



# CREATION OF PEDIGREE COMPLEX WITH PRODUCTION OF EFFICIENT YOUNG GROWTH PIGS

PROJECTS INITIATED BY BUSINESS





- ❑ Limited Liability Company Demis-Agro.
- ❑ Main branch of the company – Agriculture (pigs breeding).
- ❑ Main product of the Company is commercial pork (live weight)
- ❑ Company structure:
  - Pidhorodne: capacity – 40 000 of young pigs per year;
  - Liubymivka: capacity – 36 000 of commercial pigs per year;
  - Chapli: at present time on the stage of reconstruction. Capacity:
    - 14 000 sows F1;
    - 47 000 heads for fattening.
- ❑ The Demis-Agro company was established in October, 2006 as Ukrainian innovation project in agriculture based on introduction of the best world's pig breeding experience.
- ❑ At present time, the Company unites three specialized pig breeding complexes, united under common production cycle.
- ❑ LLC Demis-Agro petains to 20 first companies in the rating of TOP-30 pig breeding companies in Ukraine, and five largest ones in the Dnipropetrovsk region.
- ❑ The company takes the first place according to the growth rates in the Dnipropetrovsk region.
- ❑ Together with Agro-Soiuz it takes the leading place according to the level of production organization, products' quality and control over expenses and profitability of business model in the region.
- ❑ Number of employees – 105 persons.
- ❑ Director – Artur Loza, candidate of agricultural sciences. He studied experience of pig breeding in Sweden, Hungary, Finland, Germany, Denmark, USA, Canada, Australia, Poland, Italy.
- ❑ Strategic direction of the company is the investment strategy directed on the expansion of production capacities, vertical and horizontal growth.
- ❑ Competitive strategy is directed on use of intensive breeding technologies which allow to preserve high parameters of quality simultaneously with Company's expenses minimization and livestock growth.
- ❑ Bank details: OKPO code 34622143
- ❑ Legal address: 52001, Dnipropetrovsk Region, Dnipropetrovskyi District, Pidhorodne city, 127 Ulianova Str.



## About project

- ☐ Creation of pedigree complex for production of high productive pedigree young pigs: stable production of two-breed pigs F1 and their further use at cash farms; fattening of young pigs.
- ☐ Business plan is available.
- ☐ Project is valued at: 135 million UAH.
- ☐ Advantages: use of the best hybrid combinations of pig breeds; observation of Animal Welfare; automation of production process.
- ☐ Sale markets: Ukraine, Russian Federation (consultations of contractors, negotiations).
- ☐ Project readiness: status – conceptual project; project stage – pre-project preparation.
- ☐ Reaching of full production capacity in 2 years after launch.
- ☐ Company's resources for the project implementation: own specialists and ground for reconstruction.

## Project's efficiency parameters

Parameters	Units	Value
<b>Discounted Payback Period (DPP)</b>	<b>Months</b>	<b>61,59</b>
<b>Net Present Value (NPV)</b>	<b>€ thousand</b>	<b>7 634,67</b>
<b>Internal Rate of Return (IRR)</b>	<b>%</b>	<b>30,02%</b>
<b>Profitability Index (PI)</b>		<b>0,65</b>
<b>Budget, inc.</b>	<b>€ thousand</b>	<b>13 414,50</b>
<b>own funds</b>	<b>€ thousand</b>	<b>0,00</b>
<b>borrowed funds</b>	<b>€ thousand</b>	<b>13 414,50</b>

