CAPITAL INVESTMENT PROJECT

Agricultural underutilized land
Familiarization of Zabaikalsky Krai

Project is operated by joint-stock company «ZabInvestFund» micro financial organization with the participation of the Agriculture Ministry of Zabaikalsky krai
Advantages of Zabaikalsky Krai

**CLIMATE**
- Winters with little snow foster pasturable animal husbandry
- **288 sunny days** a year foster plant cultivation

**GEOGRAPHY**
- Spread of border with China is 1095 km, with Mongolia - 863 km. Availability of automobile highways and long distance railways

**ECOLOGY**
- Absence of harmful manufactures. Low level of using mineral fertilizer and other chemicals, Prevalence of traditional farming technologies

**TRADITIONS**
- Cattle ranching, sheep breeding, horse breeding, reindeer breeding.

**INFRASTRUCTURE of Agricultural sector**
- 35 organizations of pedigree animal husbandry, meliorative net, recycling factories, agro-parks
Availability of resources in rural economy

- **Lands for rural economy**: 8,003,3 thousand ha
- **Other lands**: 35,185,7 thousand ha

**Qualitative composition of soil**

- Chernozems and meadow chernozem soils: humus content - about 7-8%
- Power of humus horizon 60-70 sm.

**Melioration**

- 43,3 thousand ha meliorated lands

**Availability road net**
Availability of resources in rural economy

**Water**

- Annual level of precipitation – **230-400 mm**
- **54** rivers
- **5 000 озера** total area of lakes is **231 thous. ha**
- **9** water-storage reservoirs
- Underground waters (mastering of operational reserves -21%)

**Manpower resources**

- More than 99% busied in rural economy is local population.
- Average annual number busied in rural economy – **61,5 thous. men**
- In region there are next educational foundations of agrarian direction in different districts:
  1. Higher Education Institute
  5. Business Colleges
  6. Technical Vocational Schools
  13. Agro Schools
Big part of base recourses for rural economy is Unused - historical maximums of base indexes in rural economy of Zabaikalsky Krai surpass by far current values.

**Sheep population**
- 1978 year - 4 669
- 2014 year - 501

**Gathering of grain crops**
- 1988 year - 1 394
- 2014 year - 220

**Cultivated areas**
- 1987 year - 1 764,5
- 2013 year - 304,5

**Cattle population**
- 1989 year - 805,4
- 2014 year - 479,6
Groups of land parcels subject to territorial specialization

**Direction: «Sheep husbandry, stock-rearing for meat direction, crop husbandry for supply of feed base»**

Group of lands №1 (total area – 25 965 ha) - village «Zyulzinskoe», village «Olinskoe» of Nerchensky district  
Group of lands №2 (total area – 100 634 ha) - village «Kapcegaituvskoe», village «Kailostuiskoe», village «Scredneargunskoe»,  
village «Yubileininskoe», village «Soktui-milozanskoe»,  
village «Kovylenskoe» of Kranokamensky district  
Group of lands №3 (total area – 50 462 ha) - town «Zabaikalskoe», village «Krasnovelikanskoe» of Zabaikalsky district

**Direction: «Beef farming»**

Group of area №4 (total area - 36 405 ha) - village «Tanginskoe», village «Nikolaevskoe», village «Doroninskoe»,  
village «Artinskoe», village «Ablatuiskoe» of Uletovsky district

**Direction: «Dairy cattle breeding»**

Group of area №5 (total area – 37 526 ha) - village «Chickichenskoe», village «Aliyskoe», village «Molodovskoe»,  
village «Ukureiskoe» of Chernyshevsky district

Free land parcels in other districts of region:
- 114 thous. ha in Alexzander-Zavodskoy district  
- 90 thous. ha in Borzinsky district

In all districts there is free agricultural land bank, which is formed from unclaimed share land (about 910 thous ha) and Formalization of property priorities
COMPETITIVE ADVANTAGES (ANIMAL BREEDING)

ANIMAL BREEDING

QUALITATIVE FODDER BASE
Broad pastures, natural hayfields, availability of using lodes for manufacturing feed crops

RICH TRADITIONS
75% of agricultural production in region is produce of animal husbandry. There are 35 tribal organizations in the region

