REPORT ON INDIA SHOW AT ALMATY IN KAZAKASTAN

FROM 19TH TO 21ST MAY 2009

ECONOMY

The economy of Kazakhstan has grown at an average of 10% from 2001 to 2007. Estimate per capita GDP in 2008 is around USD 8400. Within a short span of 10 years, Astana the Capital city has emerged as a beautiful, modern metropolis with excellent infrastructure. Kazakhstan has taken strong and effective measures to deal with the global financial and economic melt-down which confronted it before most other countries in August 2007. Its GDP growth fell from the expected 10% plus to 8.5% for 2007. For 2008, the rate of growth is likely to be around 4%.

Economic and commercial relations between India and Kazakhstan are dynamic vibrant and expanding. It may, however, be added that our interaction does not fully reflect the existing potential and is not commensurate with the strong and close relations and understanding between our two countries. Bilateral trade between India and Kazakhstan increased from USD 120 million in 2005 to USD 210 million in 2006, an increase of about 75%. The first ten months of 2008 have seen our bilateral trade soar to USD 308 million as compared to USD 156 million in the corresponding period in 2007, representing an increased of around 98%. Exports by Kazakhstan to India increased by 304% during this period while exports from India to Kazakhstan registered a growth of 34%.

INDIAN DOMINANCE

Several Indians and Indian companies have significant presence in Kazakistan. Arcelor Mittal Temirtau is a major investment by a non-resident Indian, the headquarters of which are located in Luxembourg. Several other well known companies like M/s Punj Lloyd Kazakistan Limited, KEC International Limited, TCS etc. have been active in this market in the area of construction of Oil and Gas pipelines, electric transmission lines and IT. The growing presence of

Indians in the region is creating demand for Indian food products also. The direct flight connectivity with Almaty is advantageous to deliver highly perishable produce by air.

CONSUMER BEHAVIOUR

Kazakhstani consumer markets are changing fast, with rapid growth in disposable income, development of modern urban lifestyles, and emergence of the kind of trend-conscious consumers that have not been experienced in Kazakhstan in the past. " Kazakhs are traveling abroad a lot more and they bring back new attitudes and preferences."

Second-hand products market did not gain popularity among Kazakhstani consumers. First second-hand stores opened in early 90s and they were popular among rural population but in early 2000s those shops started disappearing.

Along with the growth of competition and the qualitative change of consumer behavior the significant growth of social awareness of consumer rights is notable. Several dedicated NGOs representing consumers were established during these years. One of the most active and well known is the National Consumer League.

Another significant change in the industry was the fact that in major cities people prefer shopping in specialized shopping centers instead of going to street markets (bazaars), a trend apparent a decade ago. However, prices for recognized brands are much higher comparative to the ones from US due to the lack of competition.

Awareness of well-known brand names is another significant step in the development of the consumer goods industry. Well-known brands are becoming more and more popular among the young generation.

DISTRIBUTION CHANNELS

Export of Food and Beverages is an opportunity for exporters. The main growth opportunity in the segment is in processed and preserved foods. Rapid growth in the processed food segment is already apparent, changing lifestyles and food habits are resulting in the rapid expansion of branded food outlet and café chains. Variety of products that can be seen at regular supermarkets are still underrepresented compared to the variety in Russian supermarkets, more specifically in the stores of Moscow. The retail market in the country is growing rapidly. Local chains like Ramstore, Gross, Pyatorochka, Astykzhan, Smile are increasing their share year by year.

Distribution continues to improve, but it still remains a major inefficiency. Quality of infrastructure, coupled with the quality of the distribution sector result in high costs of logistics as a share of GDP. In addition, the inventories have to be maintained at an unusually high level. The estimated cost of shipment of a container from India to Kazakistan is around 5500 US$. The duties on an average are around 20% on most of the products. The quarantine is very strict, hence it is better to import in the country through a local agency.

RETAIL

Kazakhstan's retail market is one of the most rapidly developing sectors of the country's economy. Local chains currently dominate, but the outlook is changing with the entry of global retail companies. Local chains like Ramstore, Gross, Pyatorochka, Astykzhan, Smile are increasing their share year by year.

MARKET OPPORTUNITIES

Kazakhstani retail market is rapidly developing, however the lack of well –known brands creates significant demand for them. Most of textile products are imported to Kazakhstan from Turkey and China and those are unknown brands. Well-known western brands are considered luxury products.

Quality surplus merchandise (overstock, shelf pulls, floor stock, liquidated and discontinued products and store returns)

Food and beverages are also an opportunity for exporters. Variety of products that can be seen at regular supermarkets are still underrepresented compared to the variety in Russian supermarkets, more specifically in the stores in Moscow.