## Opportunities of co-operation

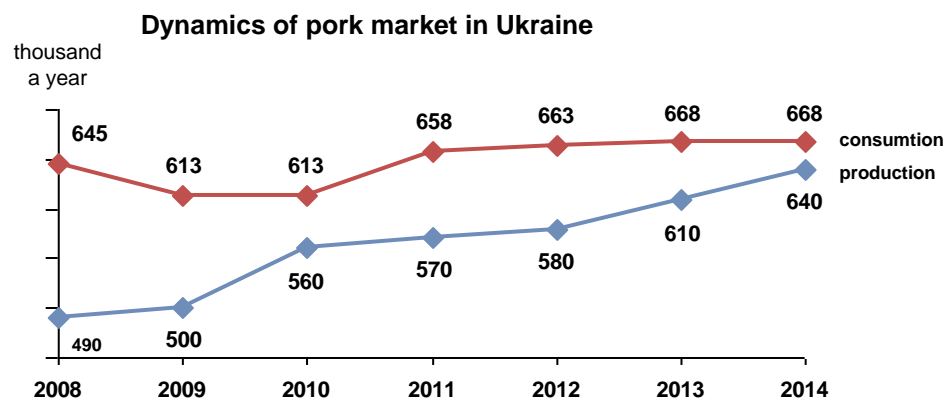
- ☐ Credit
- ☐ Joint investing





## Description of existing situation

- On Ukrainian market demand for high quality pork continues to grow, total level of consumption has 2 time growth potential (up to 25 kg per person/ per year).



## Offered solution

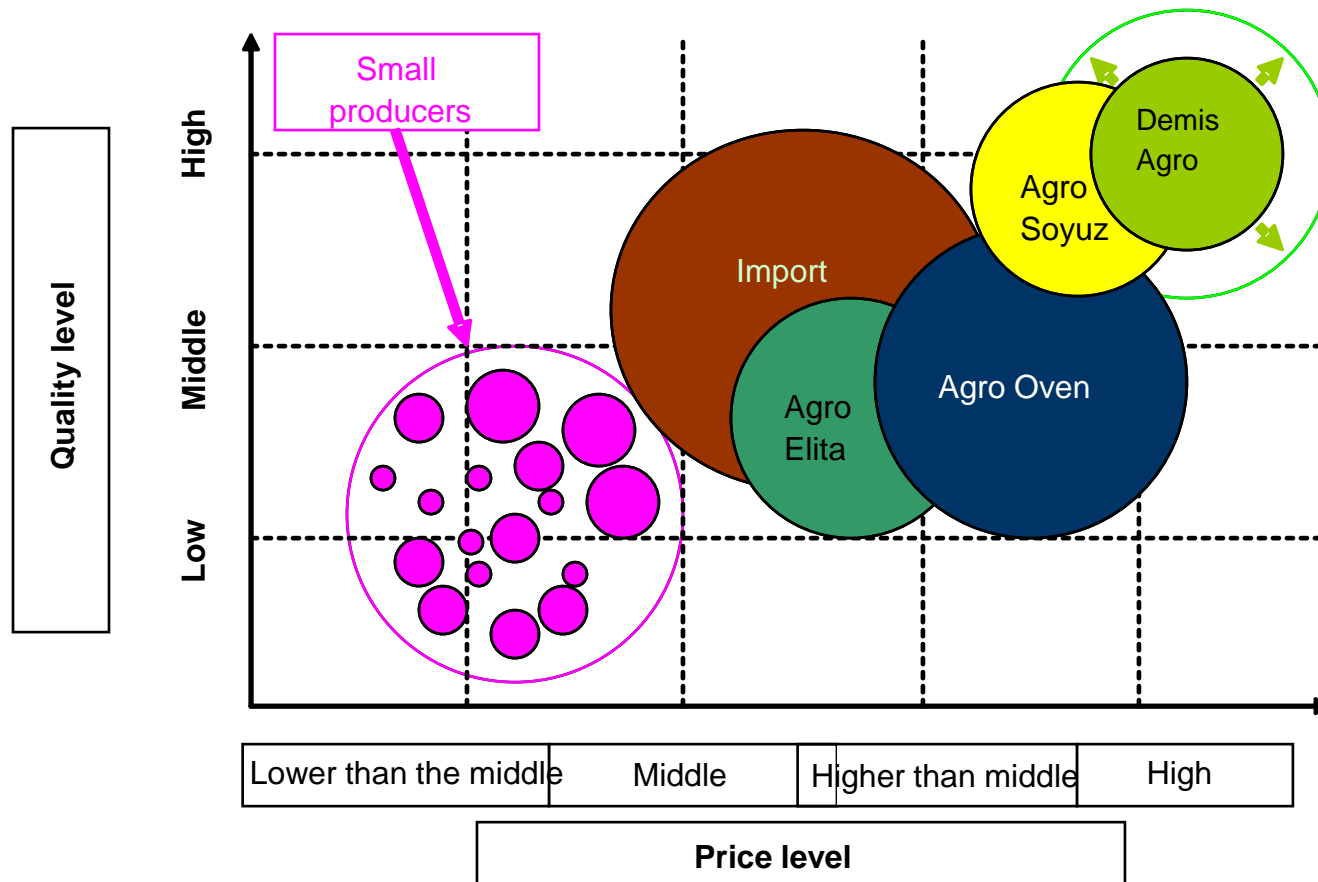
- The topicality of this project is conditioned with the fact that the period of decline in selection work in 1990's resulted in loss of gene pool of domestic pedigree head of livestock. At the present time, pedigree work in Ukraine is carried out unsystematically and spontaneously. Herewith, in recent years growth of commercial pork production is observed. As a result, the commodity enterprises experience an acute deficit of pedigree animals.

