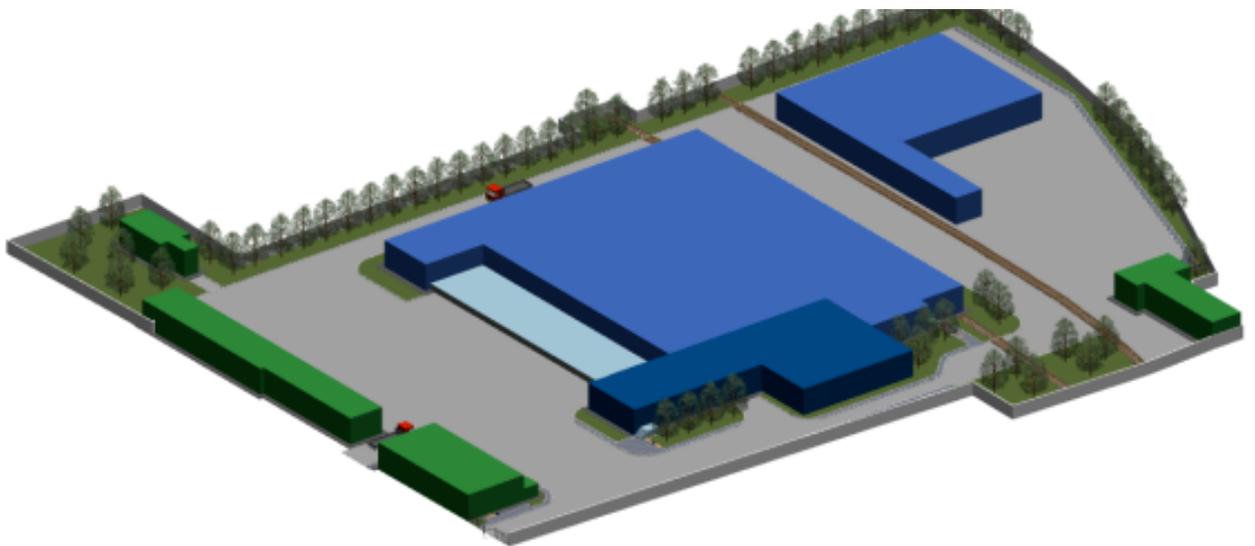


# STRATEGIC COLLABORATION PROPOSAL FOR RETAIL CHAINS



**Partner with “Raspredbaza” LLC to grow your retail  
business in the CIS and Asia-Pacific regions.**

**Call us today +1 (514) 516 1178 or email us  
[marketing@okean.kz](mailto:marketing@okean.kz)!**

The Kazakh company, “Raspredbaza” LLC, acting as an anchor company in a partnership with several Kazakh producers of meat, vegetables, and fruits is expressing an interest to collaborate with international retail chains planning to develop their private label products with a production location in Kazakhstan.

The criteria for the ideal partner are:

- A retail chain planning to get involved in ready meals (chilled lunches, chilled pizza, chilled ready meals, dinner mixes, dried ready meals, frozen pizza, frozen ready meals, prepared salads, shelf stable ready meals etc.), organic processed food production, packaged baby food or become a producer of meat, vegetable or fruit puree for babies.
- A retail chain willing to grow its business in the CIS or Asia-Pacific regions.
- A retail chain, which is not yet involved in the halal sector in the CIS or Asia-Pacific regions.
- A retail chain, which did business with Russia before the sanctions period.
- A retail chain that has not yet developed its own private label products in the food industry.

The following advantages are listed hereinafter for your consideration of a strategic collaboration with a group of Kazakh companies lead by “Raspredbaza” LLC in Kazakhstan.

## **1. Competition in Kazakhstan**

Due to changes in consumers’ lifestyles, increased product ranges, and greater product availability, the development of retail chains has had a positive impact on sales of packaged food in Kazakhstan. There is a wide range of packaged food that is preferred more during hot seasons and a wide range that is preferred during cold seasons.

