Food Processing Industry - Kyrgyzstan

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SUMMARY

This report gives an analysis of 4 food processing sectors of the Kyrgyz Republic, outlines major players in each industry and describes possible business opportunities for U.S. companies. This report also provides some useful contacts.

OVERVIEW OF THE FOOD PROCESSING SECTOR

General Overview

Food-processing sector of Kyrgyzstan is undoubtedly one of the most important sectors for the Kyrgyz economy but it lacks investments, development and management. The input of food processing into GDP ranges (depending on different sources) from 3% to 7%, while the agricultural output is a little over 30%. The overall demand just for processed fruits and vegetables is estimated at 1 billion soms (≈$26.1 million).

Industry	Companies	Individual Entrepreneurs
Dairy	2.5%	3.7%
Meat	5.9%	3.6%
Fruits & Vegetables	8.7%	1.4%
Cereals	30.9%	73.3%
Total Number of Food-Processing Companies	404	6621

Source: Ministry of Agriculture

Table 1. Number and share of food processing companies.

Most of the food processing companies are involved in Cereals processing, primarily wheat processing. Smaller shares go to Fruits and vegetables processing, meat and dairy industries.

Kyrgyz Government is interested in developing this sector and has opened the Agribusiness Competitiveness Center in January 2006 to help food processors be more efficient and profitable. Another organization that assists fruit and vegetables processors is the Fruit and Vegetable Association of the Kyrgyz Republic. It assists companies in marketing, conducts trainings and offers them to sell their products under single unified brand name - Taste of the Sun.

The Kyrgyz Government has recently provided 0% Value Added Tax (VAT) for farmers but according to recent reports, food processors started to have problems because of the transferred burden. The Kyrgyz Government is in the process of solving this problem.

Dairy Industry

Dairy industry in the Kyrgyz Republic is considered to be fairly well developed compared to other food-processing industries. As of October 2006, according to the Ministry of Agriculture there were 10 companies and 247 individuals who produce all kinds of milk products registered.

Production & Processing	2002	2003	2004	2005	2006 Jan-Nov
Total production of raw milk (tons)	1,172,964	1,191,786	1,186,682	1,197,640	1,136,371
Total Processed Milk (tons)	20,849	23,251	23,826	29,637	30,176
Processed Milk/ Total production of Milk	1.78%	1.95%	2.01%	2.47%	2.66%

Source: National Statistical Committee.
Table 2. Production vs. Processed Milk.

Milk processing has been increasing for the past few years. It has increased by more than 1%, compared to 2000 figures (Table 2). This is due to growing number of companies that began producing all kinds of dairy products. Nevertheless, these numbers are still very low, as are the investment figures in the dairy sector.

Production of dairy products can be divided into 3 categories:

- Processed milk, butter, sour milk, yogurt and some others with life cycle of less than 1 month;
- Cheese;
- Ice cream.

According to industry experts, processed milk and kefir as well as cheese are 90% locally produced. 70% of ice cream is also produced locally.

Processed milk has recently become a major dairy product followed by butter, yogurt and sour milk, ice cream and cheese. The dynamics and breakdown are depicted below:

Product/Milk Processing	2002	2003	2004	2005	2006 Jan-Nov
Cheese	11%	9%	10%	12%	10%
Ice Cream	20%	17%	15%	14%	15%
Butter	7%	8%	8%	13%	35%
Soured milk and Yogurt	41%	41%	36%	27%	2%
Processed Milk	20%	23%	30%	33%	37%

Source: National Statistics Committee.
Table 3. Composition of products in milk processing industry.

Approximately 30% of dairy products, excluding milk itself, are exported with the major trading partner remaining Kazakhstan. The export of milk and dairy products has been increasing for the past few years, and if in 2004-2005 the growth rate was at 36.6%, then in 2005-2006 this figure is over 50%. This indicates an increasing demand from the neighboring countries, particularly Kazakhstan. Around 60% of exported dairy products are raw milk, and the remaining 40% are other kinds of milk-processed goods.

