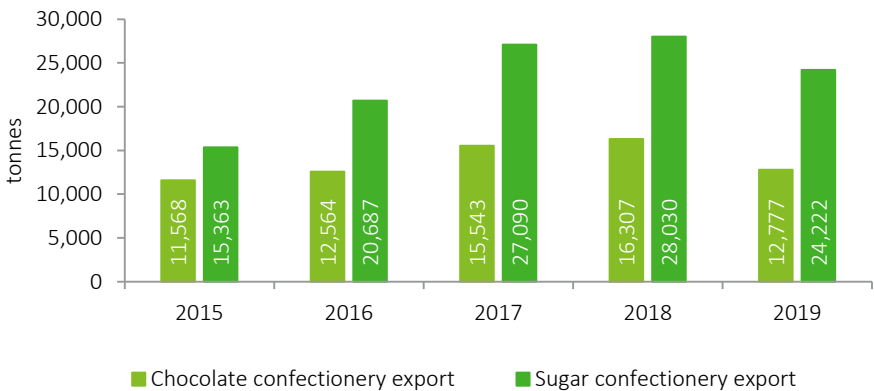
# Overview of Kazakhstan sugar and chocolate confectionery market

## Export of chocolate and sugar products



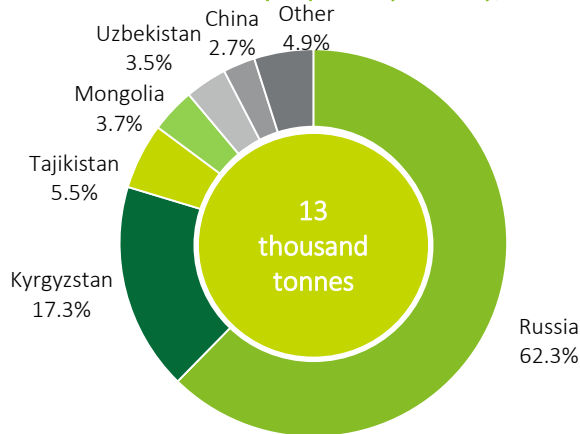
- In 2019, the total export of chocolate and sugar products amounted to 37,000 tonnes for the value of US\$ 62,443 thousand. For comparison, in 2018, exports amounted to 44,336 tonnes for US\$ 74,547 thousand, which higher than in 2019 by 16.2% in monetary terms and by 15.9% in real terms.
- Decrease in confectionery export volumes in 2018-2019 was due to shrunk exports of chocolate products. The reason for the decline was the increase in the world prices for raw materials (cocoa beans) by 13% in 2018 and by 2% in 2019, which affected the production volume.
- The export of chocolate confectionery in 2019 mainly went to Russia (8 thousand tonnes), Kyrgyzstan (2.2 thousand tonnes) and Tajikistan (0.7 thousand tonnes).
- In 2019, the export of sugar confectionery to Russia amounted to 17 thousand tonnes, followed by Kyrgyzstan (2 thousand tonnes) and China (1.3 thousand tonnes).

Dynamics of chocolate and sugar confectionery export in Kazakhstan, tonnes

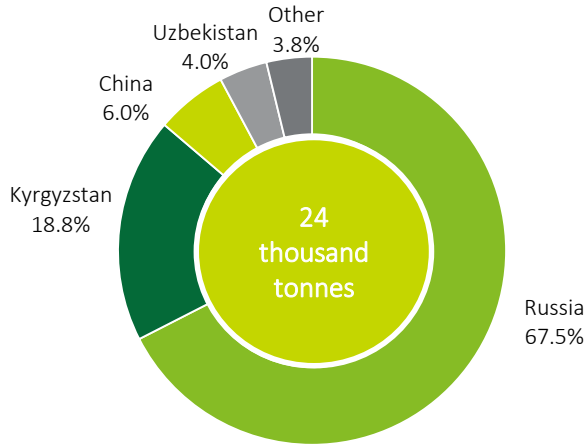


Source: Kazakhstan Statistics Committee, Kazakhstan State Revenue Committee  
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Structure of chocolate confectionery exports by country, 2019



Structure of sugar confectionery exports by country, 2019



Manufacture of sugar and chocolate confectionery in Kazakhstan  
Industry teaser

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations





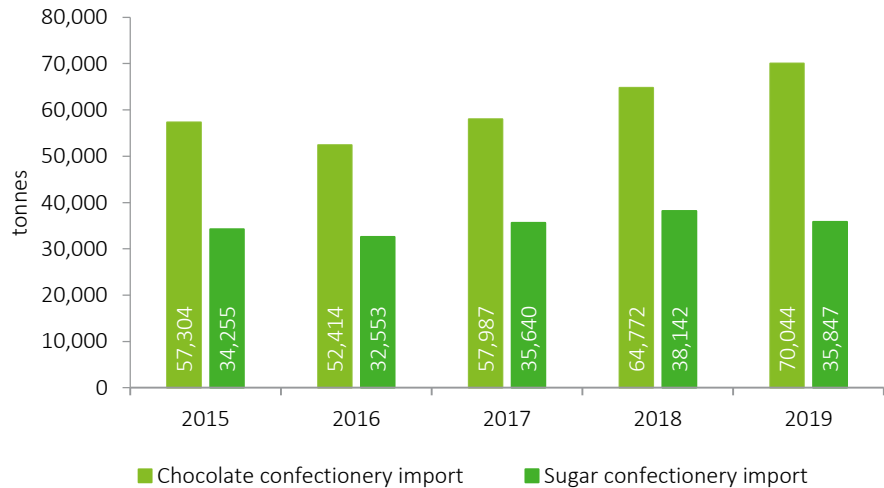
# Overview of Kazakhstan sugar and chocolate confectionery market

