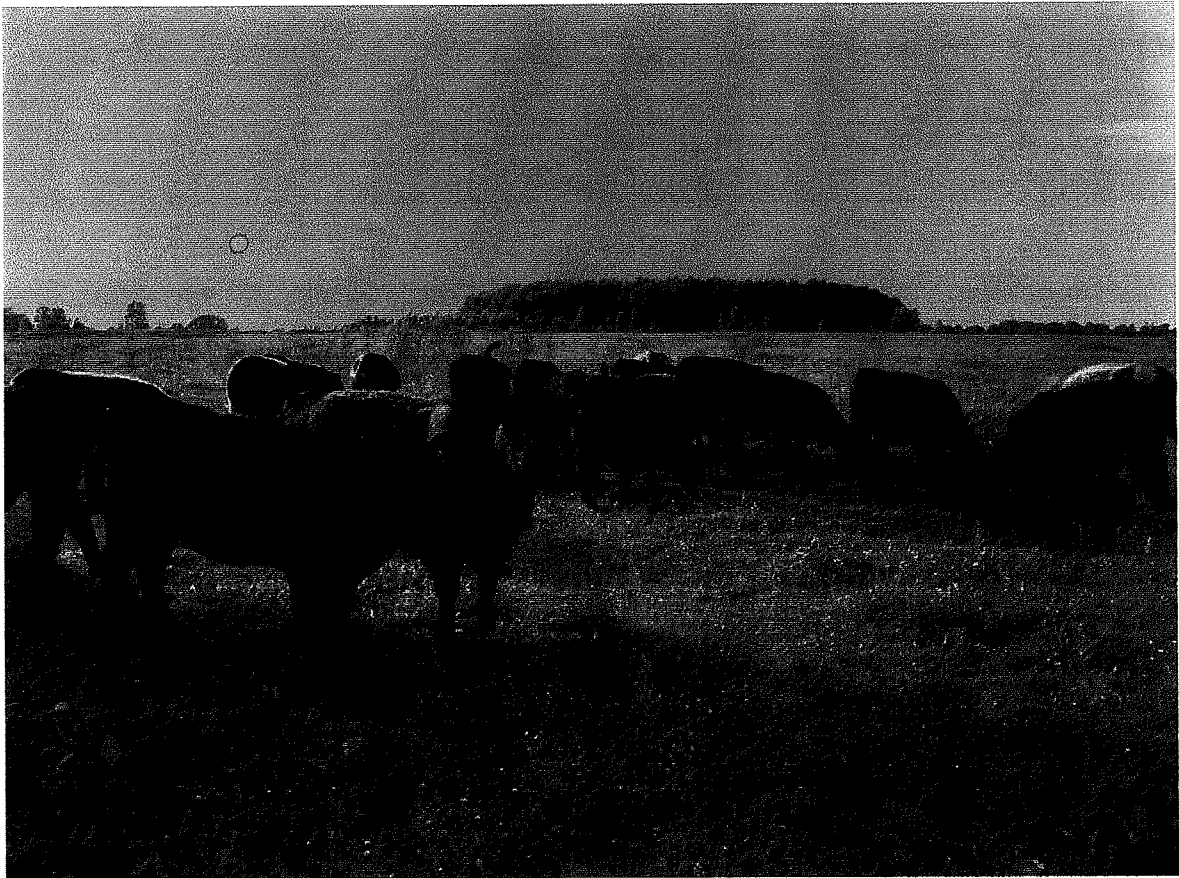


**PROJECT
GALLOWAYS IN RUSSIA**

Fritz Zehetner



AUGUST 2006

MOSCOW

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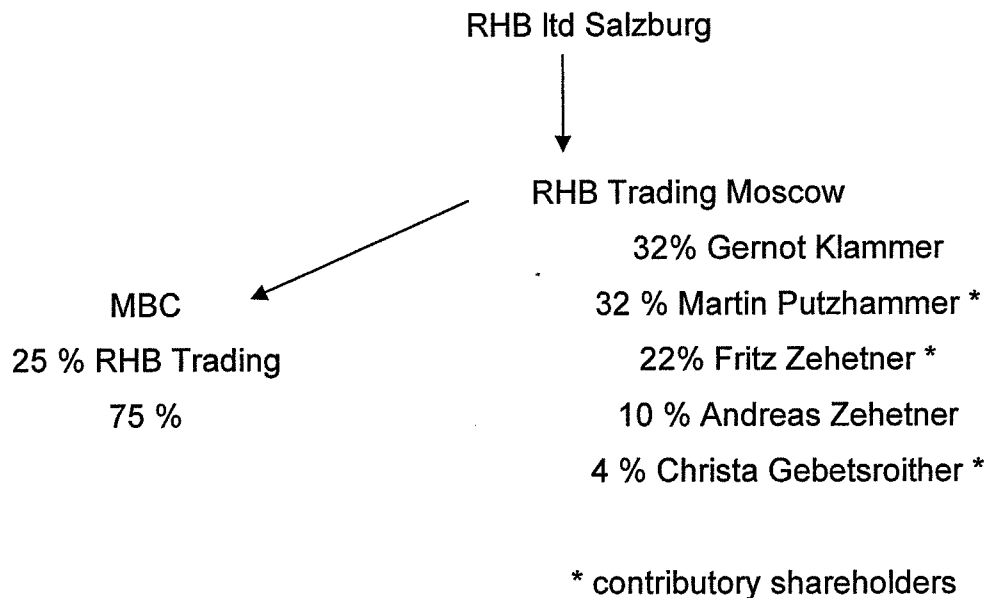
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1. Who are we?

We are 3 Austrians who have more than 10 years experience in Russia:

- 2 with a more theoretical background and experience of the construction industry.
- 1 butcher - with a more practical background

2. RHB Owners



3. Employees

We currently employ between 16 and 20 people from the following countries:

- Uzbekistan
- Kazakhstan
- Moldova
- Russia – ethnic Russians
- Russia - Russians of German descent.
- Latvia
-

4. What do we do?

We sell „Packaging Solutions“ to meat processing companies – especially casings and nets.

This includes :

- consulting
- the development of new methods and applications
- the improvement of existing standards and facilities.
- Our favourite work – the development of something new. This is usually the adaptation of a something currently used in another country to cater for our customers needs.

We sell Vector casings, which are produced in factories in the US, Belgium and Japan.

In 2006 we expect a turnover of around € 7 Million. In 2007 we expect this to rise to around € 10 Million.

5. Why cattle breeding in Russia?

Beef cattle breeding was never part of the Soviet Union tradition – it was not possible to divide the carcasses “equally” in order to offer the “same” quality of meat to “all”.

For this reason, dairy cattle were preferred, producing the “same” milk for all and the same leather for everyone’s shoes!

The meat from former dairy cattle was used for GOST STANDARD sausages and the rest used to produce minced meat.