Exports	2004	2005	2006 Jan-Nov
Raw Milk (tons)	10,469.10	15,933.00	n/a
Dairy products (including cheese, ice cream etc.) (tons)	7,482.20	8,597.10	n/a
Total Exports (tons)	17,951.30	24,530.10	32,908.26

Source: State Customs Inspectorate data

Table 4. Exports of milk and dairy products 2004-2006

Nevertheless, the bulk (97%) of milk remains unprocessed and is not exported anywhere. This gap creates an opportunity for potential US companies interested in investing into the milk-processing industry in the Kyrgyz Republic.

Many milk-processing companies are located in the Issyk-kul region because the raw milk is relatively cheaper there. Issyk-kul raw milk producers do not have access to the Kazakhstan market where they can sell their raw milk at higher prices. That is why they sell to local milk-processing companies. A different situation is with raw milk producers located in the Chui region, which has access to Kazakhstan. Raw milk in Chui region is sold at higher prices to Kazakh companies and, as a consequence, to local milk-processing companies.

Description	2004	2005
Local average price of Milk per Kilogram (soms)	6.61	7.23
Export average price of Milk per Kilogram (soms)	11.65	13.38
Export/Local Price of Milk ratio	176%	185%

Source: National Statistics Committee

Table 5. Raw milk prices

Cheese-producing companies, for example, tend to locate their factories in the Issyk-kul region, while companies that produce soured and processed milk and yogurt tend to locate their factories in the Chui region. This is due to the short expiration life cycle of the product and the easy access to major local market outlets. These outlets include bazaars (open markets), supermarkets, and small individual stores located all over the city or town. In Bishkek, bazaars remain the major outlet for basically all types of food products and cover around 70% of the market demand. The rest is divided between supermarkets, small individual stores and restaurants.

Overall, imports in the milking industry are very low. Export of dairy products is 7-10 times higher than imports. Import of milk products is mostly comprised of cheese products, pasteurized and condensed sweet milk, yoghurts and some butter. Major importers of milk products are Russia, Kazakhstan and Ukraine. Import of condensed sweet milk is the only category in the dairy trade industry that exceeds exports.

Imports	2004	2005	2006 Jan-Nov

Raw Milk (tons)	42.30	161.50	n/a
Milk products (including cheese, ice cream etc.) (tons)	1,664.60	3,306.00	n/a
Total Imports (tons)	1,706.90	3,467.50	4,390.08

Source: State Customs Inspectorate data

Table 6. Imports of milk and milk products 2004-2006

Meat Industry

According to the industry experts, this is one of the most promising sectors that substantially lack investment and development. As of October 2006 there were 24 legal entities and 237 individuals registered who produce processed meat and meat products all over the country, but only few of them have branded products and some sense of marketing. In general, a bigger number of individual entrepreneurs in the processing industry usually means higher probability of production of unbranded products, though it is not necessarily so.

Production & Processing	2002	2003	2004	2005	2006 Jan-Nov
Total production of meat (tons)	200,400	193,600	188,300	195,700	163,519 est.
Total Processed Meat (tons)	3,202	5,244	4,683	3,756	3,219
Processed Meat/Total production of Meat	1.60%	2.71%	2.49%	1.92%	1.97%

Source: National Statistics Committee and Expanding Finance in Rural Areas by FAO.

Table 7. Production vs. Processed Meat

In Kyrgyzstan farmers produce several types of meat. The leading type of meat has always been beef and veal. The second most popular type of meat is lamb, which is then followed by pork and horsemeat and the amount of their production changes every year. Chicken is not very popular among farmers, though the number of eggs produced increases every year at an average rate of 10% per year.

The retail prices of raw meat on market shelves have increased by over 26% in 2006 comparing with the same period of 2005. At the same time, production of raw meat has decreased by estimated 8%. Though official statistics indicate that meat production has decreased, analysts say that it has increased over the past few years. The same situation is with processed meat. There are more companies producing sausages that compete on a local market than used to 2-3 years ago.