## Import of chocolate and sugar products



- In 2019, the total chocolate and sugar confectionery imports reached 105 891 tonnes for the value of US\$ 260,830 thousand. Compared to 2018, it indicates an increase by 2.9% in physical terms and 3.5% in monetary terms.
- Increase in import volumes in 2018-2019 was due to an increase in demand for chocolate products, as well as a decline in production of domestic products.
- In 2019, the largest share of chocolate confectionery imports came from Russia – 56 thousand tonnes, Ukraine - 6 thousand tonnes and Turkey - 3 thousand tonnes. Import of chocolate confectionery from China amounted to 350 tonnes (0.5%).
- Sugar confectionery imports in 2019 went primarily from Russia – 21 thousand tonnes, Ukraine – 8 thousand tonnes and Turkey – 2 thousand tonnes. Import of sugar confectionery from China amounted to 717 tonnes (2%).

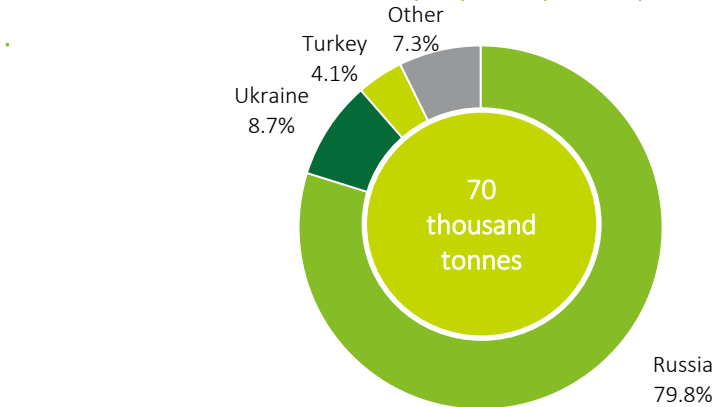
Dynamics of chocolate and sugar confectionery import in Kazakhstan, tonnes



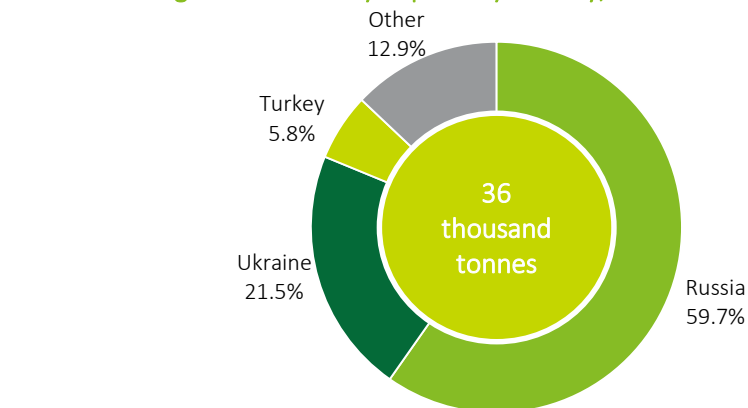
Source: Kazakhstan Statistics Committee, Euromonitor International

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Structure of chocolate confectionery imports by country, 2019



Structure of sugar confectionery imports by country, 2019



Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

Overview of Kazakhstan  
commodity market

Overview of Kazakhstan sugar and  
chocolate confectionery market

State support measures

Conclusions and recommendations

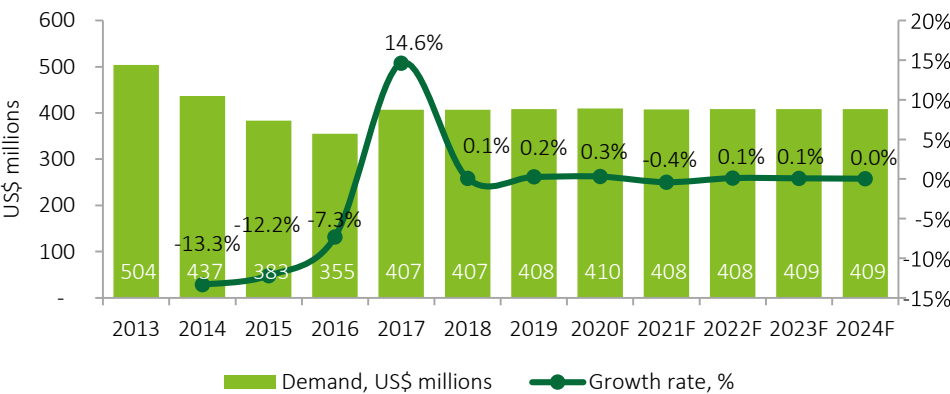
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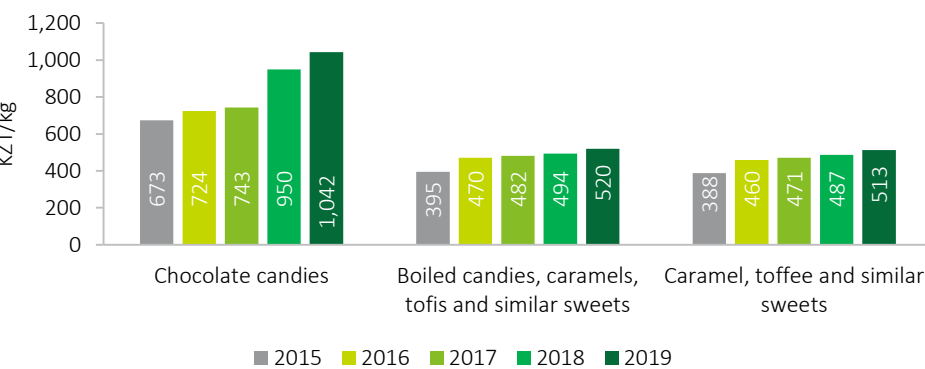
# Overview of Kazakhstan sugar and chocolate confectionery market