PERSPECTIVE SALES MARKETS
The regions of Far Eastern Federal district are self-sufficiency in different kind of meat (from 20% to 45%)

DEVELOPED INFRASTRUCTURE OF PROCESSING MEAT
10 organizations of processing meat with power 97 tons per work gang, average capacity - 4.2%
8 organizations of sausage manufacture with power 91.5 tons per work gang, average capacity – 61%

HIGH QUALITY OF MEAT WITH LOW COST PRICE
- Staple diet of animals is vegetation of nature pastures
- Ecological compatibility of meat
- Excellent palatability traits

Competitive advantages (animal breeding)
SIGNIFICANT AREAS OF FALLOW LAND
Total area of fallow land – 873,1 thous ha

FAVORABLE CONVENTION IN SOUTH EASTERN ZONE, A FEW DISTRICTS OF CENTRAL AND EASTERN ZONES FOR CULTIVATION GRAINS
Crop capacity is about 35 centner/ha

UNIQUE PROPERTIES OF ZABAIKALSKY CORN
Content of gluten in wheat reaches 35%

DEVELOPED INNER SALES MARKET
14 milling facilities with power 562 tons per day work in region. Developed animal husbandry of Zabaikalsky krai needs regular production of corn and feed crops. Rapeseeds are realized in Irkutsky region.

PERSPECTIVE EXTERNAL SALE MARKETS
In 2014 China has started to import rapeseed to Zabaikalsky Krai. In perspective it will possible to supply corn to Mongolia and China.
Organization of agricultural facility with provision of long renting or buying-out of lands by investors in said territory.

For example, in 2 group there are:

1. Informational memorandum, containing characteristic of offered land, analysis market positions.

2. Financial model, providing:
   - Planned analysis
   - Rating of sensitivity (to price change, productivity of land and other factors)
   - Opportunity of correction of basic parameters - investment cost, operation cost, formation cattle population and others

Cost of rent lands does not exceed 100 rub/ha per year.
Main characteristics of investment offer for group of lands №2

Total area - 100 634 ha

Volume of investments: 1228 mln. rub.
including purchase of agricultural cars and equipments, building stock-raising, warehouse and auxiliary objects, floating funds

Product of project (volume of realization in full power):

- Rapeseed: 9 166 t.
- Oat: 7 178 t.
- Wheat (barley): 8 164 t.
- Beef: 440 t.
- Mutton: 240 t.
- Wool: 70 t.

Target market: for rapeseed - Republic of China, for other products - Zabaikalsky krai, Amursky region, Republic of Yakutia.

Target buyers: reprocessing facilities, retail chains with own manufactures
Factors of investment attraction

1. Perspectives of project’s development at the expense of mastering extra territories – availability of free massifs for agriculture (total number of lands, provided in Zabaikalsky krai, exceeds 250 thous. ha)

2. Availability of positive experience about realization of analogous project (LLC «Tribal factory «Comsomolec»)

3. Opportunity of receiving financial and organization support in every phases of realizing project, including payment for research works of project

4. Vicinity of sale markets
Efficacy of investment offers for group of lands №2

Period of calculation 2016-2025 year, WACC – 17.26%

349,5 mln. rub
NPV - net present value

26,81%
IRR- internal return rate

5 years
Discounted period of payback

27,4%
productivity index of investment project (PI)

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(EBIDTA, mln. rub)
Support of investments

State support of agriculture facilities and organizations

- Subsidization of part of current expenses (for crop husbandry, animal husbandry, agricultural insurance, melioration, registration of rights in land and others)
- Subsidization of part of investment expenses (buying technics, equipment, pedigree animals for agricultural objects)
- Subsidization of part of interest rate for credits
- Grant support

Regional state support of investment business

- Status regional signify project or priority investment project, allowing preferential taxation, providing state guarantees for next crediting, subsidization of part of expenses
- Financial tools (leasing company, Fund for Support of Microentrepreneurship, Fund for support of agricultural sector)
- Using grounds of industrial park

In 2014 general volume of direct state aid for agricultural complex of Zabaikalsky krai was more than 1,1 bln. rub

Condition for state aid: fraction of income of agricultural producer from realization of agricultural products > 70%
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