## Product/service description

- Implementation of this project will allow:
  - to create pedigree complex for production of pedigree young pigs;
  - to provide the market with Ukrainian pork of high quality;
  - to minimize overhead expenses per product unit and to take competitive place on the market;
  - to achieve the standard of lean meat;
  - to improve the fodder conversion;
  - to introduce the best world's technologies, certification, personnel training.

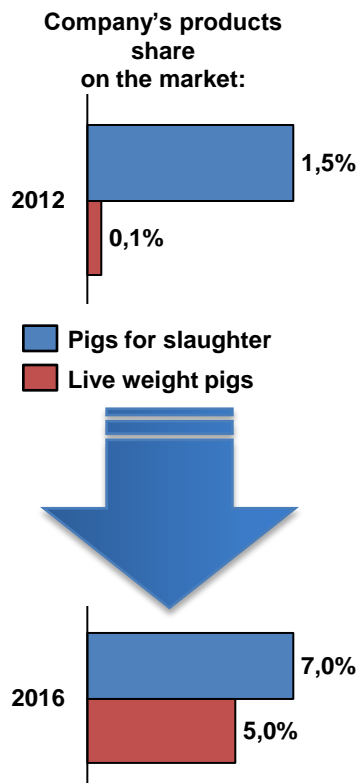
Criteria	Acc. to our project	Ukrainian pedigree farms	Foreign genetic companies	Genetic Startup-companies
Level of reproductive qualities	High	Middle	High	High
Level of fattening qualities	High	Middle	High	High
Quality of carcasses (output)	High	Middle	High	High
Health status	High	Low	High	High
Price	Middle	Low	High	Middle

# Segmentation of commercial pork producers according to Price and Quality parameters





## Outlets



## Consumers

List of companies	Brief characteristic	Marketing strategy
Agro-Soyuz, Private JSC	1 250 sows, necessity in replacement per year – 450 heads of F1 pigs	Completely meet the needs of the Company
Sigma, Ltd	1 500 sows, necessity in replacement per year – 500 heads of F1 pigs	Completely meet the needs of the Company
Agrofirm Dzerzhynets', LLC	3 671 sows, necessity in replacement per year – 1 250 heads of F1 pigs	Completely meet the needs of the Company
Agro-Oven, LLC	4 000 sows, necessity in replacement per year – 1 350 heads of F1 pigs	Completely meet the needs of the Company
Other farms of the region	40 000 sows, necessity in replacement per year – 14 000 heads of F1 pigs	Completely meet the needs of this group

in Ukraine availability of sows head of livestock is of 320 thousand heads, necessity in replacement of sows with F1 pigs is 106 thousand heads per year.



## Project in the added value chain



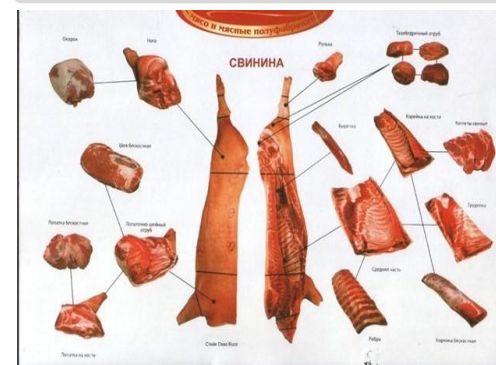
Import GP-pigs



Breeding



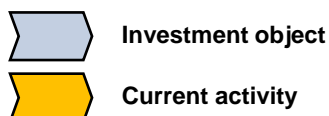
Feeding and interbreeding



- ☐ Reconstruction of the complex was carried out
- ☐ Pedigree pigs are already imported