That was then – today there is Australian Certified Angus and meat from Waygu – obviously all imported.

There are currently 10, 4 Million inhabitants in Moscow. Of these, 44 are billionaires and around 30.000 are millionaires. If these people have learned one thing from the financial crashes in the 90s, it is that when they have money, they should spend it

quickly. The crude oil and natural gas industries have brought billions of dollars into the country.

There are vast areas of fallow land in Russia . What is lacking is the know-how of cattle breeding.

If we can combine our knowledge with their land and money, then we have all of the components for success.

Additionally we need the following:

- Staying power
- Assertion
- The ability to cope with knockbacks
- The strength to start again from the beginning
- To keep our cool
- Financial independence
- Support from our families
- Courage
- Physical fitness
- Flexibility
- To have no fear
- To not be influenced by the lethargy of others
- To remain calm
- To be patient
- To overcome resistance when necessary
- To be accepted
- To show strength
- To admit our weaknesses
- To accept help
- To give help
- And many more ...

6. Situation of the meat industry

Many meat processing companies in the former USSR collapsed after the fall of communism. These huge communal factories, which had previously employed up to 6,000 people producing around 600 tonnes per day have now become smaller companies with a more straightforward organisation. There are also completely new companies.

Some of companies invested in poultry, fewer in pig farms and almost none in cattle breeding. This is simply because it takes too long to earn money from cattle breeding.