INDIAN PRESENCE IN FOOD SECTOR

Keeping all this in view an exclusive Exhibition of Indian products was organized. The Indian Industry participated whole-heartedly and enact the opportunities to avoid the market slip away to our competitor countries. The export of agri food products from India was worth Rs. 6 crores during 2007-08 having growth rate of 300% over preceding year. The products like Rice, Honey, Gherkins, Pickles (light), preserved vegetables, Indian curries and snack foods have export potential. Many enquiries generated during exhibition for Rice, Honey and snack foods. Two exporters (M/s Kiwi Foods and M/s Kashmir Apiaries Pvt Ltd.) of Confectionary and Honey respectively participated in the exhibition with APEDA.

During the Exhibition qualitative industry specific meetings were organized by ITPO to create a platform for the Indian and Kazakistan business, besides respective Government and Public Sector agencies from both sides participated and discussed various issues of mutual interest.

Food and beverage offer the greatest organized retail growth opportunities. The main growth opportunity in the segment is in processed foods. Rapid growth in the processed foods segment is already apparent, changing lifestyles and food habits are resulting in the rapid expansion of branded food outlet and café chains.

With Market surveys and interaction with food industry and logistic chains, it was observed that there is potential for products like Rice (Small like Taiwan rice but cheap), Wines, Basmati Rice, Honey, Snack foods, preserved foods like Gherkins etc.. Kazakistan is major producer of Natural Honey, however they lack the processing facilities. M/s Kashmir Apiaries is exploring setting up a processing unit in Kazakistan. "Taj Mahal" basmati rice from Pakistan is dominating the market. Consistent and reliable supply of Indian Basmati Rice is

not available in Kazakistan. The products like Gherkins, Biscuits and preserved vegetables have good scope.

The Taj Mahal Basmati Rice is selling at Tenge 620 per kg. And the best basmati Rice is selling even at Tenge 1500 per kg. It was noted that appearance of new product lines has led Kazakhstani consumers to bring a qualitative change in consumer lifestyle, making Kazakh consumers similar to consumers in Western countries. The market has dramatically changed from a Soviet production-oriented market to a modern consumer driven market. Currently almost all consumer goods product lines are extensively available with real competition across all product categories.

INDIA SHOW

The India show was organized by ITPO in Atakent Center, Almaty, Kazakistan. APEDA has taken 48 Sq. Mtr of space in the exhibition and displayed the products like Rice, Honey, Wine, Indian Snack foods, Biscuits, Confectionary, Pickles, Jams, Chutneys, Herbal Tea etc. Enquiries generated during the exhitibion as listed out in Annexure I. The sampling was carious out of these products

Sh. Ashok Sajjanhar, Hon'ble Ambassador of India visited the stall the praised the presence of APEDA for food products. In his comments as noted in visitors book, he mentioned that

"I am delighted to visit the APEDA pavilion in the India Expo 2009. APEDA has immense scope for expanding its operations in Kazakistan. Rice, Mangoes, Wine, Pickled vegetables etc. have rich potential for export to Kazakistan. I would strongly recommend that APEDA look seriously at this market. The Embassy would be happy to extend all possible help. I wish you all success in kazakistan." – A Sajjanhar, Ambassador of India - 22.5.09.

ITPO also organized cultural programs and Fashion Show during exhibition period. Indian wine sponsored by APEDA was served during Fashion Show to limited delegates.

RECOMMENDATIONS

1. As suggested by Ambassador of India, APEDA needs to maintain continuous participation in country exhibitions to create market for Indian Products.
2. A business delegation is organized by APEDA to eliminate doubts and remove apprehensions of Indian exporters about the country and its stability and to improve bilateral trade.

LIST OF ENQUIRIES GENERATED DURING EXHIBITION – INDIA SHOW

1. Mr. Yuliya Rasuleva M/s. Omega Impex LLP Tel: 77012626649, 77012233507 Email : yulia.pakhomova@gmail.com	Fresh vegetables & Fruits
2. Endavletova Nazgul Email: nazgul@multibrand-pro.kz	All Products
3. M/s. NS Trade Company Tel: 7277 3334463 Email: neorica@bk.ru	Rice, Herbal Tea
4. IDD Kemengerlyk Tel: 7701-735-34-387	Honey
5. Kawat yegeubay 7701-999-50-35 Email:kanat-y@mail.mu Tel: 7701-999-50-35	Bikano (serious enquiry) -less spicey like Kashmiri Lachha, Patisa
6. Ali Okhmarov Mobile-8701-1232929	Sela Rice
7. Resmi Group Madan Chopra Tel: 87017498865	FMCG Products / Rice
8. Mr. Anindya Dugar Director M/s. Sunil Trading Company 103 Furmanov Str., Office 405, Almaty, Kazakhstan Telefax: +7 (727) 261 14 48 Mob: 7701 710 42 34 E-mail: maharaja.kz@gmail.com	Gherkins/Rice (Sela)
9. M/s. W. Ikhlas.sahojayoga +7777 274 52 40 + 7777 257 33 54	Herbal Tea

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