



○ 21 September 2003

# Analysis of the Agricultural Sector and Potash Fertilizers' Consumption Forecast in Russia

Industry Overview



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- Historical development of Russian agriculture
- Analysis of agricultural products' market
- Agricultural products' basket

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- Current status
- Potassium fertilizers' promotion program
- Competitiveness of the industry

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## I. Russian Agricultural Sector

1. Historical development of Russian agriculture
2. Analysis of agricultural products' market



# Historical development of Russian agriculture

- By 1991 – “Soviet” Administrative Economy
- 1991 – 2000 – Transition to the Market Economy
- 2000 – Present – Beginning of Effective Development Stage

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# Historical development of Russian agriculture

- By 1991 – “Soviet” Administrative Economy
  - state owned enterprises
  - centralized system of purchasing of agricultural products
  - low labor motivation
  - highly ineffective agricultural sector

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# Historical development of Russian agriculture

- 1991 – 2000 – Transition to the Market Economy
  - state control over prices for agricultural products
  - disparity of prices for agricultural products
  - lack of state support
  - the industry is in a desperate survival mode

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# Historical development of Russian agriculture

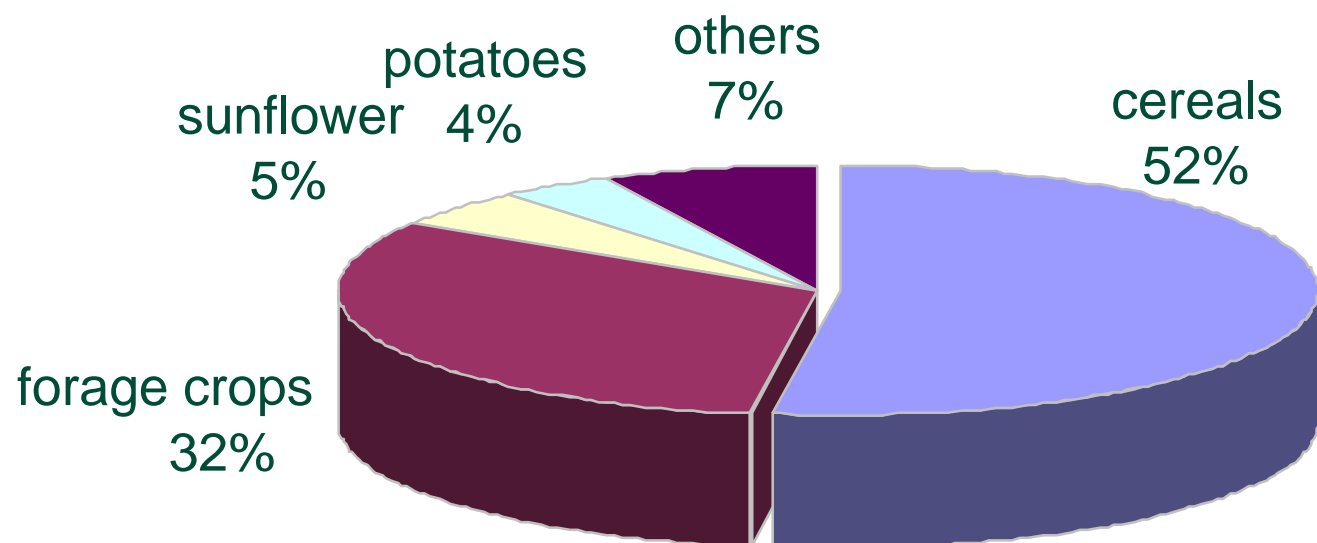
- 2000 – Present – Beginning of Effective Development Stage
  - Application of more effective farming methods
  - better management
  - Increase in labor productivity
  - Creation of effective financial tools to attract investments

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# Analysis of agricultural products' market

Major farming cultures (% of total sowing area in 2002)



