

Predolac Farm – short description of Investment project

September 2024

Piglet production farm establishment project

This letter contains essential information about the project aim, the scope of the investment, and a rough estimate of its return.

The Predolac family owns a pig fattening farm in Subotica-Bikovo (Serbia), which we purchased in a non-operational state in 2015. Using our own funds, we renovated all buildings internally and installed new equipment for housing, feeding, and ventilation, ensuring modern pig fattening conditions with minimal labor. Currently, we fatten between 3,800 and 4,100 pigs per cycle, with around 12,000 pigs fattened annually. In addition to pig farming, we cultivate 150 hectares of land. The farm is operated by my son, myself, and one employee. All fattened pigs are raised in partnership with Mesko Slaughterhouse from Štubik, which is also the second partner in the project to establish the piglet production farm.

Advantages of the Predolac Farm:

- Geographic location, 10 km from the highway, with the nearest house 2 km from the farm, and the two largest animal feed factories (Gebi and Patent Co) 20 and 35 km away.
- The possibility of producing grain for our own needs.
- Expertise of the owners:
 - Boban Predolac, DVM, MSc in Pig Nutrition, Specialist in Clinical Pharmacology;
 - Višnja Predolac, DVM, Specialist in Microbiology.
- The ability to hire qualified labor from Subotica.
- Long-term secured market for piglets.

Mesko-Štubik Slaughterhouse, owned by Dalibor Stojković, has been operating for over 20 years. The entire family and 60 employees are involved in the business. The slaughterhouse is exclusively focused on the slaughter of pigs and the sale of fresh pork in the Serbian market. The slaughterhouse processes around 36,000 pigs annually, which is its maximum capacity. About 80% of the pigs processed are fattened from imported piglets weighing between 125 and 130 kg.

The idea to build a piglet production farm stems from the shared opinion that Predolac Farm and Mesko Slaughterhouse should create a closed cycle of quality piglet production in

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quantities needed by the slaughterhouse. A portion of the piglets would be fattened at Predolac Farm (around 18,000 annually) with the construction of new facilities, while the remainder would be fattened at partner farms to meet the needs of Mesko.

According to the needs of the slaughterhouse, the farm would have a capacity of 1,100 sows and would produce around 35,000 to 38,000 piglets annually. All piglets would be fattened for the slaughterhouse, ensuring a secure market for fattened pigs. Our proposal includes the number of piglets required by Mesko, but if investors show interest, the capacity could be doubled, as Serbia imports about 500,000 piglets annually for fattening.