Due to the fact that the majority of consumers in Kazakhstan, CIS, and Asian countries have low and moderate disposable income, packaged food unit prices play a significant role in the purchasing process. Therefore, many manufacturers have started to offer interesting promotions and discounts that help consumers to save money.

In Kazakhstan, the old generation that is part of the post-Soviet culture is loyal to the country’s traditional and local food, which is mostly sold by domestic manufacturers and producers from CIS countries. Meanwhile, the young generation is more interested in Western products and ready meals, because such consumers are more open to new experiences and desire to save time in the cooking process.

## **2. Packaged food trends in CIS countries**

Packaged food is one of the largest consumer markets in the CIS region. In the last decade, eating habits have changed significantly, due to fast-paced lifestyles, increasing product availability and the spread of modern retailing. A typical consumer in this region, who used to be loyal to traditional food products and local specialties, is becoming more interested in modern and convenient Western products than ever before. However, now consumers also face economic instability and shock price rises in many countries and have to make more rational choices in packaged food, trading down to traditional, standard, domestic and economy brands. Despite the current slowdown of consumer demand, the future outlook of packaged food sales remains positive. There are many categories that have considerable room for future growth. Baby food, ready meals, dairy, processed fruit and vegetables, breakfast cereals, sauces and dressings, and sweet and savory snacks are amongst the

most dynamic categories, benefiting from product and packaging innovations and growing consumer interest.

An increasing number of consumers are now choosing packaged food rather than unpackaged alternatives. Volume consumption of packaged food per capita in the region is still lower than in Western European markets, but it is steadily growing: 19% in Azerbaijan and Uzbekistan, 13% in Kazakhstan, 6% in Russia, and 12% in Georgia over 2010-2015. One exception is Belarus, which saw a decline of 3% in volume per capita consumption over the last five years, as the market has suffered heavily from local currency devaluation and seen extreme price increases for imported products. The expanded presence of modern grocery retailers is creating demand for packaged food that is more convenient in storage, easy to consume and fuels demand by new product and packaging developments.

### 10 Countries with the Largest Number of Muslims in 2010

Country	ESTIMATED MUSLIM POPULATION
Indonesia	204,847,000
Pakistan	178,097,000
India	177,286,000
Bangladesh	148,607,000
Egypt	80,024,000
Nigeria	75,728,000
Iran	74,819,000
Turkey	74,660,000
Algeria	34,780,000
Morocco	32,381,000

### 10 Countries with the Largest Projected Number of Muslims in 2030

Country	PROJECTED MUSLIM POPULATION
Pakistan	256,117,000
Indonesia	238,833,000
India	236,182,000
Bangladesh	187,506,000
Nigeria	116,832,000
Egypt	105,065,000
Iran	89,626,000
Turkey	89,127,000
Afghanistan	50,527,000
Iraq	48,350,000

Population estimates are rounded to thousands.

Pew Research Center's  
Forum on Religion & Public Life  
*The Future of the Global Muslim Population*,  
January 2011

Uzbekistani consumers increasingly opt for packaged food variants as health concerns and the belief that packaged products are cleaner and healthier. Kazakhstan is characterized by growing demand for on-the-go snacking and fast meal preparation, as well as the growing popularity of internet grocery retailing in big cities. Georgian buyers are becoming more demanding as to what they eat and look for packaged food that provides information on ingredients, nutrition and expiration date. While packaged food has a widening prevalence across the region, some categories are still dominated by artisanal and generic products, particularly, staples such as bread, pastries, and cheese.

### 3. Growth of Muslim population

The world's Muslim population is expected to increase by about 35% in the next 10 years, rising to 2.2 billion by 2030, according to population projections by the Pew Research Center's Forum on Religion & Public Life<sup>1</sup>.

Globally, the Muslim population is forecast to grow at about twice the rate of the non-Muslim people over the next two decades – an average annual growth rate of 1.5% for Muslims, compared with 0.7% for non-Muslims. If current trends continue, Muslims will make up 26.4% of the world's total projected population of 8.3 billion in 2030.