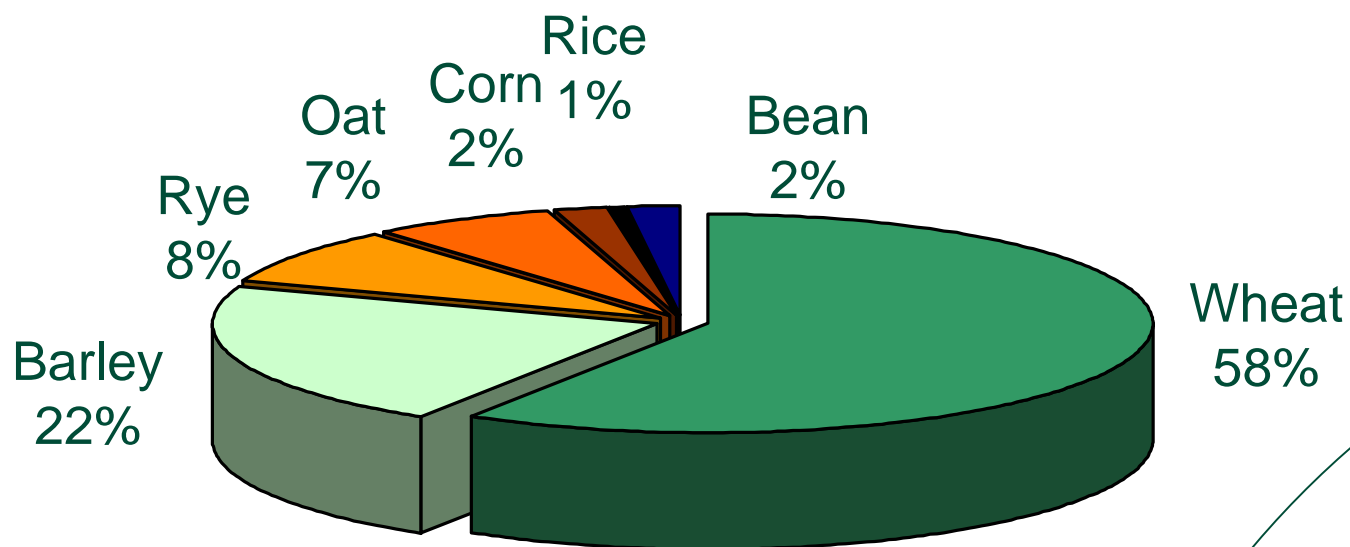
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# Analysis of agricultural products' market

## Cereal harvest structure in 2000



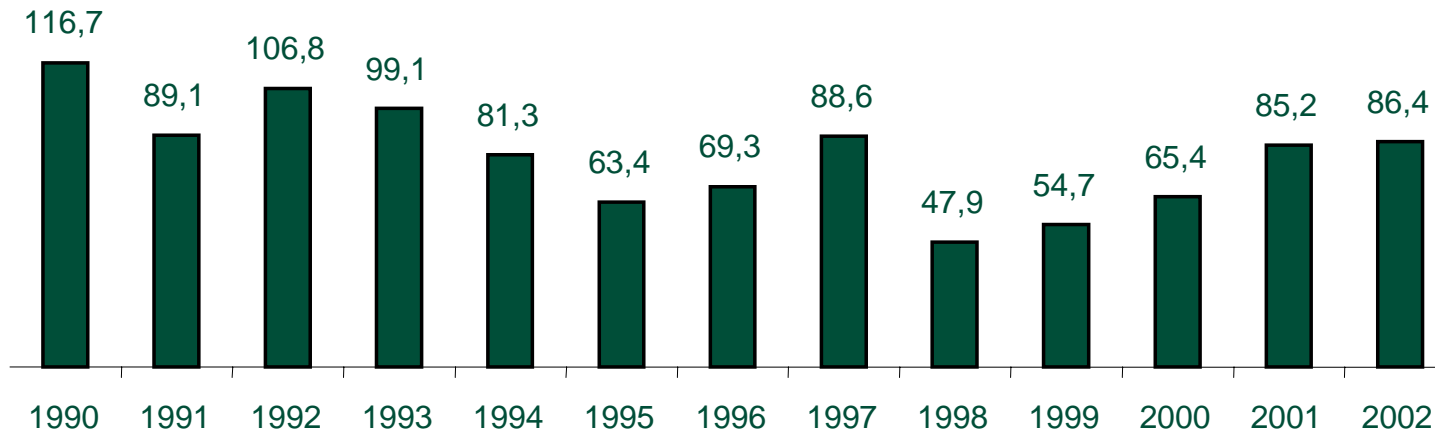
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# Cereal market analysis



