

AZPROMO PROJECT PLAN

PROJECT: Increasing production of organic rose oil

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1) *Background and Sector review*

Horticulture in Azerbaijan

Horticulture in Azerbaijan is mainly in the Zaqatala and Talysh area of Azerbaijan

In Western Azerbaijan, the Zakatala a Reserve covers approximately 20,000 hectares (about 49,380 acres) area. It is within easy reach of Baku and Tbilisi. The flora of both reserves are very similar and share most of their woody species. Zakatala's lower boundary at 600 m (1,960 ft), coincides with the lower altitudinal limit of the mid-alpine belt of beech forest. On southern and southeastern slopes, the forest consists mainly of oak *Quercus iberica*, mixed with hornbeam *Carpinus orientalis* and yew *Taxus baccata*. Shrubby rhododendrons and profusely growing herbs give the forest a park-like appearance.

To the south of Baku, the Talysh area has considerable horticultural interest. In Talysh, plants grow from the coastal lowlands up to the altitudinal limits of mountain forest.

Rose production in Azerbaijan

The rose industry in Azerbaijan is small. Current production is 4kg.

Project Objective

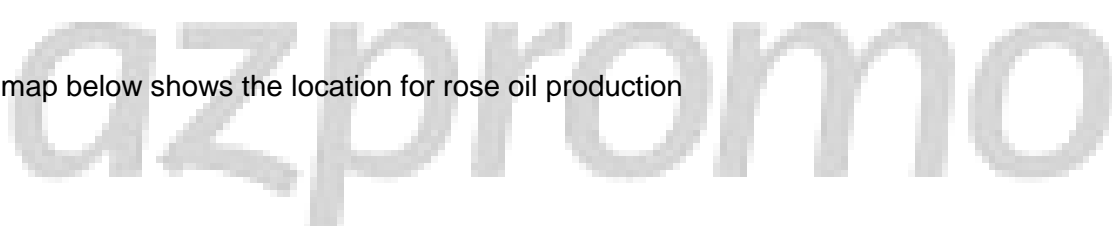
- To increase the production of rose oil from 4kgs to 100kgs (and to capture about 2-3% of the global market).