If current trends continue, 79 countries will have a million or more Muslim inhabitants in 2030, up from 72 countries today. A majority of the world's Muslims (about 60%) will continue to live in the Asia-Pacific region, while about 20% will live in the Middle East and North Africa, as is the case today. But Pakistan is expected to surpass Indonesia as the country with the single most significant Muslim population. The portion of the world's Muslims living in Sub-Saharan Africa is projected to rise; in the next 10 years. For example, more Muslims are likely to live in Nigeria than in Egypt. Muslims will remain

<sup>1</sup> <http://www.pewforum.org/2011/01/27/the-future-of-the-global-muslim-population/>

relatively small minorities in Europe and the Americas, but they are expected to constitute a growing share of the total population in these regions.

#### **4. Halal food market trends**

While certification within the halal sector is essential for businesses to gain trust from consumers, many companies fail to develop their sales of halal products due to their focus just on certification. As such, the maintenance of processes, new product development and marketing strategies are less prioritized. The company automatically caters to a niche group of consumers and likely fails to reach out to other groups. Hence, awareness plays an equally important role for businesses to maintain an expanding pool of consumers. Many consumers are unaware of what constitutes a halal product and may avoid it due to an apprehension<sup>2</sup>.

#### **5. Halal baby food market trends in Kazakhstan**

With global baby food and formula sales estimated at \$30 billion in 2015, according to Nielsen, the halal baby food segment could become a \$5.1 billion sector if it follows similar (17 percent) growth and spending as global Food and Beverages. The global baby food market is expected to reach USD 46 billion by 2022, growing at a CAGR of 7.5% during the period.

Baby foods are considered to be the most essential and the first alternative to breast milk for the babies. Purees of natural fruits and vegetables are initially fed to the baby, as a part of the nutritional food. With the growth of the baby, the kind of foods available would significantly vary from infant formula to solid dried baby foods.

With the rapid urbanization around the world, and due to changing lifestyles, the demand for packaged baby foods has grown significantly. These foods are fed to babies between the ages of four to six months and up to two years. Increasing awareness about nutrition, a rise in organized retail marketing, urbanization and significant growth in the count of working women population have been the factors that have led to the growth of the market. Concerns related to food safety, falling birth rates, and the practice of feeding home cooked food to babies are the critical restraints in this market.

Awareness of nutrition in Baby food products is increasing day by day. People are getting more concerned about the health of their babies. Food guidelines have guided many people towards the adequate adoption of healthy and organic food for babies and toddlers as well.

Kazakh women are increasingly joining the workforce in the large towns, leading to less time for breastfeeding and preparing home-made food for their babies. Besides, baby food profited from parents' desire to purchase the best products for their babies which are safe regarding ingredients and have added-value benefits such as vitamins and minerals, as well as organic and hypoallergenic properties. Even so, baby food remained a product for consumers with high- and mid-purchasing power in Kazakhstan. However, for consumers with moderate and high disposable incomes, expensive baby food is justified by its beneficial qualities.

Nestlé and Detskoye Pitaniye-Istra-Nutricia led the Kazakh baby food industry in 2017 with retail value shares of 41% and a 29%, respectively. The leading position of Nestlé with its Nestlé, Nan, Nestogen and

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<sup>2</sup> <https://globenewswire.com/news-release/2017/12/08/1250207/0/en/Global-Baby-Food-Market-Expected-to-Grow-at-a-CAGR-of-7-5-to-2022.html>

Gerber brands can be attributed to the long-term presence of the company in baby food. Nestlé has a broad product portfolio and well-established distribution network which contribute to the steady availability of its products across the country and its positive sales performance. Also, Nestlé is active in new product launches and promotion. Detskoye Pitaniye-Istra-Nutricia with its Malyutka, Nutrilon, Nutricia and Malysh brands, benefited from its broad portfolio of products.