Aggregate cereal yield dynamics, millions of tonnes



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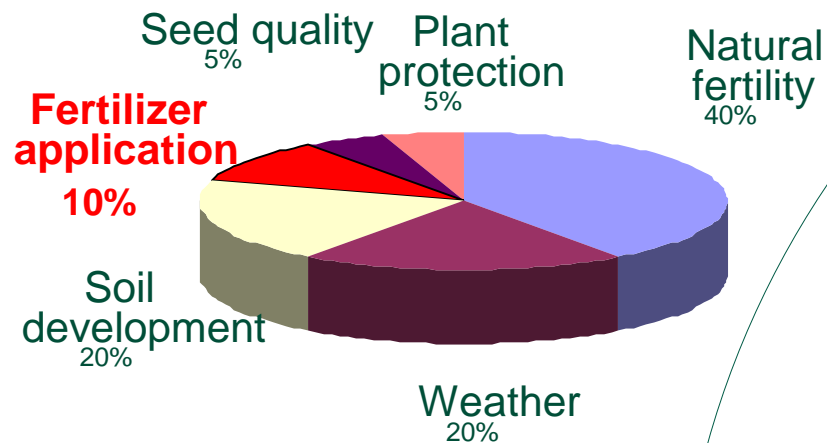
# Cereal market analysis



## Yield-forming factors in different farming types

Extensive farming

Intensive farming



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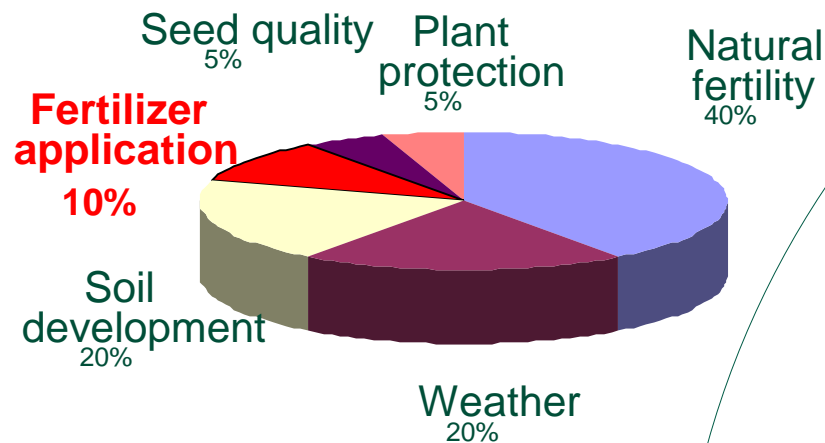
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# Cereal market analysis