## Dynamics of demand and prices for chocolate and sugar products in Kazakhstan

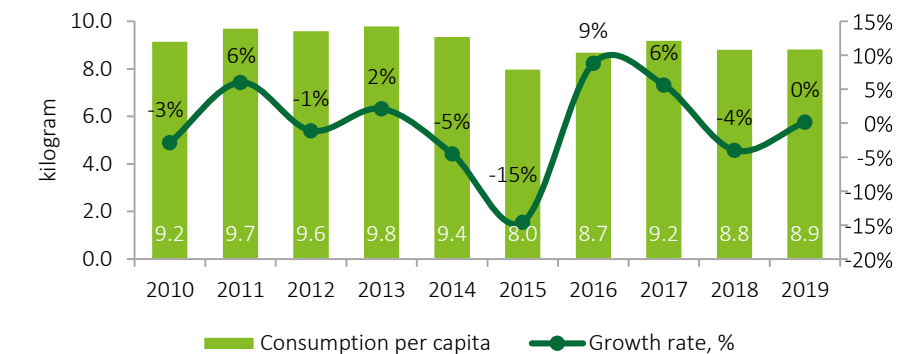
Dynamics of demand for sugar and chocolate confectionery in Kazakhstan, US\$ million



Dynamics of average annual producer prices for some types of sugar and chocolate confectionery, KZT per kilo



Dynamics of sugar and chocolate confectionery consumption per capita, kg



The demand for sugar and chocolate confectionery in Kazakhstan decreased in the period from 2014 to 2016 due to the general economic downturn and a decrease in purchasing power. However, the demand for confectionery products is expected to remain stable in the period of 2020-2024 at US\$ 408 million per year.



The consumption per capita in 2019 was 8.9 kg, while the global average is 2.5 kg. Annual consumption of chocolate in Western Europe averages 8-10 kg per capita.

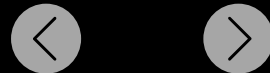


The dynamics of producer prices for sugar and chocolate confectionery is showing a steady growth. Over 2015-2019, prices for chocolate sweets rose 54%. Prices for cocoa free sweets grew by 40% over the same period. The rise in prices for caramel, tofi and other sugar confectionery amounted to 32% over the past 5 years.

Source: Kazakhstan Statistics Committee, Global Research and Data Services, Euromonitor International

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- Industry summary
- Table of contents
- Confectionery classification
- Overview of the global commodity market
- Overview of the global sugar and chocolate confectionery market
- Overview of Kazakhstan commodity market
- Overview of Kazakhstan sugar and chocolate confectionery market**
- State support measures
- Conclusions and recommendations
- Abbreviations

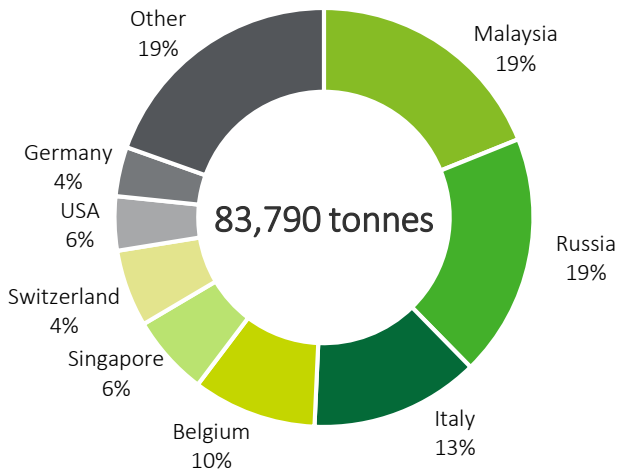


# Overview of Kazakhstan sugar and chocolate confectionery market

## Chocolate product export potential

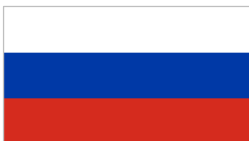


**China**  
Imports of chocolate products amounted to 83,790 tonnes in 2019.

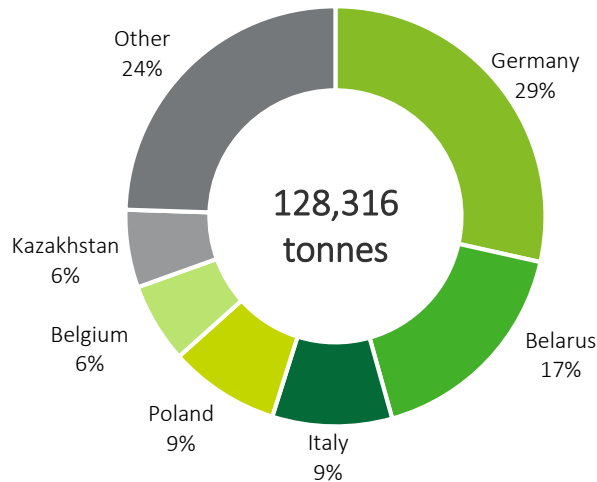


Products popular in China are the products of Beijing Yi Li Food Co, Ferrero Group, Fujian Yake Food Co., Ltd., Guangdong Strong Group Co., Ltd., Mars, Incorporated, Nestle SA, The Hershey Company, Mondelez International, Inc. and Perfetti Van Melle Group BV. At the same time, China ranks 18<sup>th</sup> in the world with an import of 83,790 tonnes of chocolate products. About 18.75% is imported from Russia. Over the past year, the imports of chocolate confectionery from Kazakhstan to China increased 4.5 times and reached 3,766 tonnes. The main distribution lines are the Alibaba and Taobao trading platforms. Favorable geographical position of Kazakhstan next to China allows occupying some niche in the Chinese market.

