



# CAPITAL INVESTMENT PROJECT

Agricultural underutilized land  
Familiarization 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



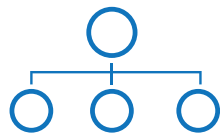
## ECOLOGY

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



## TRADITIONS

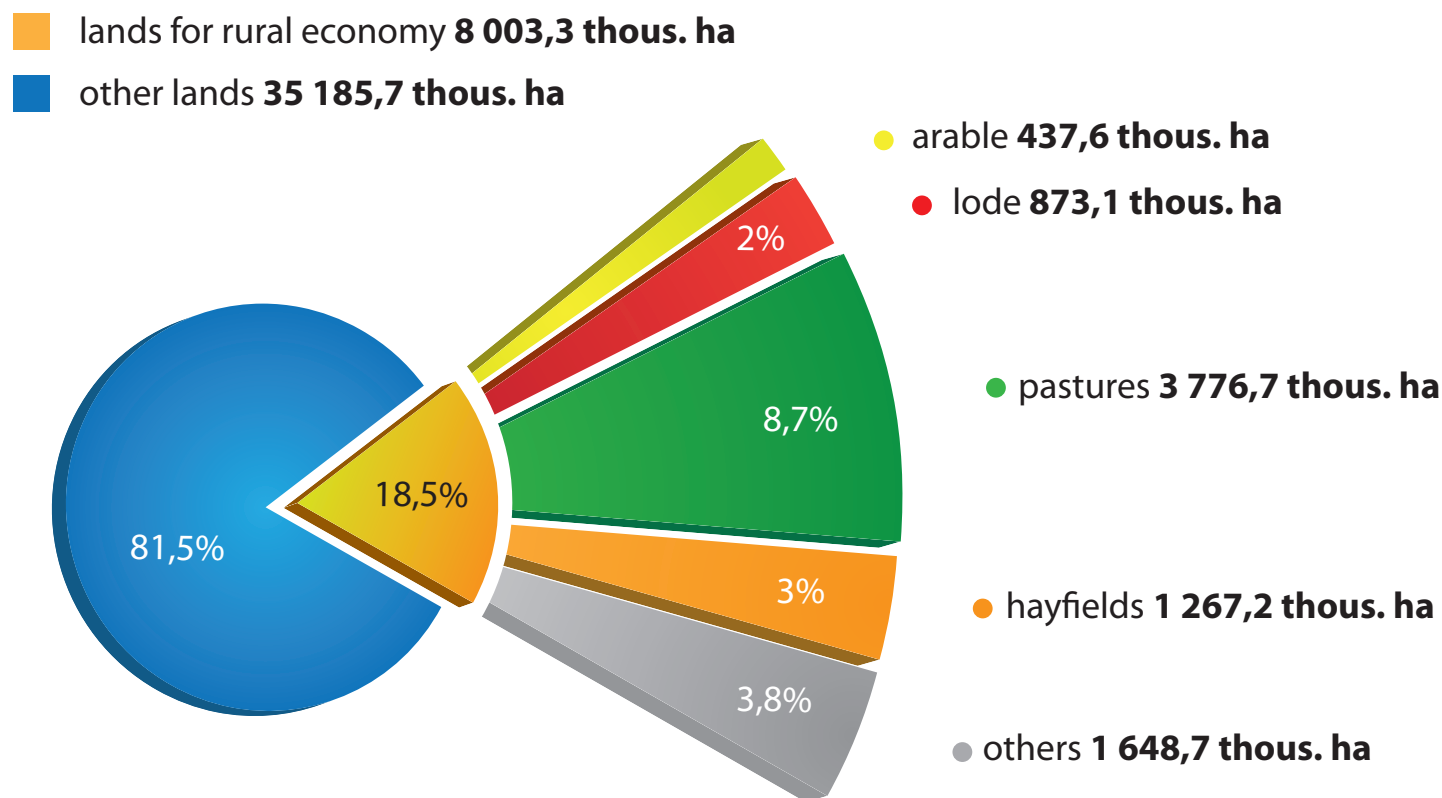
- Cattle ranching, sheep breeding, horse breeding, reindeer breeding.



## INFRASTRUCTURE of Agricultural sector

- 35 organizations of pedigree animal husbandry, meliorative net, recycling factories, agro-parks

# Availability of resources in rural economy



Territory of Zabaikalsky krai  
is **43 189 thous. 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 thous. ha meliorated lands  
**AVAILABILITY ROAD NET**

# Availability of resources in rural economy

## Water



Annual level of precipitation – **230-400 mm**



**54** rivers



**5 000 озёр** 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**

# Unused potential

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 «Yubileinskoe», 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 «Aliyanskoe», 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%)

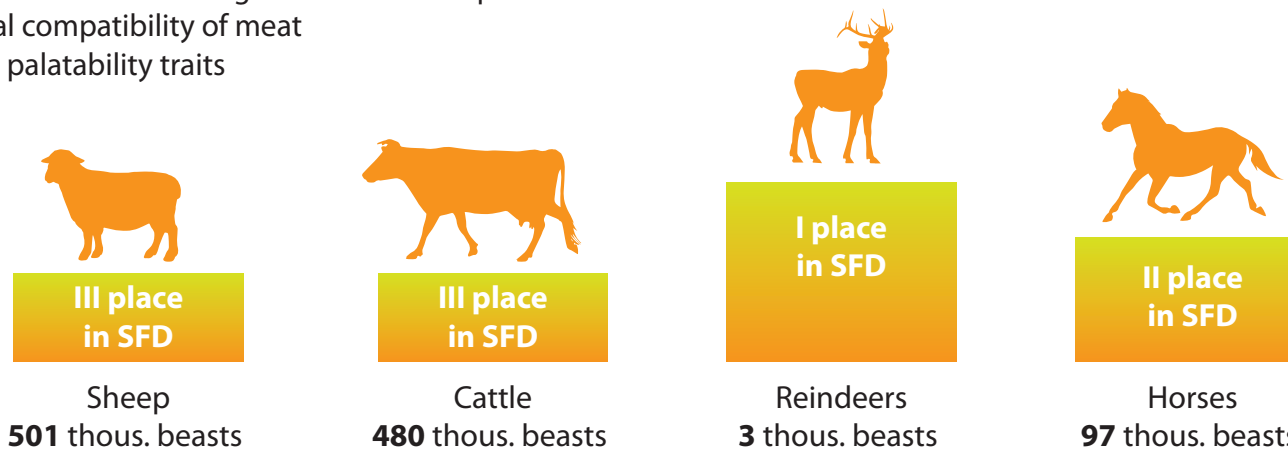
### DEVELOPED INFRASTRUCTURE OF PROCESSING MEAT

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 (plant cultivation)

## Plant cultivation

### **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 be possible to supply corn to Mongolia and China.





# Investment offer of project

Organization of agricultural facility with provision of **long renting or buying-out** of lands by investors in said territory.

Cost of rent lands does not exceed **100 rub/ha per year.**

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

# 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):**



**9 166 t.**  
Rapeseed



**7 178 t.**  
Oat



**8 164 t.**  
Wheat (barley)



**440 t.**  
Beef



**240 t.**  
Mutton



**70 t.**  
Wool

**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

### 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)

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
44	151	256	400	393	460	491	511	548	588

(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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