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First Joint Subcommittee Meeting
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# Modern Agriculture Market Infrastructure (MAMI) Development under PPP Framework

Environment, Natural Resources and Agriculture/CWRD

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## Almaty – Bishkek: Case for agribusiness integration?

- Almaty's as a regional gateway/distribution center for goods
- Accession of KGZ to the Eurasian Economic Union
- Links between firms in Bishkek and Almaty
- CAREC  3 Corridor- transport infrastructure
- Complementarity in resources and agricultural products

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# Strengths and Challenges

| | Kyrgyzstan | Kazakhstan |
|---|---|---|
| **Strengths** | • Small competitive enterprises<br>• Small farms<br>• Traditionally rearing livestock for dairy production<br>• Access to middle eastern heavy meat consumption markets | • Relatively larger enterprises<br>• Mix of large, medium and small farms<br>• Established strengths in grain production<br>• direct access to the rest of Central Asia, China |
| **Common Challenges** | • Low utilization of food processing capacity<br>• Inconsistent compliance with food safety<br>• Inability to export higher value forms of produce<br>• Policies limiting land consolidation and transactions | |

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# Trade in the Corridor

**2016 Trade KYR to KAZ**

| Agricultural products | Kyrgyzstan Total exports | Kazakhstan imports from Kyrgyzstan |
|---|---|---|
| Vegetables, t | | |
| Potato | 6 367 | 4 877 |
| Cabbage | 2 552 | 2 118 |
| Tomato | 259 | 224 |
| Carrot | 3 844 | 2 113 |
| Onion + garlic | 6 202 | 937 |
| Fruits, t | | |
| Apple | 2 277 | 1 771 |
| Apricot | 2 137 | 517 |
| Berries, t | | |
| All berries | 1 123 | 538 |
| Livestock products, thousand USD | | |
| Fresh milk | 3 490 | 3 490 |
| Meat (at slaughter weight) | 1 659 | 981 |
| Eggs, pieces | 16 | 0 |
| Fish | 124 | 1 |

Source: ITC, 2017. Export from Kyrgyzstan by products and countries

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# Potential to MAMI  and Agro-processing

| Vegetables ('000 t) | Production | | Export | | Import | |
|---|---|---|---|---|---|---|
| | KAZ 2016 | KYR 2016 | KAZ 2016 | KYR 2015 | KAZ 2016 | KYR 2015 |
| Onion | 757 | 183.4 | 43.5 | 3.6 | 127 | na |
| Tomato | 706 | 231.1 | 2.8 | 0.3 | 53.9 | na |
| Carrots | 554 | 179.7 | 0.6 | 12.8 | 11.2 | na |
| Cabbage | 548 | 142.8 | 3.8 | 0.006 | 33.4 | na |
| Cucumber | 404 | na | 2.4 | na | 8.2 | na |
| Potato | na | 1378 | na | 31 | na | |
| Fruits ('000 t) | | | | | | |
| Apple | 188 | 127.6 | 0.4 | 6.3 | 99 | na |
| Apricot | 19 | 60.6 | 4.2 | 1.1 | 32.4 | na |
| Meat ('000 t carcass weight) | | | | | | |
| Beef | 431 | 96.9 | 1.6 | 1 | 9.5 | na |
| Poultry | 153 | 0.007 | 8.8 | 0 | 165.2 | na |
| Milk ('000 t) | | | | | | |
| Cow milk | 5 300 | 1481 | 12 | 8.6 | 34.9 | na |

Source. Committee on Statistics, Kazakhstan; National Statistics Committee, Kytgyzstan;; UN Comtrade Database

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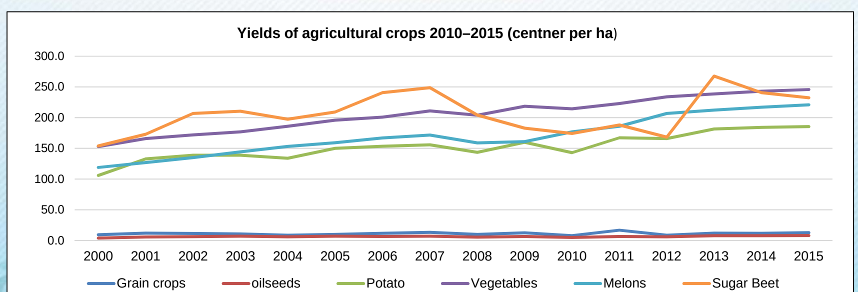
# Agricultural production potential-KAZ




Source: Committee on Statistics. *Productivity of Agricultural Crops 1990–2015*.