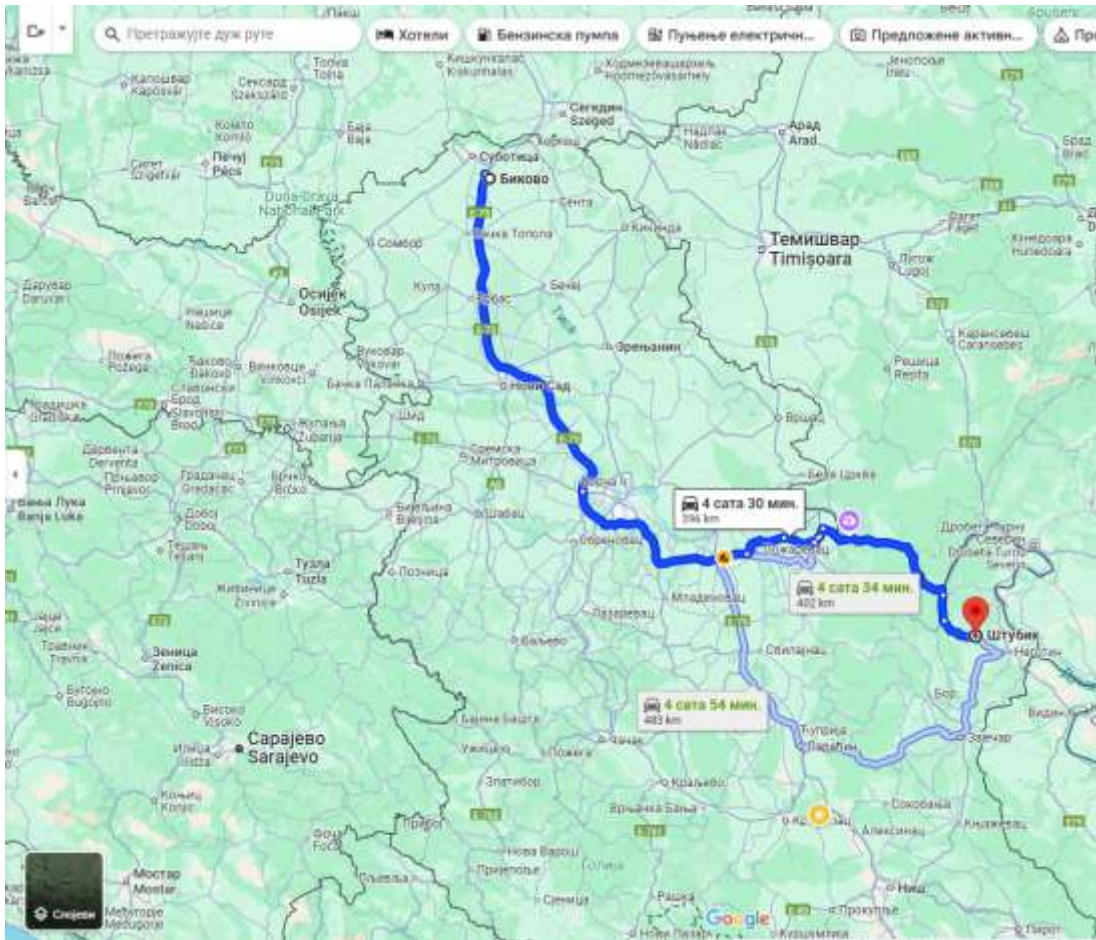
We estimate the investment to be around 7 million euros, excluding the cost of animals and working capital required until the farm generates its first income.

The profitability of the investment can be calculated based on the cost of imported piglets, piglets produced and sold by Delta to farmers in Serbia, and the production cost of piglets in Serbia.

Currently, we pay for piglets we fatten based on the North-West DE formula (25 kg + bonus of €21-32) plus additional quarantine costs in Serbia of about €4 per piglet. The current prices for imported and domestic piglets produced by Delta are shown in the table below:

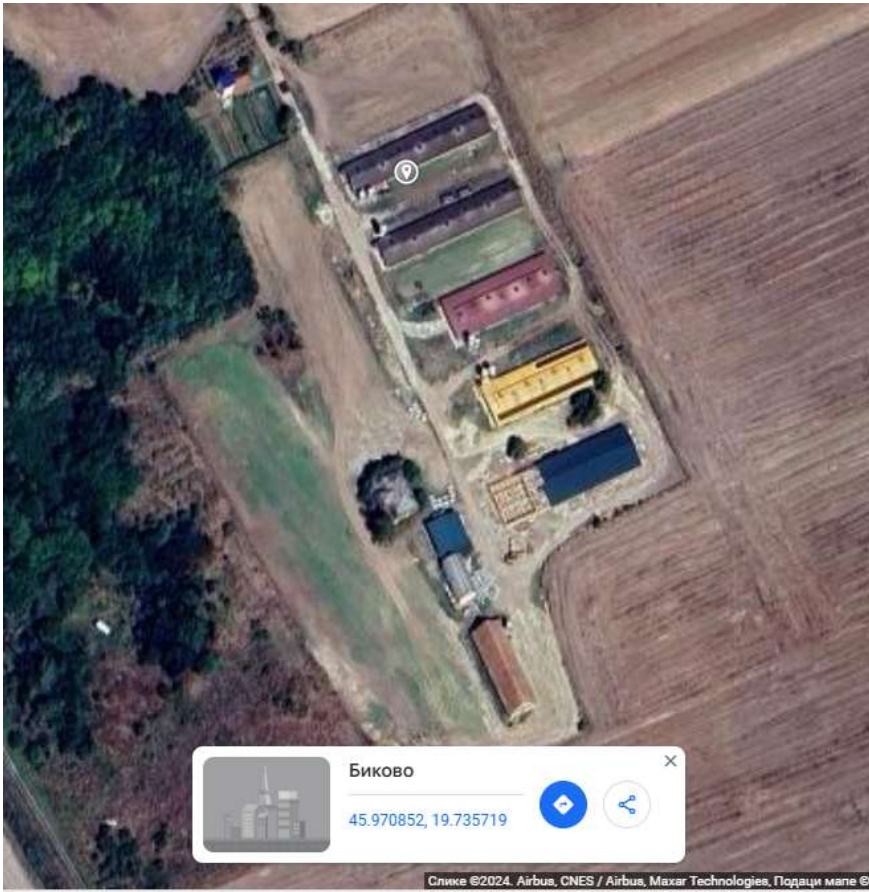
Origin	Price	Difference from Production Cost
Import (25 kg)	€65 + €22 + €4 = €91/25kg	€91 - €52.5 = €38.5
Delta	25 kg * 4.4 = €110/25kg	€110 - €52.5 = €57.5
Production in SRB	€2.1/kg = €52.5/25kg	