Traditionally, meat is sold without packaging in the Kyrgyz Republic. The market for packaged meat is small, and the products offered are only available only in some supermarkets and supplied to cafeterias of some organizations. Most meat is sold at bazaars. Meat bought at bazaars is usually fresher because it typically sells faster than at the supermarkets. Nevertheless, the obvious disadvantage of bazaars is lack of sanitary control. Most sellers do not distinguish between different kinds of meat-cuts; therefore they just sell chunks of meat. There are some stores that are selling nice meat cuts for steaks, or grill, such as Steinbrau, a German-based company, but they are very few.

Other meat products such as sausages are very popular. Most of the newer companies tend to produce different types of sausages like ham, smoked sausages and others. The best sausages are produced in Bishkek and Chui region. Companies in the other regions of Kyrgyzstan do not have the same quality, as do their Northern competitors.

There is almost no export of meat products from Kyrgyzstan. This is due to very low outputs of existing companies, poor quality and management, small and weak market that doesn't allow companies to invest into heavy machinery for large-scale markets in order to reach economies of scale. And this problem exists not only with meat processors. For potential US investors, it would be useful to research Kazakhstan market, and if there is a demand for meat products there, it is possible to establish a meat factory, that would supply meat products not only to the local market, but to Kazakhstan, too. Production costs are lower in Kyrgyzstan, due to lower salaries and taxes. Above all, government supports companies that develop food-processing industry.

The situation with imports is not very different from exports, except for one type of product – chicken wings, that is primarily brought from the United States. In 2005 imports of chicken wings amounted to $5.6 million, while in 2004 this figure was $4.3 million. The increasing demand for American chicken wings creates an opportunity for potential US exporters of poultry products.
There is also small amount of imports of canned meat and sausages from Russia.

Fruits and Vegetables

Traditionally, Kyrgyzstan's fresh fruits and vegetables sector is one of the largest among other food processing sectors. Currently this sector has 35 companies and 91 individual entrepreneurs.

Production	2002	2003	2004	2005	2006 Jan-Nov
Potatoes (tons)	1,224,000	1,308,200	1,362,500	1,141,000	1,254,900
Vegetables (tons)	499,400	899,900	813,100	751,500	757,200
Fruits and berries (tons)	167,700	153,700	190,900	160,400	186,571
Total Production of Fruits and Vegetables (tons)	1,891,100	2,361,800	2,366,500	2,052,900	2,198,671
Share of Potato in the Total Production	65%	55%	58%	56%	57%

Source: National Statistics Committee
Table 8. Production of Fruits and Vegetables

Production of potatoes accounts to almost 60% of the total production of fruits and vegetables (Table 8). Nevertheless, there is almost no processing of potato in the Kyrgyz Republic. There are only 2 companies and 6 individuals registered who produce potato products.

Production and Processing	2002	2003	2004	2005	2006 Jan-Nov
Total Production of Fruits and Vegetables (not including potatoes) (tons)	667,100	1,053,600	1,004,000	911,900	943,771
Total Processed Fruits and Vegetables (tons)	12,033	16,603	18,352	21,793	20,239

Processed/Total production ratio (not including potatoes)	1.80%	1.58%	1.83%	2.39%	2.14%

Source: National Statistics Committee and Expanding Finance in Rural Areas by FAO.
Table 9. Production vs. Processing.

The F&V processing accounts for a little over 2% of the totally produced fruits and vegetables (table 9). There are a number of companies that process vegetables and fruits to produce more value-added goods. The most popular products include pickled cucumbers, marinated tomatoes, tomato paste, and natural juices. Marinades, jams and dried fruits are less popular. Such products do not have any chemical additives as the all-natural aspect is marketable in the country. The price of such products is lower than the Western or even Russia-produced goods.