- ☐ Pigs sale for reproducers
- ☐ Sale of sperm products
- ☐ Sale of commercial pigs
- ☐ Young pigs for fattening

- ☐ 14 thousand F1 pigs and 47 thousand heads for fattening





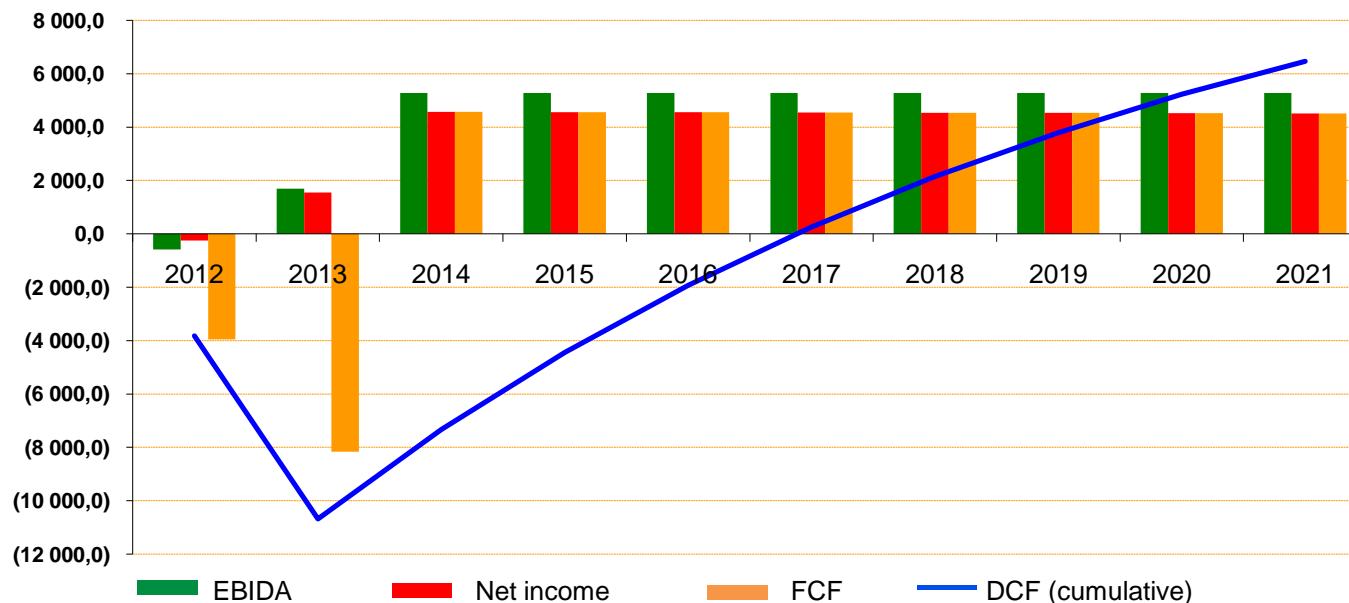


Parameters	Unit	Quarter 0	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Total
Budget of the project, inc.	€ thousand	1 000	2712,6	2313,8	2093,8	5274,6	19,6	13 414,5
own funds	€ thousand	0	0	0	0	0	0	0
loan funds	€ thousand	1 000	2712,6	2313,8	2093,8	5274,6	19,6	13 414,5

## Implementation steps of the project

Step	Month															€ thousand
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Purchase of Chapli complex		■														1 000,0
Design works			■													194,5
Construction works In order to reconstruct			■	■	■	■	■	■	■	■	■	■	■	■	■	2 978,8
Equipment					■	■		■	■	■		■		■		5 827,4
Pedigree animals, delivery and duty				■						■	■		■			3 163,9
Equipment installation								■	■	■	■	■	■	■		250,0