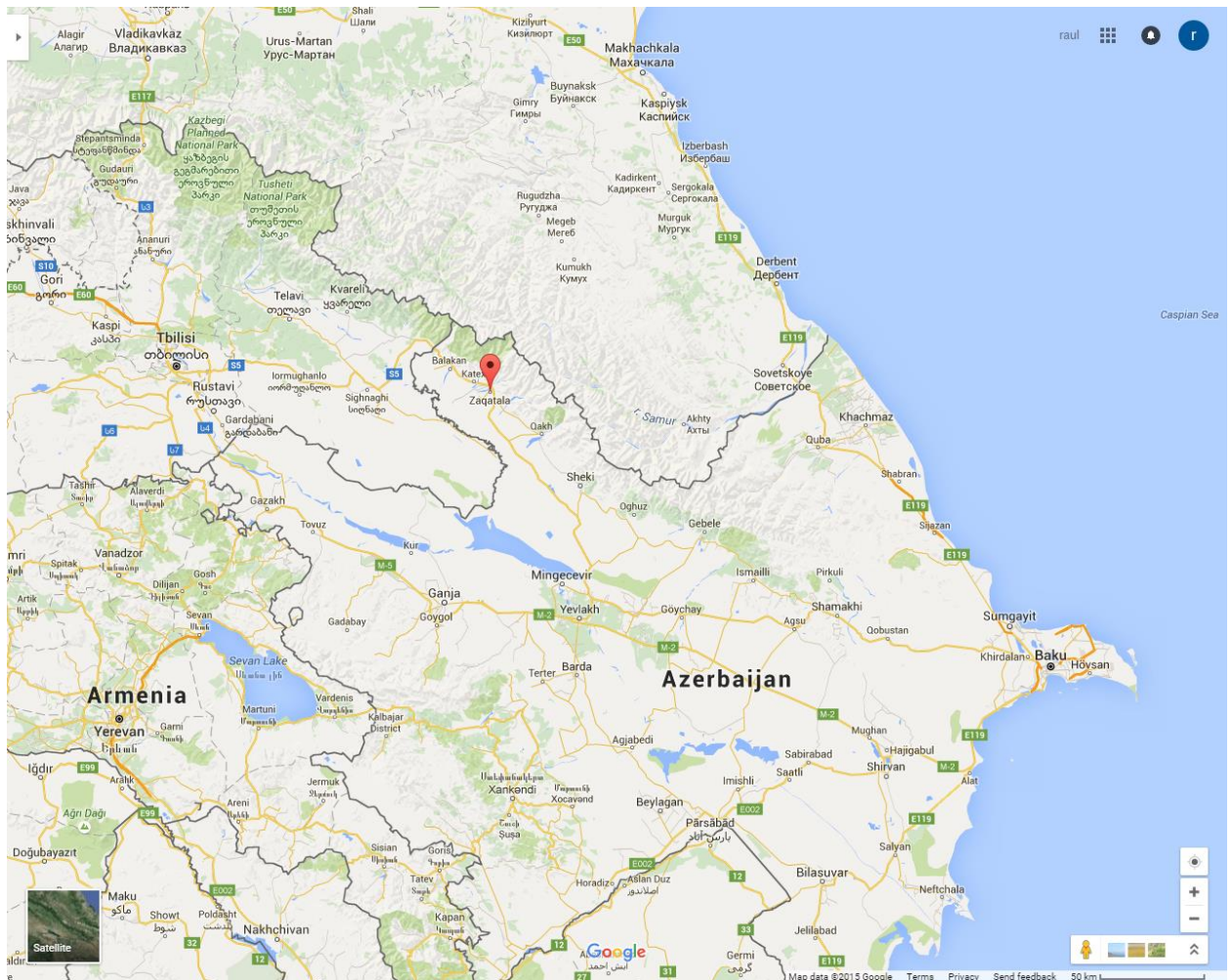
3) Project Description

Raw material stock will be increased by cropping of new 100 hectares of rose plantations, using techniques and equipment meeting the highest international standards

4) Location Description: Zaqatala region, Azerbaijan

The map below shows the location for rose oil production





5) Marketing Strategy

Market Size: Global, annual consumption is fairly stable, and is usually between 3000 to 4500 Kgs. The EU (France and Germany) is largest market, followed by Switzerland, the USA and Japan.

Key Customers: Rose oil is used by cosmetic and perfumery companies, particularly Kenzo, Chanel, Dior, Bulgari, and Faberge.

Key Competitors: Bulgaria and Turkey are the main producers of rose oil supply 90% of the world market. The remaining 10% is produced by Iran, Mexico, France, Italy, Lebanon, India, Russia and China. New producers are Egypt and Afghanistan. Due to the stable levels of global consumption, the rose oil market is highly competitive, but Azerbaijan as a new entrant to the market could find a demand in the region.

Competitive Advantage of Azerbaijan: The key advantage for the production of rose in Azerbaijan is Geographic location between the EU and emerging export markets, of Russia and Asia.

6) Production, Manufacturing Operations Overview

The production will be under the direction of the Jaliar company.

7) Project Management and Organization Structure

The Project will be led by the Jaliar company, with support from AZPROMO.

The proposed financial scheme and share distribution is negotiable. The project envisages 49% of the financing from the investor.

8) Project implementation schedule

The project will take up to 1 years to be implemented with a return on investment (project payback) period of 5 years,

| Project Implementation | | | | |
|---------------------------------|----------|--------|----------|--------|
| | Year 0,5 | Year 1 | Year 1,5 | Year 2 |
| Project Team | | | | |
| Location review and acquisition | | | | |
| Site operations | | | | |
| Equipment Procurement | | | | |
| Equipment Testing | | | | |
| Training | | | | |

9) Estimated Budget and balance sheet

| Trout Project Balance Sheet | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Assets US\$ 000 | | | | | |
| Cash | 30 | 30 | 30 | 30 | 30 |
| Land | 200 | 200 | 200 | 200 | 200 |
| Building | 100 | 100 | 100 | 100 | 100 |
| Equipment | 800 | 800 | 800 | 800 | 800 |
| Training and technical assistance | 400 | 400 | 400 | 400 | 400 |
| Total Assets | | | | | |
| | | | | | |
| Liabilities | 1000 | 1000 | 1000 | 1000 | 1000 |
| Owners Equity | 540 | 540 | 540 | 540 | 540 |
| | | | | | |



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