However, none of these brands currently produce halal baby meat, vegetable or fruit puree for Muslim babies. Annually 200 000 babies are born in Kazakhstan<sup>3</sup>. Baby puree market equals to 778 million USD.

Baby food is expected to continue to develop in Kazakhstan due to the ongoing desires of consumers to provide only the best products for their children and an improvement in the economy of the country with the consequently increased standards of living and purchasing power. In addition, it is expected that a growing number of women will participate in the workforce and their busier lifestyles will increase demand for ready to eat products for babies.

## 6. Certification and infrastructure are essential to cater to Muslim-targeting businesses

Certification plays an important role in ensuring compliance to Islamic law and in assuring consumers of the reliability of halal products. The enforcement of Islamic jurisprudence providing businesses with clear guidelines and support greatly eases the process of halal certification. Developed infrastructure and standardized certifying processes run by The Khalal Industry Association of Kazakhstan (AKHIK)<sup>4</sup> have already started to boost Kazakhstan's recognition in the CIS halal network.

The multiple country-specific laws and certifying bodies, however, pose a challenge to multinational companies that wish to expand into the niche Muslim consumer base. With different certifying bodies and processes across various countries, MNCs have to comply with varying sets of rules, and in some countries, the guidelines are still unclear. Global halal certification bodies such as Jakim in Malaysia<sup>5</sup> and ESMA<sup>6</sup> in UAE simplify the trade of halal products worldwide. The presence of global hubs results in a smoother production chain, where the whole halal supply chain is transparent and standardized. Other parts of the production chain in the global halal industry like logistics and transport are also certified.

## 7. Kazakhstan as a strategic production and distribution place for halal food



<sup>3</sup> [http://www.akorda.kz/upload/nac\\_komissiya\\_po\\_delam\\_zhenshin/Демографическая%20политика/4.2%20рус.pdf](http://www.akorda.kz/upload/nac_komissiya_po_delam_zhenshin/Демографическая%20политика/4.2%20рус.pdf)

<sup>4</sup> <http://halal-kz.kz>

<sup>5</sup> <http://www.halal.gov.my>

<sup>6</sup> <http://halal.ae/en-us>

The sales forecasts for the Kazakh halal meat segment represents a market of 18 million Muslim people consuming at least 30 kg of all types of meat per person annually which gives roughly more than 2 billion USD in sales.

Kazakhstan is widely known as a transportation and distribution hub situated between Europe and Asia. By now the Kazakh government has already built necessary international road and rail-transportation corridors for a smooth transfer of goods. As such, “Raspredbaza” LLC is strategically located in the Kostanay region in Kazakhstan opening access to the huge market of the former USSR (Russia, Belarus, Kazakhstan, Tajikistan and Kyrgyzstan), to the free trade market of the Eurasian Economic Community (Kazakhstan, Russia, Belarus, Armenia and Kyrgyzstan)<sup>7</sup> consisting of 182, 7 million Muslims.

Nearly three-in-ten people living in the Asia-Pacific region in 2030 (27.3%) will be Muslim, up from about a quarter in 2010 (24.8%) and roughly a fifth in 1990 (21.6%). Top-countries with the largest projected number of Muslims in 2030 in the Asia-Pacific region are Pakistan (256,117,000) Indonesia (238, 833,000), India (236, 182,000), Bangladesh (187,506,000), Iran (88,626,000), Turkey (89, 127,000), Afghanistan (50,527,000), and Iraq (48,350,000).

#### **8. The Kostanay regional infrastructure**

The Kostanay district is situated in the North part of the Kazakhstan and borders with Russia. The area represents a consumer market of more than 25 million people. The region profits from a favorable geographical position due to its proximity to such developed industrial regions as the Russian Urals in the west and Central Kazakhstan in the southeast. The Kostanay region borders with four regions of the Republic of Kazakhstan (Aktyubinsk, Karaganda, Akmola and North-Kazakhstan) and three regions of the Russian Federation (Orenburg, Chelyabinsk, Kurgan).