# Key parameters of the project

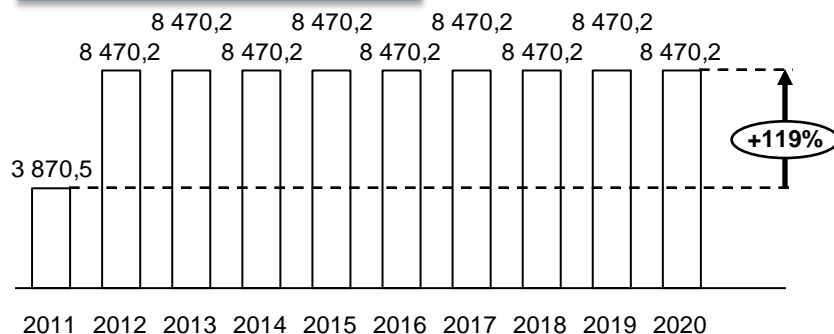


Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EBITDA , € thousand	-588,48	1 695,76	5 282,00	5 282,00	5 282,00	5 282,00	5 282,00	5 282,00	5 282,00	5 282,00
Net income, € thousand	-246,95	1 544,32	4 570,96	4 561,67	4 552,85	4 544,52	4 536,68	4 529,33	4 522,45	4 516,04
FCF , \$ thousand	-3 959,60	-8 157,53	4 570,96	4 561,67	4 552,85	4 544,52	4 536,68	4 529,33	4 522,45	4 516,04
FCF (cumulative), € thousand	-3 823,64	-10 673,57	-7 335,95	-4 439,57	-1 925,85	256,00	2 149,98	3 794,26	5 221,89	6 461,55

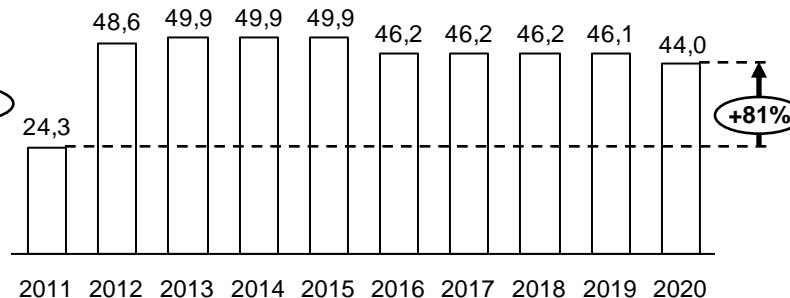
Parameters	MU	Value
Discount Rate	%	15,00
Payback period, PP	years	5,13
Net Present Value, NPV	€ thousand	7 634,67
Internal Rate of Return, IRR	%	0,30