Source: Trade Map  
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**Russia**  
Imports of chocolate products amounted to 128,316 tonnes in 2019.



In terms of import of chocolate products, Russia ranks 11<sup>th</sup> in the world and is the largest importer among the CIS countries. Kazakhstan is included in the top 10 largest exporting countries of chocolate confectionery to Russia. Favorable geographical position of Kazakhstan close to Russia allows Kazakhstani exporters to occupy their niche in the Russian market. In addition, according to analytical data, Russia has prospects for the development of the chocolate confectionery industry due to a number of factors that reflect on the cost of products such as revision of the assortment policy by manufacturers, a change in preferences in favor of economy segment products, price increases and other.

- Industry summary
- Table of contents
- Confectionery classification
- Overview of the global commodity market
- Overview of the global sugar and chocolate confectionery market
- Overview of Kazakhstan commodity market
- Overview of Kazakhstan sugar and chocolate confectionery market**
- State support measures
- Conclusions and recommendations
- Abbreviations



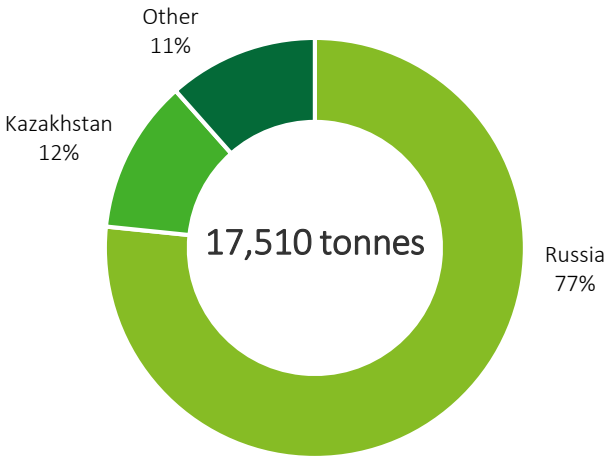
# Overview of Kazakhstan sugar and chocolate confectionery market

## Chocolate product export potential



### Kyrgyzstan

Imports of chocolate products amounted to 17,510 tonnes in 2019.



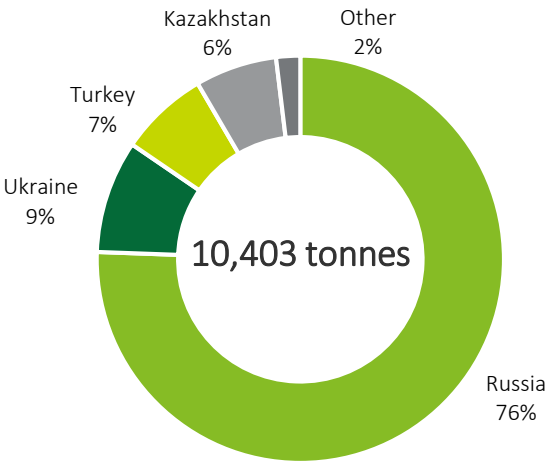
Kyrgyzstan is one of the countries where Kazakhstan exports chocolate products. According to the Trade Map, Kyrgyzstan imports most of chocolate products from Russia (77%), while Kazakhstan occupies a more favorable geographic location. In this regard, Kazakhstan has prospects for increasing sales in Kyrgyzstan and the share as a supplier of chocolate products to this country.

Source: Trade Map  
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### Tajikistan

Imports of chocolate products amounted to 10,403 tonnes in 2019.



Tajikistan is now one of the importers of Kazakhstan's chocolate confectionery. The favorable geographical position and an established transport and logistics network allows Kazakhstan further developing exports of chocolate products to Tajikistan. Tajikistan looks a promising country for the development of trade relations taking into account the volume of imports of chocolate products to this country with no signs of market oversaturation.

- Industry summary
- Table of contents
- Confectionery classification
- Overview of the global commodity market
- Overview of the global sugar and chocolate confectionery market
- Overview of Kazakhstan commodity market
- Overview of Kazakhstan sugar and chocolate confectionery market**
- State support measures
- Conclusions and recommendations
- Abbreviations





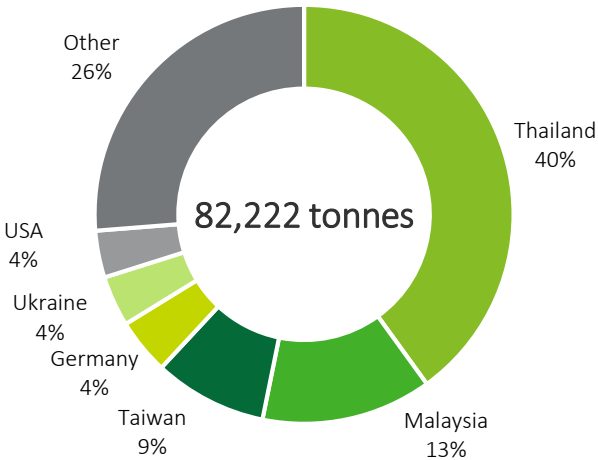
# Overview of Kazakhstan sugar and chocolate confectionery market

## Sugar product export potential



### China

Imports of sugar products amounted to 82,222 tonnes in 2019.



The total imports of sugar confectionery amounted to 82,222 tonnes in 2019. About 1% or 999 tonnes of imports came from Kazakhstan, ahead of imports from Russia by 319 tonnes.

Over the past year, the volume of sugar confectionery imported to China from Kazakhstan has doubled from 524 in 2018 to 999 tonnes in 2019. The favorable geographical position of Kazakhstan in proximity to China allows occupying some niche in the Chinese market.