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Farm and Slaughterhouse Location

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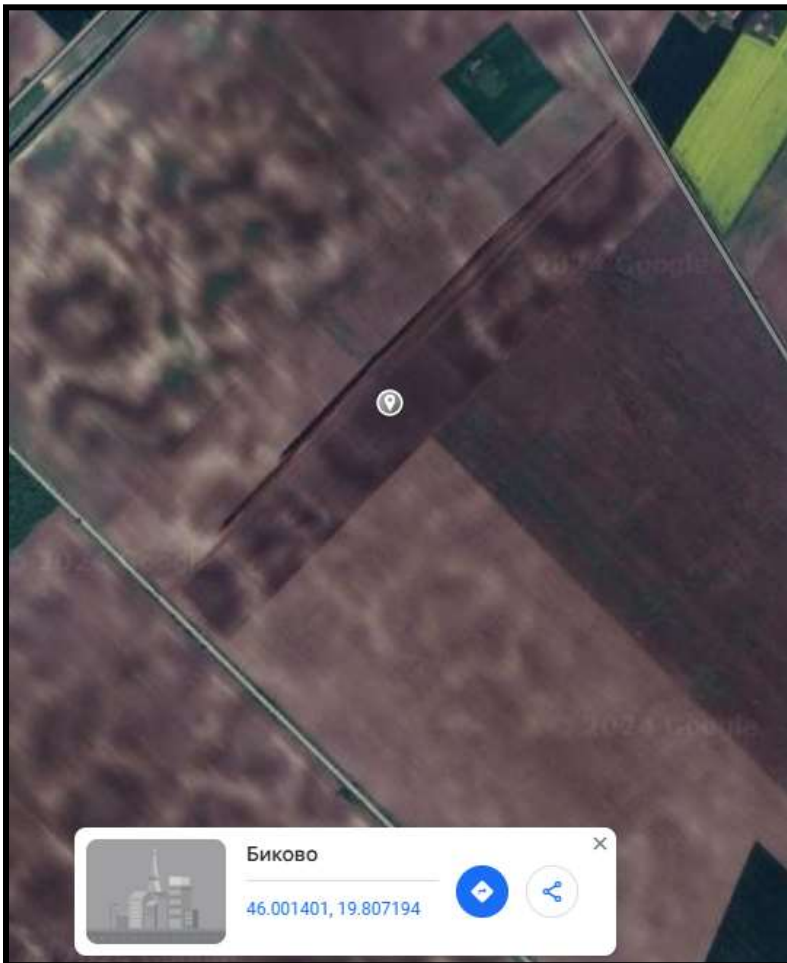
Pig fattening farm 6 Buildings

Farm before reconstruction



Farm after reconstruction

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The location of the piglet production farm, owned by the Predolac family, includes 34 hectares of land, with the possibility of purchasing additional land at the same location. There are no farms within a 5 km radius.

Find further info here

<https://www.danishfarmersabroad.dk/wp-content/uploads/2024/09/Investment.Pigprod.Serbia.sept .24.pdf>