Postharvest handling and storage losses in 2013, %

| Product | Share |
|---|---|
| Potatoes | 10-30% |
| Milk (cow milk) | 5-10% |
| Meat (beef) | 3-5% |

Source: FAO. 2014. Country Report. Food Losses and Waste in Kazakhstan

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## Inefficiencies and Market Failures

- Current facilities are inadequate for growing domestic and export market
- Private sectors have not invested adequately in modernizing markets
- Lack of linkages between primary storages to wholesale markets
- Primary producers are dependent on buyers and intermediaries to reach out to farms;
- Farmers are not organized in groups or cooperatives to store and market to take advantage of higher off-season prices
- Agro-processing capacity remains under-utilized

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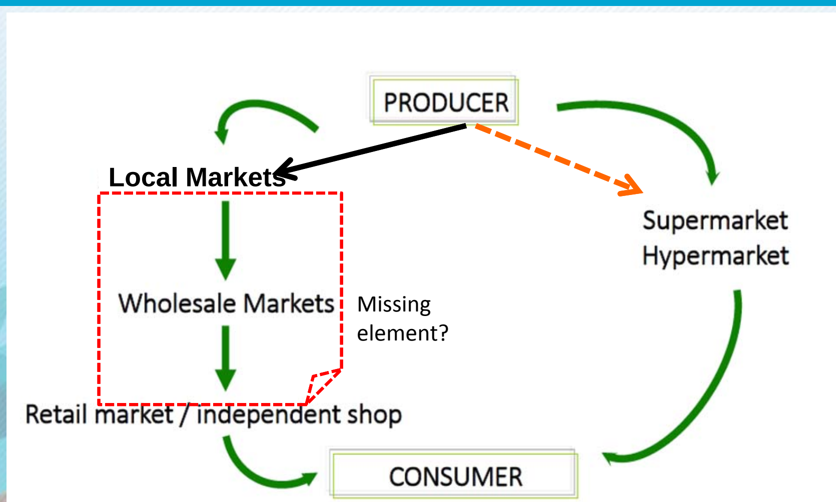
## Getting products to consumer

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Current market looks like this


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It could look different
Fruits & vegetables
Fish wholesale
Wholesale meat section
mercazaragoza

## Examples of modern agriculture market infrastructure

| France, Rongis Paris | Spain, Mercasa (network) | Germany, Frankfurt a.M. |
| --- | --- | --- |
| • 9 billion Euros turnover<br>• 234 ha, located 7km from Paris<br>• 1200 companies<br>• 18 million consumers | • 12 million Euros turnover<br>• Network hub: 3240 companies (volume 5.1 million tons)<br>o 23 fruit & vegetable wholesale markets<br>o 17 fish wholesale markets<br>o 3 flower wholesale markets | • 440,000 tons turnover per year<br>• 110 wholesale traders and importers<br>• 3,000 customers (retail)<br>• Own recycling system<br>• PPP management<br>• WTO Food and hygiene certified |

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## The Way Forward

- MAMI is a classic public goods model
- Governments must lead with a master plan and investments under a PPP framework
- ADB project concept proposal
  - wholesale market in Almaty, Bishkek, Southern KAZ (Taraz or Shymkent)
  - managed under a PPP management framework
  - linked to primary storages / collection points, wholesale markets, processors, packaging, logistics & value addition.

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## The Proposed Project

| | |
|---|---|
| **Impact** | **Improved contribution of horticulture, beef and dairy sectors to inclusive economic growth in KAZ and KGZ** |
| Outcome | Increase in trade in horticultural, beef and dairy products along the Almaty-Bishkek Economic Corridor |
| Outputs | 1. Modernized and climate resilient wholesale market facilities linked to network of primary storage facilities established<br>2. Capacity to manage market infrastructure |

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## Indicative Financing Plan

| Source | Amount ($ million) | Share of Total (%) | Kazakhstan | Kyrgyzstan |
|---|---|---|---|---|
| Asian Development Bank | | | | |
| Ordinary capital resources (concessional loan) | 150.0 | 71.4 | 100.0 | 50.0 |
| Government[a] | 60.0 | 28.6 | 40.0 | 20.0 |
| **Total** | **210.0** | **100.0** | **140.0** | **70.0** |

a The government's contribution is through exemptions of taxes and duties for imported goods, works, and services. The amount is an initial estimate. The final contribution will be calculated and discussed with the government during the technical assistance for project preparation.
Source: Asian Development Bank.

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# Proposed Processing Schedule

| Milestones | Expected Completion Date |
|---|---|
| Concept paper and TA grant approval | Oct 2017 |
| TA consultant mobilization | Jan 2018 |
| Loan fact-finding mission | May 2018 |
| Staff review meeting | Jun 2018 |
| Loan negotiations | Jul 2018 |
| Board consideration | Aug 2018 |
| Signing of loan agreement | Aug 2018 |
| Loan effectiveness | Sep 2018 |

Source: Asian Development Bank

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