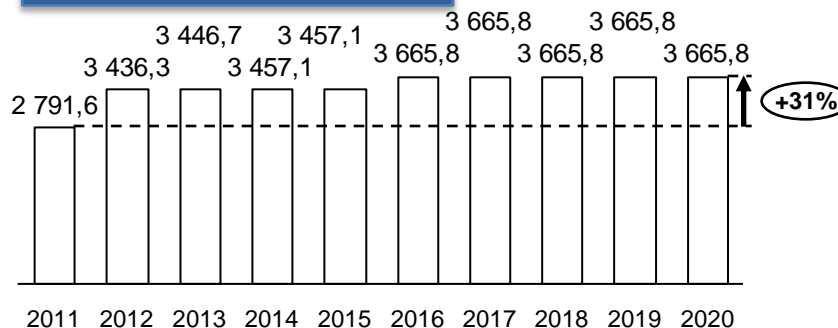
## GROSS INCOME, THOUSAND €



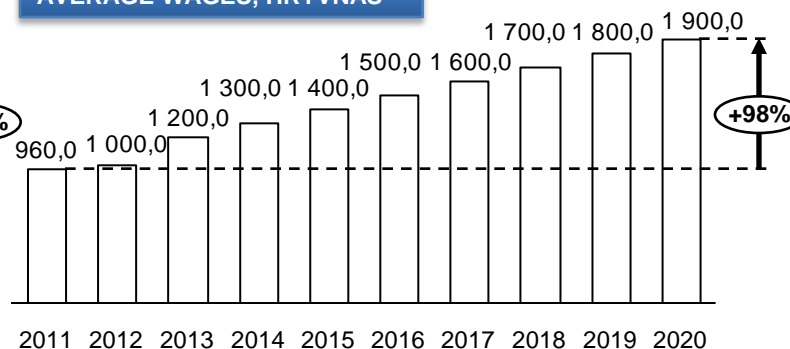
## SALES PROFITABILITY, %



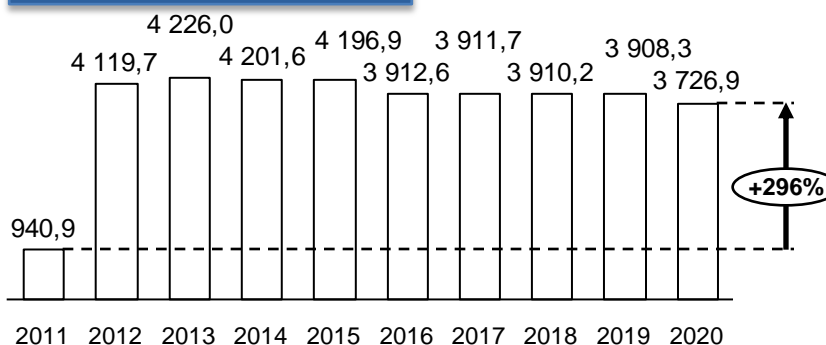
## GROSS EXPENSES, THOUSAND €



## AVERAGE WAGES, HRYVNAS



## INCOME, THOUSAND €





## INVESTOR

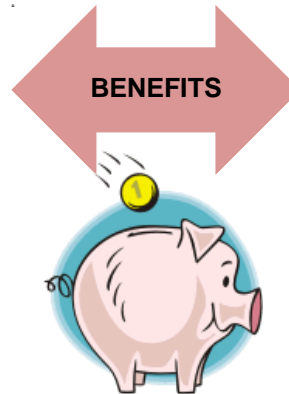
- ☐ Business analysis and risks assessment.
- ☐ Expert knowledge and technologies
- ☐ Investments into production.
- ☐ Competence in business management of this branch



## PROJECT ORIGINATOR

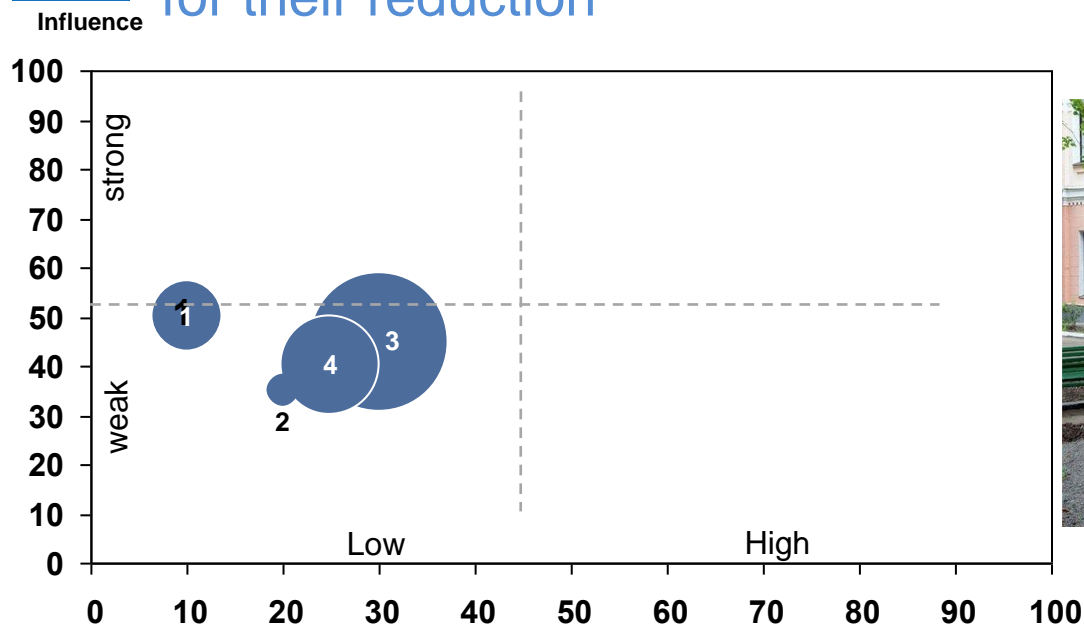
- ☐ Providing investor with all necessary information for optimal decision making.