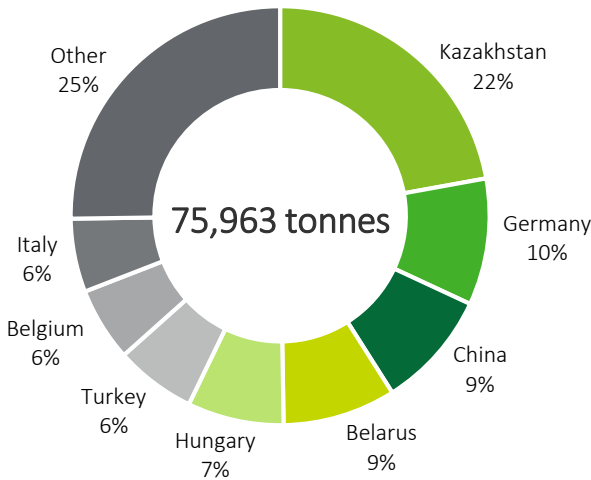
Source: Trade Map

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### Russia

Imports of sugar products amounted to 75,963 tonnes in 2019.



Russia ranks 11<sup>th</sup> in the world for the import of sugar confectionery and is the largest importer among the CIS countries. In turn, Kazakhstan is the largest exporter of sugar confectionery to Russia.

Over the period of 2015-2019, the exports from Kazakhstan doubled from 8.5 thousand tonnes to 16.8 thousand tonnes per year, while annual supplies from China remained almost the same (an increase from 6.8 thousand tonnes to 6.9 thousand tonnes).

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

**Overview of Kazakhstan sugar and chocolate confectionery market**

State support measures

Conclusions and recommendations

Abbreviations

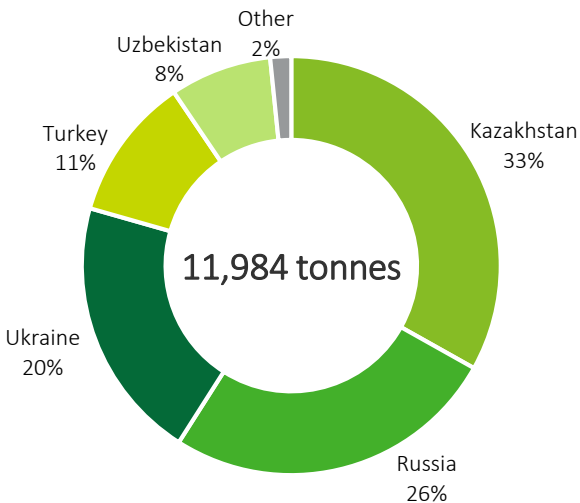


# Overview of Kazakhstan sugar and chocolate confectionery market

## Sugar product export potential



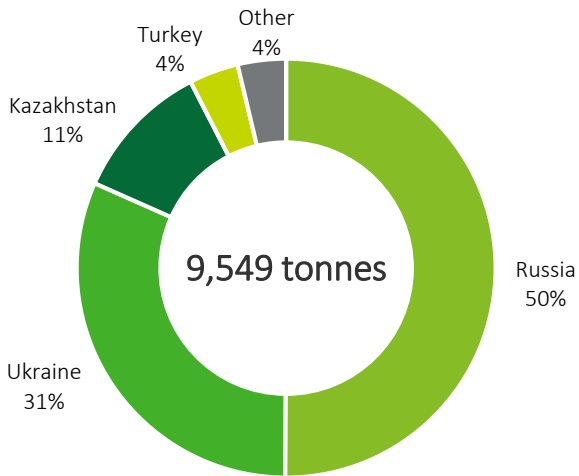
**Kyrgyzstan**  
*Imports of sugar products amounted to 11,984 tonnes in 2019.*



Kyrgyzstan is one of the countries where Kazakhstan exports sugar confectionery. According to the Trade Map, Kyrgyzstan imports most of its sugar products from Kazakhstan (3.8 thousand tonnes) and Russia (3 thousand tonnes). Sugar confectionery imported from China is only 2% or 187 tonnes per year.



**Tajikistan**  
*Imports of sugar products amounted to 9,549 tonnes in 2019.*



Tajikistan now takes share in the structure of sugar confectionery exports from Kazakhstan. Tajikistan looks a promising country for the development of trade relations taking into account the volume of imports of sugar products to this country, the market condition far from oversaturation, the favorable geographical position of Kazakhstan and an established transport and logistics network. Interestingly, the structure of Tajikistan's imports does not include sugar products from China; in previous years the share of China was below 1%.

- Industry summary
- Table of contents
- Confectionery classification
- Overview of the global commodity market
- Overview of the global sugar and chocolate confectionery market
- Overview of Kazakhstan commodity market
- Overview of Kazakhstan sugar and chocolate confectionery market**
- State support measures
- Conclusions and recommendations
- Abbreviations



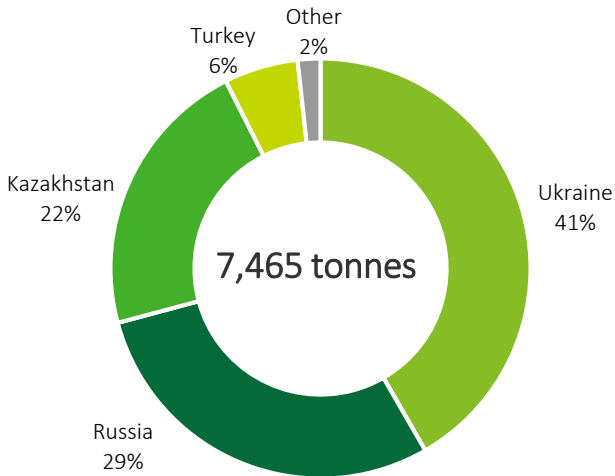
# Overview of Kazakhstan sugar and chocolate confectionery market

## Sugar product export potential



### Uzbekistan

Imports of sugar products amounted to 7,465 tonnes in 2019.