Nevertheless, it is very hard for these local Fruit & Vegetable processing companies to successfully compete with other foreign producers because their design and packaging is unattractive, and in many cases inconvenient for opening. Absence of certification, irregular supply, and reluctance to take back inferior goods only decreases their competitiveness. Many of these companies lack good management skills and as a consequence don't have successful marketing strategy. Only 10% of all producers advertise their products and promote their goods at exhibitions. Half of all producers have trademarks on their products, but these trademarks are, in many cases, little known and unpopular. F&V processing companies are using only 20-30% of their production capacities.

Fruits & Vegetables Processing	**2002**	**2003**	**2004**	**2005**	**2006 Jan-Nov**
Juices (tons)	700.00	1,304.00	1,059.20	3,590.67	3,966.00
Canned and Processed Fruits and Vegetables (tons)	2,178.70	4,598.80	4,995.70	3,019.00	1,928.70
Vegetable oil (tons)	9,154.60	10,700.30	12,297.50	15,182.90	14,344.00

Source: National Statistics Committee
Table 10. Fruits & Vegetables Processing.

Table 10 shows that production of juices has increased by over 330% in 2005 in comparison with 2004. This is primarily because Wimm Bill Dann, the Russian dairy processing company began to produce widely known juice with a brand name J7. It is both targeted for local market and for export. Export of juices in 2004 – 2005 has increase by almost 300% and has accounted for 2663.6 tons in 2005.

Generally, Kyrgyzstan exports more fresh fruits and vegetables to Russia and Kazakhstan, than processed goods, though export of dried green peas and beans has a very high indicator, compared with other processed F&V products.

Kyrgyzstan exports fruit jams and jellies primarily to Russia, and though the physical amount of exported product is 4 times higher than imported, the $$ equivalent between export and import is equal, which only proves that Kyrgyzstan products are much cheaper due to different (both positive and negative) factors – low operational costs, unattractive packaging and others.

Export (tons)	2004	2005
Fruits & Nuts	17,773.83	16,967.27
Vegetables	68,212.67	50,334.03
Processed Fruits, Vegetables & Nuts	2,084.93	4,501.85

Source: State Customs Inspectorate data

Table 11. Exports of fresh and processed Fruits and Vegetables

Even though, the export of processed fruits and vegetables has increased since 2004, figures in Table 11 depict how low the export of processed Fruits and Vegetables is, compared to the export of fresh fruits and vegetables.

Imports primarily include juices, apples from China and exotic fruits. Processed fruits and vegetables are imported at prices which are 50% higher than exported price of similar products. This tells us that fruits and vegetables processing has a great potential for export, if the products become more attractive, with consistent quality and strong brands.

Import (tons)	2004	2005
Fruits & Nuts	20,609.03	42,005.14
Vegetables	1,188.09	1,208.33
Processed Fruits, Vegetables & Nuts	5,376.10	6,409.59

Source: State Customs Inspectorate data

Table 12. Imports of fresh and processed Fruits and Vegetables

Cereals

Traditionally, cereals have been and still are one of the most popular cultures to grow among Kyrgyz farmers. Wheat is undoubtedly the leader in the group. This is primarily because bread is still a major staple of people's diet. Companies and individuals involved in the grains processing industry are far beyond the total number of companies in other food processing industries. As of October 2006, there are 125 companies and 4,850 individual entrepreneurs registered in all spheres of grains processing industry. Primarily these are flour and bread producers.

Production & Processing	2002	2003	2004	2005	2006 Jan-Nov
Total production of Grains (tons)	1,712,200	1,633,400	1,708,900	1,631,600	1,659,000
Total processed Grains (tons	561,994	312,718	274,310	293,438	294,115
Processed/Total Production of Grains	33%	19%	16%	18%	18%

Source: National Statistics Committee

Table 13. Production vs. Processing of Grains

Though the figures in table 13 may not be 100% accurate, but the tendency is that grain processing in the Kyrgyz Republic is much more developed than any other food processing industry. This is because flour is used almost everywhere, and bread still remains the major consumed product. The demand for such products exceeds the local supply.