- ☐ Profit from successfully functioning business.
- ☐ Formation of strong company positioning for further business expansion in Ukraine.
- ☐ Creation of advanced experience and company's image improvement.
- ☐ Reputation of socially responsible company.



- ☐ The "Demis-Agro" company has a unique set of competitive advantages and two-three year time reserve at present time that will allow it within this period to increase its production and to achieve its strategic goals – to become vertically integrated agro industrial holding, pertaining to three leaders of Dnipropetrovsk Region and ten ones in Ukraine.

# Annex 1. Analysis of project risks and measures for their reduction



No.	Risk description	Probability/ Influence, %	Risk characteristic	Risk reduction measures
1	Increase of investments	10 / 50	It will result in increase of project payback periods <b>Reason:</b> incorrect project planning	To ensure the planning management and of all parts and elements of the project as well
2	Reduction of demand	20 / 35	It will result in increase of project payback periods <b>Reason:</b> reduction of incomes	Foresee an opportunity to increase the project products share for which there is stable demand
3	Reduction of selling price	30 / 45	It will result in increase of project payback periods <b>Reason:</b> reduction of incomes	Provide an opportunity to increase products share for which there is stable demand. Take steps to the reduction of risk-product cost price.
4	Increase of current expenses	25 / 40	It will result in increase of project payback periods <b>Reason:</b> incorrect planning of operational activity	View project plan. Take steps to form creditor debts to the required sums. Develop a schedule of repayment



## Annex 2. Private crop sector development as the way to reduce risks



Intertillage sowing machine UPS 8, 3 pcs	191 250,00
Wide-cut cultivator	500 000,00
Drawn sprayer	100 000,00
Mounted sprayer	60 000,00
Harrow ZPG 25	60 000,00
Tractor MTZ 82, 3 pcs	945 000,00
Tractor MTZ 80, 3 pcs	480 000,00
Disk harrow BDT – 10	200 000,00
Baler	167 000,00
Fertilizers spreader, 2 pcs	24 000,00
Truck KAMAZ with trailer, 4 pcs	1 920 000,00
Grain packing machine ZPM-180	150 000,00
Other	50 000,00
<b>Total, UAH</b>	<b>7 947 250,00</b>
<b>Total, UAH/1 ha</b>	<b>1 986,81</b>

Direct production expenses, UAH/ha	<b>3 404,00</b>
Total production expenses, UAH/ha	<b>1 098,00</b>

- ❑ The main component of products cost price (up to 70 %) is fodders mostly based on grain group. Production of grain crops within Agroholding allows to surely manage the raw materials deliveries and production of mixed fodders with necessary formulations.
- ❑ The following issues and problems are being solved, that in fact ensure the stability of complex operation:
  1. Management of stock volumes
  2. Opportunity to plan payments
  3. Management of raw materials quality
  4. Opportunity of delivery planning
  5. Management of starting price
- ❑ In the table there are give investments for grain production arrangement on of 4 000 ha area that is sufficient for beginning of stable production at the complex–reproducer.

## Annex 3. Plan of production activity



thousand €

Consumers	2013	2014	2013
<b>EXISTING CONSUMERS</b>			
LLC MK Rial	507	772	782
LLC Maliuk	539	820	851
PE MF Jazz	380	579	581
LLC Eastern Ukrainian Agrarian Company	317	482	532
LLC Meat Producing Enterprise Yuvileinyi	380	539	584
Other	1045	1591	1483
<b>INVOLVEMENT OF NEW CUSTOMERS IN THE REGION</b>			
Private JSC Agro-Soiuz	67	211	221
Ltd Sigma	71	225	275
LLC Agrofirma Dzerzhynets	178	564	624
PJSC Kalyta	279	881	1010
LLC Globynskyi Pig Breeding Complex	201	634	652
PAE Agroprodservice	156	493	510
Other	1278	4036	3752



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