Roads connect Kostanay with the following cities in Russia: Chelyabinsk, Magnitogorsk, Troitsk, Yekaterinburg, Kurgan, and Tyumen. It is also connected by road to Astana and Almaty in Kazakhstan. Fifty-three railway stations carry cargo from Kostanay, the principal city of the region. Kostanay International Airport handles common and charter flights to many cities in Kazakhstan, former Soviet Republics, Germany, the United Arab Emirates, Turkey, and other countries. The airport also functions as a local port of entry and customs checkpoint.

#### **9. Local resources for halal sector**

Agriculture accounts for approximately 6% of Kazakhstan’s economic production. More than 74% of the country’s territory is suitable for agricultural production, but only 25% of the land is arable. Farmers raise sheep and cattle, and livestock products include dairy goods, leather, meat, and wool. Average consumption of meat collectively grows at a rate of 7.7%. Poultry is amongst the fastest growing sectors in the nation, showing a CAGR of 13.5% over recent years. Consumption of chicken meat now peaks at around 20 kg per person annually.

Across the board, Kazakhs consume between 50-60 kg of meat per capita a year on average. This only goes to show the prevalence of meat in Kazakh cooking, which takes in any number of traditional meat dishes.

Beef dominates. As much as 80% of all meat consumed throughout Central Asia’s largest economy is beef.

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<sup>7</sup> <http://www.eurasiancommission.org/en/Pages/default.aspx>

Kazakhstan is a top ten nation when it comes to beef consumption, with nearly 30 kg consumed annually per capita.

Even so, domestic production has failed to cover domestic demand for meat products of all varieties. Kazakhstan falls flat in meeting its population's desire for meat. Total domestic output amounts to about 900 thousand tons. Total consumption comes to 1.08 million tons, leaving a deficit. Imports from the US and Russia covered the deficit– but imports have dropped off.

The country's major crops are wheat, barley, cotton, and rice, with wheat exports a major source of hard currency. The sown area of vegetables is about 133.1 thousand hectares, melons (any of various plants of the family Cucurbitaceae sweet edible, fleshy fruit) - 82.3 thousand hectares. Gross harvest of vegetables is about 3 million tons, melons – 2 million tons.

The largest share in vegetable production (3,061.5 thousand tons) is presented by tomatoes - 650.7 thousand tons (21.25%); onions - 573.4 thousand tons (18.7%); cabbage - 442.4 thousand tons (14.45%); carrots - 445.8 thousand tons (14.6%); cucumbers - 362.8 thousand tons (11.85%). Thus, the volume of production of vegetable and tobacco crops in the Republic exceeds the demand of the population in accordance with the national consumption rate by 2.1 times.

Gross harvest of fruit and berry crops amounts to about 214.7 thousand tons. Thus, the volume of production of fruit and berry crops meet the country's domestic demand for these products by only 60%.

The Kostanay region's climate is continental, with strongly pronounced alternation of four seasons. Average temperatures: January: -18 to -19 °C, July: 19 to 22 °C. In the winter, the temperature can be as cold as -25 to -30 °C. In summer, the temperature can reach 30 °C. The annual amount of precipitation is 300–350 mm in the northern areas and 240 to 280 mm in the south. The growing season is about 150 to 175 days in the north and 180 days in the south.

The Kostanay region has had the status of the primary granaries of the country for decades. But at the same time, it is actively developing the other sectors of agriculture. Local farmers have also begun to create livestock and grow lots of vegetables. 7 feedlots and 13 breeding farms are open in the region. Another 36 enterprises are engaged in the processing of meat. More than 13,500 hectares of land is planted with fruits and vegetables. In 2016, the Kostanay region produced 2,200 tons of meat for export<sup>8</sup>.