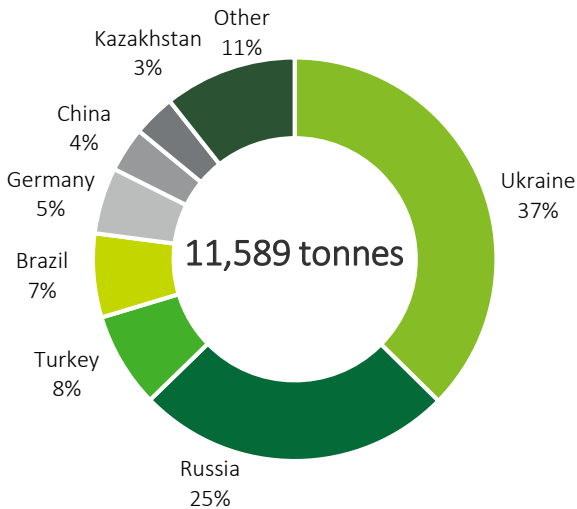


Uzbekistan is one of importers of Kazakhstan’s sugar products. According to the Trade Map, Uzbekistan imports most of sugar products from Ukraine (3,000 tonnes), while Kazakhstan occupies a more advantageous geographic location. In this regard, Kazakhstan has prospects for increasing sales to Uzbekistan and the share of exports of sugar products to this country.



### Mongolia

Imports of sugar products amounted to 11,589 tonnes in 2019.



Mongolia takes share in the structure of Kazakhstan’s exports of chocolate products. Favorable geographic location and historically established trade and economic links allow Kazakhstan increasing exports of sugar products to Mongolia. Mongolia is a consumer of chocolate confectionery of Kazakhstani producers, in particular, the products of the Rakhata factory.

- Industry summary
- Table of contents
- Confectionery classification
- Overview of the global commodity market
- Overview of the global sugar and chocolate confectionery market
- Overview of Kazakhstan commodity market
- Overview of Kazakhstan sugar and chocolate confectionery market**
- State support measures
- Conclusions and recommendations
- Abbreviations



# Overview of Kazakhstan sugar and chocolate confectionery market

## Potential competitors: manufacturers of chocolate and sugar confectionery



Name	Trademarks	Factories	Information source
<b>Kazakhstan</b>			
AO Rakhat	Perfection, Almaty cookies, Krasnaya Shapochka sweets, Kazakhstan, etc.	2 confectionery factories – in Almaty and Shymkent	www.rakhat.kz
AO Bayan-Sulu	BAYAN SULU Classic, Kazakhstan, ZlaXS, ALBO, Samal, etc.	factory in Kostanai	www.bayansulu.kz
AO Karaganda Sweets	Kara-Kum, Belosnezhka, Ping Pong, Zig Zag, etc.	factory in Karaganda	www.konfetykaragandy.kz
<b>Russia</b>			
OOO United Confectioners	Alyonka, Korovka, Russki Shokolad, Zolotoi Kluchik, Belochka, etc.	19 factories in Voronezh, Tambov, Tula, St. Petersburg, Moscow, Kolomna, Ryazan, Penza, Nizhny Novgorod, Yoshkar-Ola, Chelyabinsk, Novosibirsk, Blagovshchensk, Zlatoust and Yegoryevsk	www.uniconf.ru
OOO KDV Group	Yashkino, Kirieshki, Leonardo, Impulse, Orekhovichi, etc.	15 factories in Yashkino, Tomsk, Novokuznetsk, Novosibirsk, Ozyory, Bogdanovo village, Polomoshnoe village, Vladimir, Rzhev, Fedino village, Ulyanovsk	www.kdv-group.com
Slavyanka Group of Companies	Step, Lyovushka, Boyarushka, Belochka, Chudo, Osobyi, etc.	5 factories in St. Petersburg, Stary Oskol, Yekaterinburg, Ulyanovsk, Veligonty village	www.slavyanka.com
OOO Azov Confectionery Factory	Azovskaya Molochnaya, Kozinak, Crazy Party, etc.	factory in Azovsk	www.azovkf.ru
<b>Ukraine</b>			
Roshen Corporation	Roshen, Roshetto, English Club, Romashka, etc.	5 factories in Ukraine (Boryspol, Vinnitsa, Kiev, Kremenchug), 1 factory in Hungary, 1 factory in Lithuania, 1 factory in Russia	www.roshentrade.com.ua
Conti Production Association, private JSC	Bonjour, Timi, Super Kontik, Orekhovyi Bum, etc.	3 factories in Ukraine (Donetsk, Konstantinovka, Gorlovka) and 1 factory in Russia	www.konti.com
ABK Confectionery, public JSC	Juvelandr, Creamo, Kresko, Who Said Muuu?, etc.	2 factories in Dnepropetrovsk	www.avk.ua
<b>Other countries</b>			
Mars	M&M's, Mars, Dove, Snickers, Bounty, A.Korkunov, etc.	135 factories worldwide, including 9 ones in Russia	www.mars.com
Mondelez International	Milka, Oreo, Halls, Alpen Gold, Yubileinoe, Vozdushnyi, Toblerone, etc.	130 factories worldwide, including 3 ones in Russia	www.mondelezinternational.com
Nestle	Nestle, Nuts, Nesquik, KitKat, Zolotaya Marka, Rossiysky, Sudarushka, Camilfo, Ruzanna, etc.	403 factories worldwide, including 7 ones in Russia	www.nestle.com
Ferrero	Nutella, Kinder Chocolate, Raffaello, Ferrero, etc.	25 factories worldwide, including a factory in Russia	www.ferrero.com
Ulker	Metro, Albeni, Luna, Biskream, etc.	6 factories worldwide, including a factory in Kazakhstan	ulker.com.tr