Production (tons)	2002	2003	2004	2005	2006 Jan-Nov

Wheat	1,162,600	1,013,700	998,200	953,000	840,299
Corn	373,600	398,500	452,900	432,000	437,969
Barley	149,300	197,900	233,400	223,000	203,973
Rice	20,800	18,300	18,300	18,000	n/a
Cereals Total	1,712,200	1,633,400	1,708,900	1,631,600	1,659,000

Source: National Statistics Committee
Table 14. Production of Grains.

Table 14 shows that wheat remains the major grown culture. Nevertheless, corn production increases every year and is primarily used for livestock feed. Right now only fodder corn is grown, and there is no sweet corn being grown. Current milk yields range between 2.6 and 4.1 liters a day. With the use of sweet corn in feeding cows, yields can increase to up to 15 or even more liters a day.

Product (tons)	2002	2003	2004	2005	2006 Jan-Nov
Flour	438,700	260,200	222,600	234,900	240,900
Bread	112,473	41,520	44,986	43,341	40,137
Confectionery	5,328	5,445	n/a	n/a	n/a
Crackers	2,193	2,982	3,893	5,502	5,179
Pasta	1,726	1,837	2,158	9,011	7,063
Cakes	1,573	735	673	685	837
Total Processed Cereals	561,994	312,718	274,310	293,438	294,115

Source: National Statistics Committee
Table 15. Grains processing

Bread producers are mainly concentrated in Chui valley and Bishkek. The quality and variety of bread in these 2 locations is significantly higher than in other locations of Kyrgyzstan. For example, in Osh there are no companies that would produce bread with good quality and variety. Supermarkets in Osh sell bread that is produced in Bishkek and is brought to Osh by trucks.

Companies producing flour are mainly concentrated in Bishkek, Chui and Issyk-kul regions, while individual entrepreneurs mostly operate in Osh, Jalal-abad, and Batken regions. This tells us that there are a greater number of branded flour products in Bishkek, Chui and Issyk-kul regions than in other regions of Kyrgyzstan.

Confectionary products are fairly well developed, but also mainly in Bishkek, and are limited to cakes that cannot be stored longer than 1 week. Cookies, biscuits and other similar sweet products are not very well developed, and are mainly represented by one company – Tattuu. Around 70% of all confectionary products are imported.

Major Kyrgyzstan export partners for cereal products are Tajikistan and Kazakhstan. Major commodities include wheat flour, bread and confectionary, pasta products and some other wheat products.

Export (tons)	2004	2005
Unprocessed Cereals	1,022.47	29.32
Processed Cereal Products	804.61	2,304.79
Total Exports	1,827.08	2,334.11

Source: State Customs Inspectorate data
Table 16. Exports of Cereals and Cereal Products

Though the growth in export of processed cereal products has been around 280% in 2004-2005, the volumes still remain very low, compared to imports. Imports of Cereal products are 30 times bigger than exports. This is because almost all of the produced cereals and cereal products are covering demand of the local market. Because arable land accounts to only 7% of all the lands in Kyrgyzstan, it doesn't allow growing more wheat and other cereals.

Import (tons)	2004	2005
Unprocessed Cereals	92,167.71	166,716.02
Processed Cereal Products	26,152.53	64,347.14
Total Imports	118,320.24	231,063.16

Source: State Customs Inspectorate data
Table 17. Imports of Cereals and Cereal Products

Major importers of Cereals and Cereal products are Kazakhstan, China, Russia, Uzbekistan and USA. Primary processed commodities include flour, bread and confectionary products, pasta, malt, starch and other ready-made products. Among unprocessed cereals dominate wheat, followed by small portions of rice and corn.