Imports are high and are controlled by quotas to encourage home produce.

A lack of available meat results in escalating prices for the meat processing industry and the replacement of meat by soya. Doctors are already warning of the dangers of a lack of animal protein for the population.

7. Situation of collective farms

Collective farms are finding it increasingly difficult to survive. During the Soviet regime, everything was controlled and regulated, but the situation changed suddenly with the introduction of the free market economy.

Even today, collectives are still dying out due to higher costs than could ever be recuperated through product sales – if in fact they are paid at all.

Only a few farms have managed to reduce costs with their old machinery and find reliable customers for improved products.

In the last 2 years, there has been an upward trend in the agricultural industry.

8. Chance-Analyse

Country	<ul style="list-style-type: none">• Can we use the huge areas for cattle?• Buy or lease?
Money	<ul style="list-style-type: none">• Should we finance it ourselves?• Do we find an investor who we can convince?
Knowledge	<ul style="list-style-type: none">• Do we have a team that is possible to have the best ideas and to realize them?•
Market	<ul style="list-style-type: none">• Do we have the contacts to markets, slaughterhouses, factories, super markets and restaurants?
Domestic cattle- races	<ul style="list-style-type: none">• Are there the right domestic races for a beef production?

Country	<ul style="list-style-type: none">• We wanted to find a farm in some distance from Moscow, where the population is not already corrupted through money. Now we have found something 350 km away. In former times her were living 57.000 people nowadays just 7.000.
Money	<ul style="list-style-type: none">• We found an investor who was willing to give us 75 % of the investment costs.
Knowledge	<ul style="list-style-type: none">• With the experts from the BOA Farm and the knowledge of the Russian cattle- situation for more than 10 years we have an outstanding, not comparable and concentrated knowledge.
Market	<ul style="list-style-type: none">• Due to the fact that our daily business has to do with meat processing companies and that we have direct contact to the supermarkets and restaurants, the chances are very big. Additionally we are thinking about ways of direct sellings.
Domestic cattle races	<ul style="list-style-type: none">• We have found "survivors", all our animals leave an incredible time behind them

- They were born in excrement and lying in their for their further lives
- they get nearly no milk (because you get money for it)
- they are hanging at the chain starting 21v after their birth
- hardly no water
- no daylight
- never get out
- no fresh air

A lot of them are dying, and the ones who are surviving are really good in adapting to this situation.

9. Risk-Situation

Robbery of animals and tools	We have a night-guard and starting with November we will get a video system. In Spring 2007 we want to settle a family from Austria. But until now there are no signifact happenings.
Epidemics	The health situation of the animals in Russia is very good, the reason fort his we can find in the extreme selection- the highest figure per farm is 1000.

10. Facts and figures

53	Pages of Business-Planes, Nov. 2003
556	Number of Galloway-bulls in the year 2020 for more than 15.000 cows (acc. Business-Plan)
20	km fences , spring 2006

100 km Fences, Spring 2010
700 ha pasture, 2006
4000 ha pasture, 2010
4 Month time to wait for a digger with driver
60 Nights in a tend of Fritz Zehetner
40 Degrees bellow zero (for 10 days) in winter 2005/06
3 Month after we bought just skillets, the cows looked that good that their former owner didn't recognize them anymore.

11. Difficulties and their over comings

- The high-light was to get the permission fort he imports. The main problem was that we were the first private legal company who wanted to import something from another private legal company. Staying Power and flexibility were the most import word for us in those days.
- The abuse of alcohol in this area is very high; nearly 95 % of the population there is addicted. We already thought about to bring some people from Moldova there. Perhaps our family from Austria, the Schardax have the power to change something in the minds of the people. At the moment our employees come from an area 45 km around the farm!

12. Goals

- to expand as fast as possible to 2000 cows → possible until
- To decide to build a slaughterhouse, Spring 2007
- Beginning with 2007 own supply of feed

13. **Future perspectives**

- our district has 120.000 ha and we will start testing the touristy utilization ,
- Start with a piggery and sheep farming to amplify the products
- Start with meat processing production
- Make a kind of franchise with our concept in other districts
- Reorganization and restart of milk production in this area