Source: websites of the companies

Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

Overview of Kazakhstan  
commodity market

**Overview of Kazakhstan sugar and  
chocolate confectionery market**

State support measures

Conclusions and recommendations

Abbreviations





# State support measures



[Industry summary](#)

[Table of contents](#)

[Confectionery classification](#)

[Overview of the global  
commodity market](#)

[Overview of the global sugar and  
chocolate confectionery market](#)

[Overview of Kazakhstan  
commodity market](#)

[Overview of Kazakhstan sugar and  
chocolate confectionery market](#)

**[State support measures](#)**

[Conclusions and recommendations](#)

[Abbreviations](#)



# State support measures

## Industry support under the Entrepreneurial Code



**Investment project**  
  
creation of new industries or expansion of the existing ones

**Priority investment project**  
  
an investment project worth at least US\$ 14.5 million for priority activities

**Special investment project**  
  
- an investment project implemented by the special economic zone participant/free warehouse owner  
- a project on industrial assembly of motor vehicles

The Entrepreneurial Code of Kazakhstan defines the legal, economic and social conditions and guarantees that ensure freedom of entrepreneurship in the country, as well as mechanisms to protect the interests of investors.  
The production of **cocoa, chocolate and sugar confectionery** is included in the list of priority investment projects.

### Investment preferences in Kazakhstan

	Investment project	Priority investment project	Special investment project
Exemption from customs duties	✓	✓	✓
State in-kind grants	✓	✓	
Investment subsidies		✓	
VAT exemption on import	✓	✓	✓
Income tax exemption		✓	✓
Land tax exemption		✓	✓
Property tax exemption		✓	✓
Unhindered attraction of foreign labor		✓	✓

Source: Entrepreneur Code of Kazakhstan  
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- Industry summary
- Table of contents
- Confectionery classification
- Overview of the global commodity market
- Overview of the global sugar and chocolate confectionery market
- Overview of Kazakhstan commodity market
- Overview of Kazakhstan sugar and chocolate confectionery market
- State support measures**
- Conclusions and recommendations
- Abbreviations



# State support measures

## Industry support under the Economy of Simple Things Program



- The goal of the Economy of Simple Things Program 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 the approved list of goods for credit financing of priority projects, which includes the food industry. Within the Program framework, the state subsidizes the interest rate on a bank loan through banks.
- The Project operator is AO Damu. According to operator’s data, 171 projects were subsidized for a loan of KZT 64.5 billion in 2019 (the amount of subsidies paid was KZT 1.1 billion). In 2020, 169 projects were subsidized for a loan amount of KZT 95 billion (the amount of subsidies paid amounted to KZT 2.7 billion).
- According to Atameken National Chamber of Entrepreneurs, the approved projects include the production of consumer goods such as 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 centers, recreational compounds).

### Program conditions

Participants	private business entities (small, medium and large business)
Loan interest rate	15% per annum
Subsidy size	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 for one borrower	unlimited
Subsidy period	for investments - 10 years, without further prolongation of the subsidy period to replenish working capital - 3 years, without further prolongation of the subsidy period
Loan refinancing	not provided
Active loans	loans issued by banks after the entry into force of the governmental resolution dated 11 December 2018 No. 820 are allowed

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations





# State support measures

## Industry support under the Business Roadmap - 2025 Program framework



- 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 program provides for the issuance of state grants and training for entrepreneurs aimed at supporting and developing small and medium-sized businesses in Kazakhstan.
- The objectives of the Program are to ensure sustainable and balanced growth of regional entrepreneurship, as well as to maintain existing and create new permanent jobs.
- The program provides 4 directions:
  - Support for new business initiatives of entrepreneurs in monotowns, small towns and rural settlements
  - Industry support for entrepreneurs operating in priority sectors of the economy
  - Reducing currency risks of entrepreneurs
  - Non-financial measures to support entrepreneurship
- KZT 421 billion is allocated for the implementation of the program until 2025.

### Program conditions

Participants	Entrepreneurs / entities involved in industrial and innovative activities implementing and (or) planning to implement their own projects in priority sectors of the economy
Subsidy size	up to 8.5% of the nominal interest rate
Purpose of projects	replenishment of working capital; replenishment of working capital is allowed on a renewable basis
Maximum amount for one borrower	KZT 7 billion
Subsidy period	5 years

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations

Source: official website of the Prime Minister of the Republic of Kazakhstan





# State support measures

## Industry support under the State Program for Industrial and Innovative Development 2020-2025

- The goal of this Program is the development of Kazakhstan’s competitive manufacturing industry in the domestic and foreign markets (Decree # 1050 of the Government of Kazakhstan dated 31 December 2019). During the Program implementation period, the major focus is made on the realization of key export-oriented projects.
- AO Baiterek National Managing Holding is one of the main operators implementing the Program objectives such as increase in production volumes and expansion of the range of processed goods in demand in the domestic and foreign markets, as well as technological development and digitalization of manufacturing industries.
- In particular, Baiterek has been 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.