Availability of financial resources

There are a lot of banks and credit organizations which offer credits for business. Nevertheless, there is a very few number of such organizations that offer specific credits for food-processing industry. Usually food-processing and agriculture are included in one credit offer, while 2 of them usually require substantially different amounts and period of return. Credits given for growing crops, or buying livestock are paid back in a year or two, while credits for food processing sector need much more time to pay back. That is why the amount of credits given for the development of food processing industry is quite low. Unfortunately there is no consolidated data on the share of given credits to food-processing and agriculture, but according to KAFC (Kyrgyz Agricultural Finance Corporation), a major agricultural creditor in the Kyrgyz Republic, now renamed to AyilBank, 99% of all the credits they have given out are for agricultural purposes and not for food-processing.

Since food processing requires significant financial resources, serious companies can apply to EBRD loans. Interest rates in EBRD depend on profit margins of each individual project, but usually are lower than average interest rates on credits in commercial banks. IneximBank is another resource for developing food-processing. It has a credit package that offers agro processors to develop their business by taking credit for up to 7 years, with interest rates 14-16% and loan amount of up to $250,000.
In August, 2006 KICB (Kyrgyz Investment and Credit Bank) had a limited offer of credits for development of export oriented industries including food-processing, tourism and construction. Interest rates for such credits were similar to EBRD rates – around 12%. 2.5 Million Euros were allocated for this program.

Commercial banks usually lend to SMEs at around 18-20% in USD and at around 25-33% in soms, but decrease their lending rates to 13-14% in the case of larger loans above

$50,000 to good clients[1]. As of the end of 2005, the total amount of agricultural loans (including food-processing) is estimated at around $54.1 million.

MARKET PLAYERS

Dairy Industry

As was mentioned above in the report, there are 10 companies and 247 individual entrepreneurs registered who produce all kinds of dairy products. Primarily these companies are concentrated in Chui valley and Bishkek, with some companies operating in the Issyk-kul region.

Some of the biggest dairy producers in the Kyrgyz Republic include – Wimm-Bill-Dann (Russian biggest dairy producer) which covers about 70% of the dairy industry in the Kyrgyz Republic, Elet Sut, ElWest, Shin-Line, Ice-Queen and others. Wimm-Bill-Dann has the greatest variety of products and the most attractive packaging comparing to the closest competitors. That is why it remains the number 1 producer of milk products in Kyrgyzstan. Other companies like EletSut or ElWest have a less attractive packaging, but still have a certain niche in the market. A Kazakhstan dairy company Food Master imports their products to Kyrgyzstan and is also very popular.

Ice Cream is primarily produced by 2 companies – Shin Line and Ice Queen, though there are many other small companies. These 2 companies produce good quality products with attractive packaging. Their products are primarily sold in and around Bishkek. Shin-Line also exports some of its products to Kazakhstan. According to analysts, Shin-Line covers around 15% of Kyrgyzstan's market for ice cream. Shin Line has used a loan from EBRD to buy equipment. They now plan to expand their production line and produce dry milk.

Meat Industry

Kyrgyz meat processing companies can technically be divided into three groups. The first group of meat processors is small businesses that produce various generic sausages. Those include home-made smoked sausages. These companies do not advertise and compete on price. The same applies to canned meat products produced by small businesses. The quality of these products is not consistent. Primarily such products are not branded and usually are sold out at the bazaars.

The next group is privatized Soviet-era enterprises that have massive, currently underutilized, production capacity. Their main problems are excessive production capacity, outdated equipment, and lack of modern management and capital. These large companies cannot compete with more versatile small and medium-size producers.

Finally there are newly established businesses with modern management. Such companies use branded products and turned out to be quite successful. Riha, Sher, Steinbrau, Hoffer, EliteProdukt, Lotos – all these companies are representatives of the well branded meat products. These companies have some marketing concepts. Riha, Sher and Steinbrau are comparatively old players on the market, and that is why they are better known than Lotos or Elite Produkt. Riha and Sher produce a big variety of meat products, including sausages, smoked sausages, boiled sausages and others.