#### **10. Manufacturing experience, production line, and facilities**

“Raspredbaza” LLC has been involved in food production, its distribution and sales since 1993. The company imports fish to Kazakhstan, partly processes it and distributes fish products within Kazakhstan. The halal food processing is expected to be done in-house in the Kostanay region according to the certification requirements of Local or International halal certification bodies.

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<sup>8</sup> <http://investinkostanay.kz/ru/about-region/49/>



Technical characteristics of the production facilities of "Raspredbaza" LLC:

The facilities meet the human working condition.

Currently, the company employs 17 people.

Land plot area - 2,3863 ha.

Building area - 7307.5 m.

Warehouses - 40303 m<sup>3</sup>

Refrigerated warehouse - 23 C (cub.m.) 4407 m<sup>3</sup>.

Fish shop and garages - 2024 m<sup>3</sup>.

Vegetable storage - 165.9 m<sup>3</sup>.

The industrial and household building (including the canteen) - 3259 m<sup>3</sup>.

Driveways:

Railroad cul-de-sac - 2 cul-de-sacs, total length 608 m

Parking - 1500 m<sup>2</sup>

Communications:

Electrical substation (kV) 10 / 0,4 (TM-400 kW, TM-1000 kW), reserve power supply of 2-input RU-10 kV

Natural gas – available on demand

Central water supply - two inputs 90 mm. and 50 mm.

Hot water supply and heating - autonomous with gas

Internet, telephony – high-speed Internet up to 8192 Kbps, a mini PBX with 30 numbers

### **11. Frozen storage competencies**

“Raspredbaza” LLC already operates a fish storage facility. Depending on the preferences of a partner “Raspredbaza” LLC is competent to design other storage facilities, such as storage of fruits and vegetables, meat, ice cream, cheese, frozen eggs and frozen meals.

## **12. Long-term capabilities**

“Raspredbaza” LLC is capable of introducing new and innovative product lines and will be able to expand into additional product categories such as halal food, halal beverages, halal beauty and personal care products.

## **13. How many licenses does the manufacturing hold?**

“Raspredbaza” LLC intends to treat the acquired production technology as one of its primary brands with advertising and promotional commitment or it is open to maintain a stable of license (pay a required advance).

## **14. Marketing plans for the property**

As part of an exclusive long-term collaboration with a retail chain “Raspredbaza” LLC agrees to promote the brand and provide a marketing support.

## **15. Financial strength**

“Raspredbaza” LLC is financially stable. The company has a steady cash flow and is ready to provide a retail chain with bank and credit references to prove its financial status.

## **16. Reputation as a vendor**

“Raspredbaza” LLC has an established reputation – the company delivers products on time, maintains a status for quality products, has long-term relationships with buyers of fish. At the request of a retail chain, the company will arrange for references establishing its value as a vendor.

## **17. What is potential licensee willing to pay?**

“Raspredbaza” LLC is open to discuss with a licensors, if this is a case, the desired royalty, advance or guarantees depending on the given segment, the support provided in technology transfer, brand popularity in the granted territory, sales forecasts in Kazakhstan and export volume to other countries.

## **18. Personnel**

Employees at “Raspredbaza” LLC are open to developing a close relationship with the staff of the partner, which should help a partnership to succeed. Employees at “Raspredbaza” LLC will treat the assets with care.

## **19. System and tracking**

At “Raspredbaza” LLC, there are systems in place to track the success of the product lines by channel and geographical regions. This will help to respond to the marketplace quickly, devote resources adequately and also elaborate detailed distribution and sales reports to make the collaboration more efficient.

## **20. Ethical issues**

“Raspredbaza” LLC conducts transparent business processes, does not get involved in corruption and follows a social corporate responsibility program.

**The company is looking forward to establishing a mutually beneficial collaboration with you! Call us today +1 (514) 516 1178 or email us [marketing@okean.kz](mailto:marketing@okean.kz)!**

**Partner with “Raspredbaza” LLC to grow your business in the CIS and Asia-Pacific regions.**