### Financing under the Program, KZT million

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
<b>Total</b>	<b>146,065.3</b>	<b>215,725.1</b>	<b>107,896.4</b>	<b>107,863.5</b>	<b>101,996.9</b>	<b>101,249.9</b>

### Project financing and lease financing within the Program framework

- 1) Lending through financial institutions will continue with interbank lending schemes through AO Development Bank of Kazakhstan and AO Damu Entrepreneurship Development Fund.
- 2) Long-term financing through AO Development Bank of Kazakhstan JSC is practised by mixing 50/50 budget funds and commercial funds for a period of 7-10 years, with a rate of no more than 11% for the end borrower, with the company's own participation of at least 20% of the project amount.
- 3) Long-term lease financing for equipment renewal is provided by AO DBK-Leasing to entities involved in industrial and innovative activities implementing and (or) planning to implement their own projects in priority sectors of the economy.
- 4) Subsidizing of the interest rate on loans issued by financial institutions and guaranteeing of loan obligations is provided with a nominal interest rate not exceeding 15% per annum, pursuant to Decree No. 820 of the Government of Kazakhstan dated 11 December 2018 (the operator is AO Damu Entrepreneurship Development Fund).

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

**State support measures**

Conclusions and recommendations

Abbreviations

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# State support measures

## Industrial enterprises support

- QazIndustry is a single coordinator providing assistance to industrial enterprises at all stages - from technological solutions and new production lines to certification, export and implementation of digital technologies.
- The entity provides gratuitous financial measures of state support for Kazakhstan producers. These include innovative grants for the commercialization of technologies, technological development of enterprises and industries, as well as reimbursement of certain types of costs to enterprises aimed at increasing labor efficiency and promoting exports.

Support for businesses is provided by means of:

Reimbursement of part of the costs to the entities involved in industrial and innovative activities to promote domestic processed goods in the foreign market



Reimbursement of part of the costs to the entities involved in industrial and innovative activities to promote domestic processed goods in the internal market



Reimbursement of part of the costs to the entities involved in industrial and innovative activities to increase labor efficiency and the development of territorial clusters



### Types of reimbursable costs in the external market

- Advertising of goods abroad
- Participation in foreign exhibitions, fairs, festivals
- Publishing a catalog for distribution abroad (development, translation)
- Maintenance of a representative office, retail space and warehouse abroad
- Registration of trademarks (brand) abroad
- Certification of goods abroad
- Delivery of goods by rail, road, air and sea, organization of transportation

### Size of reimbursable costs in the external market

- No more than 13,000 minimum calculation indices per subject
- Historical reimbursement period is 32 months prior to the date of application

40% Large business

50% Medium-size business

60% Small business

Source: adilet.zan



Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

Conclusions and recommendations

Abbreviations





# Conclusions and recommendations



Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

Overview of Kazakhstan  
commodity market

Overview of Kazakhstan sugar and  
chocolate confectionery market

State support measures

**Conclusions and recommendations**

Abbreviations





# Conclusions and recommendations

## Competitive advantages of the confectionery industry



### Import substitution policy

- Kazakhstan is a net importer of sugar and chocolate confectionery. In 2019, the level of shortage of confectionery products in the country amounted to 68 thousand tonnes. The state is taking active measures to develop domestic production, as well as expand the resource base.
- The confectionery industry has a high export potential. In 2019, Kazakhstan exported 37 thousand tonnes of chocolate and sugar confectionery. Over the past year, the volume of export of chocolate confectionery to China increased 4.5 times and reached 3,766 tonnes. The key advantages of Kazakhstan's products in foreign markets are high quality, genuineness and taste, environmental friendliness and high production standards.

### Attractive investment climate

- The food industry is a priority economic sector for the development in Kazakhstan;
- Preferential economic conditions to reduce the financial burden on enterprises are provided under the following programs:
  - the Economy of Simple Things
  - the Business Roadmap 2025
  - the State Program for Industrial and Innovative Development 2020-2025
- There are significant tax and customs preferences for operation under the regimes of Special Economic Zone or Free Warehouse, when investment contracts are concluded under the Entrepreneurial Code of the Republic of Kazakhstan.

### Favorable geographic location and potential for export

- Kazakhstan has an advantageous geographical location in relation to sufficiently capacious sales markets of the CIS countries and Asia, including:
  - China (import in 2019 was 83,790 tonnes)
  - Russia (import in 2019 was 128,316 tonnes)
  - Central Asian countries and Mongolia (import in 2019 was 68,500 tonnes)
- The transit potential of the country is not fully realized; the Western Europe - Western China highway passes through the south and west of the country.

### Access to labor resources

- The period of 2015-2019 saw an increase in the economically active population in Kazakhstan.
- In late 2019, the economically active population of Kazakhstan at the age of 15+ reached 9.2 million people, which is 47% of the total population.
- According to EIU forecasts, this indicator will reach 9.7 million people by 2024.
- The southern regions of the country are the most densely populated regions with cheap labor force.

Industry summary

Table of contents

Confectionery classification

Overview of the global commodity market

Overview of the global sugar and chocolate confectionery market

Overview of Kazakhstan commodity market

Overview of Kazakhstan sugar and chocolate confectionery market

State support measures

**Conclusions and recommendations**

Abbreviations



# Abbreviations



Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

Overview of Kazakhstan  
commodity market

Overview of Kazakhstan sugar and  
chocolate confectionery market

State support measures

Conclusions and recommendations

**Abbreviations**



# Abbreviations

CAGR	compound annual growth rate
Dom. Rep.	Dominican Republic
F	forecast (in tables or graphs)
kg	kilogram
mln	million
Q	quarter
tg	tenge



Industry summary

Table of contents

Confectionery classification

Overview of the global  
commodity market

Overview of the global sugar and  
chocolate confectionery market

Overview of Kazakhstan  
commodity market

Overview of Kazakhstan sugar and  
chocolate confectionery market

State support measures

Conclusions and recommendations

**Abbreviations**





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