[1] "Expanding finance in rural areas" by FAO, August 2006

Steinbrau is popular for its high quality sausages and fresh meat cuts. In addition to its meat-processing operation, the company has a brewery and a pub. The price of Steinbrau meat products is several times higher than generic products. The sausages contain only meat and spices, no fillers are added. The products are sold domestically and exported to Kazakhstan, although export problems related to transportation in and through Kazakhstan limit further growth.

Another company that produces canned meat products is SoyuzProm with a brand NaturProdukt that stands for 'natural product'. Though the product may be in fact natural, the packaging is very primitive and unattractive. Such products can compete only on price with its Russian or Kazakh rivals, because they are much cheaper.

Fruits & Vegetables Industry

As was mentioned earlier in the report, there are 30 companies and 91 individual entrepreneurs involved in fruits and vegetables processing. Among them 23 companies and 5 individual entrepreneurs are the members of Fruit and Vegetable Association. This association unites 28 companies and individual entrepreneurs, provides training and offers to sell their products under a unified name – Taste of the Sun.

Most fruits and vegetables processing companies cover only Kyrgyzstan market with a very small share of companies who actually export most of their products.

There are only 2 companies that produce potato products. One of them is fairly recognized in the country is Kirbi producing potato chips. Their packaging is attractive, quality is fairly good and their products are reasonably priced, compared to imported Lays, or Pringles. The other less known company, primarily because it exports 100% of its products to Kazakhstan and Russia is Nuristan. It produces dried vegetables including potatoes.

Sam is a local company, which was established 13 years ago, but effectively started its operation 7 years ago. Right now Sam produces mayonnaise, lemonades, pasta and ketchup. Their focus groups are middle and lower middle class, and the slogan they use in their advertisements is quite popular and makes the product recognizable among the variety of other similar local products.

Production of juices has recently improved when the Russian dairy company Wimm-Bill-Dann started to produce the well-known brand of juices J7. Wimm-Bill-Dann sells juices in the local market and also exports them to Kazakhstan, Russia and Uzbekistan. Before Wimm-Bill-Dann there were several juice products by PAKS or Crystall ING with the brand Aestas. Aestas juices have attractive packaging and use glass bottles.

Lots of companies produce marinated cucumbers and tomatoes, tomato pastes and ketchups. Among them are Ailana, Domashniy Pogrebok, Sam and others. Sam has become popular after its introduction of a series of mayonnaise products, and now produces ketchups that are affordable to middle and lower middle class consumers. Nevertheless the most attractive and quality products continue to be imported.

Another company, that is worth mentioning is Lesnoy Produkt in association with public fund Dary Lesa, which produces jams and confiture products in very attractive packaging and design, and can easily compete with Western rivals. The quality of the product is also very high.

Cereals

Though there is a comparatively huge number of cereal processing companies and individual entrepreneurs in the Kyrgyz Republic, there are 3 major producers of such products. These are Akun, Elnur, and Yashar. These 3 companies are the major suppliers of flour to biggest supermarkets and open markets. Additionally, Akun produces a variety of pasta products and competes for the niche in the market with Kazakh company – Sultan.

Bread production is also represented by many companies and individual entrepreneurs. Only in Bishkek there are 21 companies and 483 individuals who produce bread and closely related products. One of the most famous brands among the variety of companies is Elita. This company has the largest variety of bread products, including dark brown, grey, white, with nuts, cut in pieces and many more. It also has a very attractive logo and labeling.

Recently, there has been an increasing number of companies, which started to produce prepared food products like frozen ravioli or cutlets. A newly established company, with the brand name Bon Appetit has become the leading trademark and can boast with its superb quality of prepared foods. The owner of the company has bought out the used Italian equipment and now produces all kinds of frozen pastry and meat products.

Representatives from supermarkets say that 85% of all pasta products are imported from Kazakhstan and Russia. While this may be true for supermarkets, this certainly is not true for the country as a whole, since the trade statistics proves that only 30% of all pasta products are foreign.

Some of the largest confectionary producers in Kyrgyzstan are Tattuu, Kulikovskiy Tort, Torty ot Ziny. Tattuu is the major local producer of biscuits and candies. Kulikovskiy Tort and Torty ot Ziny are the major producers of cakes in Bishkek. Kulikovskiy Tort has gained a very good reputation because of the high and consistent quality standards they use in the production of their cakes. Their recent new production line of frozen French-style cakes is very popular and unique. Torty ot Ziny cakes are less expensive and cannot boast with the similar quality of the Kulikovskiy Tort cakes. Still they are very popular.

Nevertheless, most cakes in the Kyrgyz Republic are still produced by private entrepreneurs and do not have any marketing strategy or brands.

Food processing equipment

There is demand for various types of food-processing equipment such as production lines for juice, ketchup, dried vegetables and fruits, potato chips, pasta products and packaging lines. Kyrgyz companies have limited financial resources and, therefore, prefer to purchase semi- and non-automated equipment. Refurbished used equipment is popular for the same reason. Potential clients are food businesses with plans to produce new products or upgrade current product line in terms of packaging and/or quality.

Most of the small food processing companies in Kyrgyzstan use equipment which is either locally-made, or brought from China. Such equipment is much cheaper than high-quality expensive western equipment. Nevertheless, the largest and most successful companies use equipment from Italy, Germany, Austria and other European countries. Medium-size companies tend to buy Russian food processing equipment.

For example, Sam, the producer of soft beverages and mayonnaise, uses equipment brought from Russia. They assemble imported parts here in Kyrgyzstan and sell them to local food-processing companies. Other companies such as Sher, one of the biggest producers of sausages, uses new Austrian equipment. Steinbrau, a German meat processing company, has bought new German equipment for its production line.

There are representatives of different food processing equipment companies from all over the world. Those include representative from China, Germany, USA, Russia and some other companies.

OPPORTUNITIES FOR U.S. COMPANIES

In general, the food processing industry of the Kyrgyz Republic is not very well developed. All sectors mentioned earlier in this report can be developed further because the overall exports are very low, local products are not competitive with their country neighbors in many cases. Local companies lack good management skills, do not have modern equipment and many of them use their production capacities at only 20-30%.

Opportunities in Dairy Industry

Considering that Kyrgyzstan produces over 1 million tons of milk per year and processes only around 2.5% of it, there are opportunities to invest and expand dairy production in the Kyrgyz Republic. The cost of raw milk is lower in Kyrgyzstan than in Kazakhstan. Therefore, potential investors should consider at least partial ownership of farms in order to produce their own milk and decrease production costs. This will also secure consistent supply of raw milk. Milk yields can also be substantially increased from the current 2-4 liters per day to 15 liters per day. Given such conditions, milk processing can be aimed toward exporting to Kazakhstan or Russia along with the supply to the local market.

Opportunities in Meat Industry

1. Because Kyrgyzstan imports almost no meat, it would be useful for potential U.S. investors to investigate the market of Kazakhstan and if there is a demand for meat products there, it is possible to establish a meat factory, which would supply meat products not only to the local market, but to Kazakhstan as well.
2. The increasing demand for American chicken wings creates an opportunity for potential U.S. exporters of poultry products.

Opportunities in Fruits & Vegetables processing industry

Just like in the dairy industry, F&V processing amounts to a little over 2% of the total production of fresh fruits and vegetables. Considering that local products are not very attractive in design and packaging, and are low in quality, potential US investors maybe interested in establishing a factory that would produce products similar to the Western competitors. Possible products include marinated products, canned vegetables and fruits.

Opportunities in Cereals industry

1. There are some opportunities in growing and processing sweet corn, because right now there is no production of sweet corn in Kyrgyzstan. This crop can also be used as a strategic feed product for cows to increase milk yields. Right now only fodder corn is used in feeding livestock.
2. Another opportunity maybe in establishing a bread factory in the South of the Kyrgyz Republic, in order to provide better quality bread to the population.

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