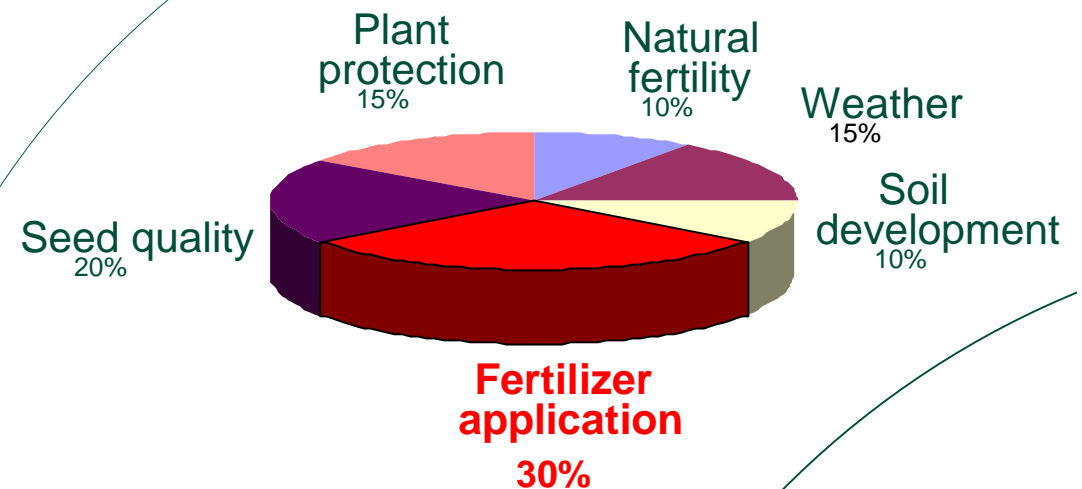


## Yield-forming factors in different farming types

Extensive farming



Intensive farming



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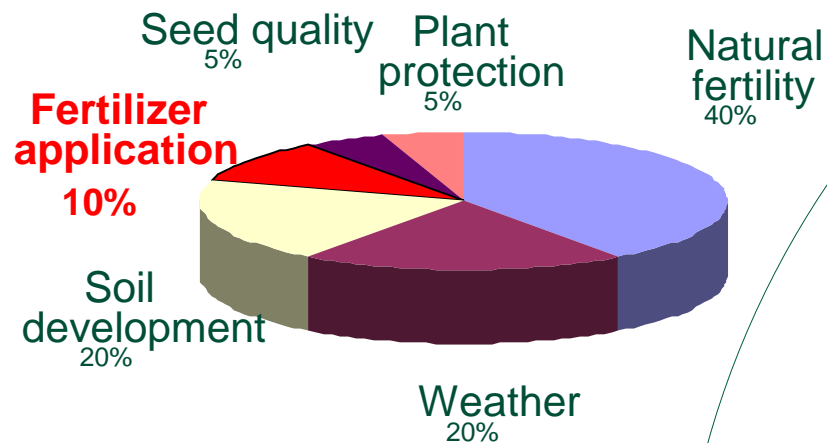
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# Cereal market analysis

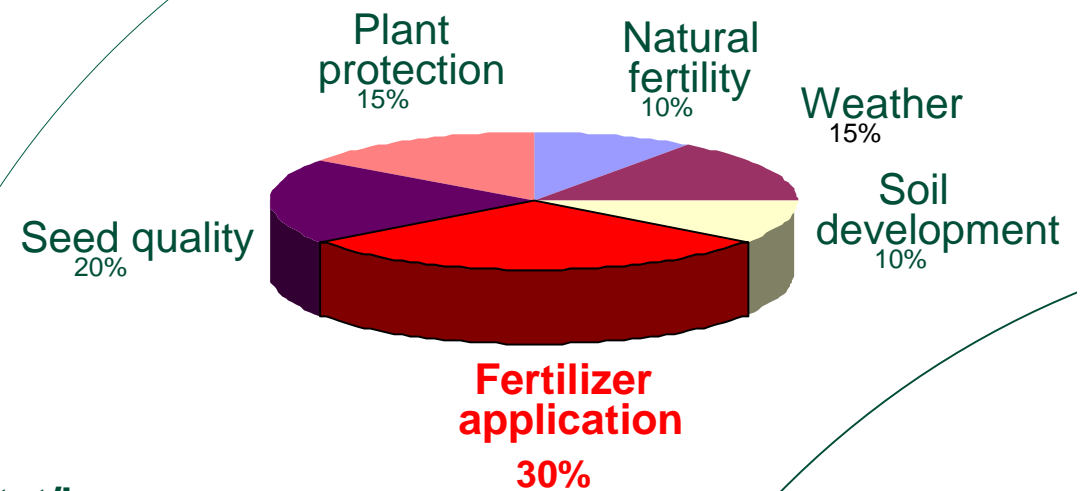


## Yield-forming factors in different farming types

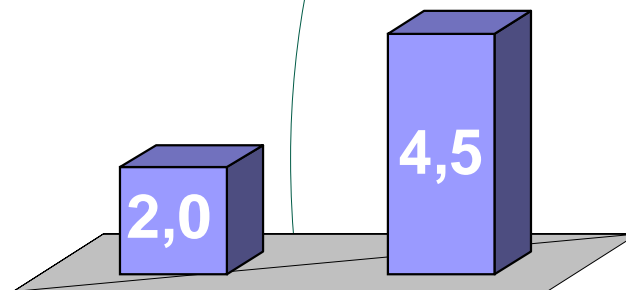
Extensive farming



Intensive farming



Average output, t/ha

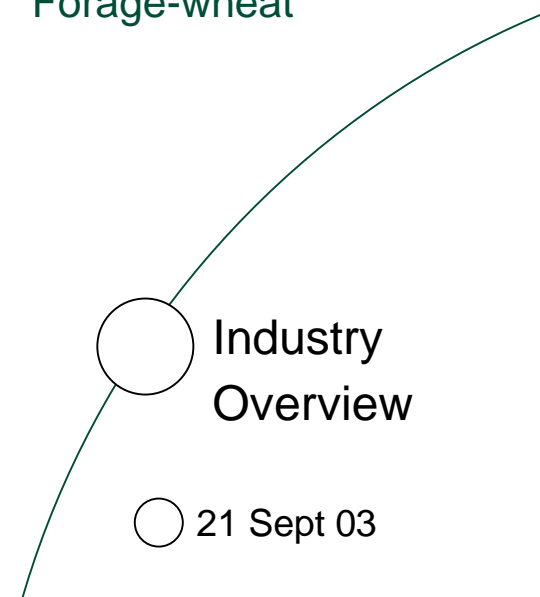


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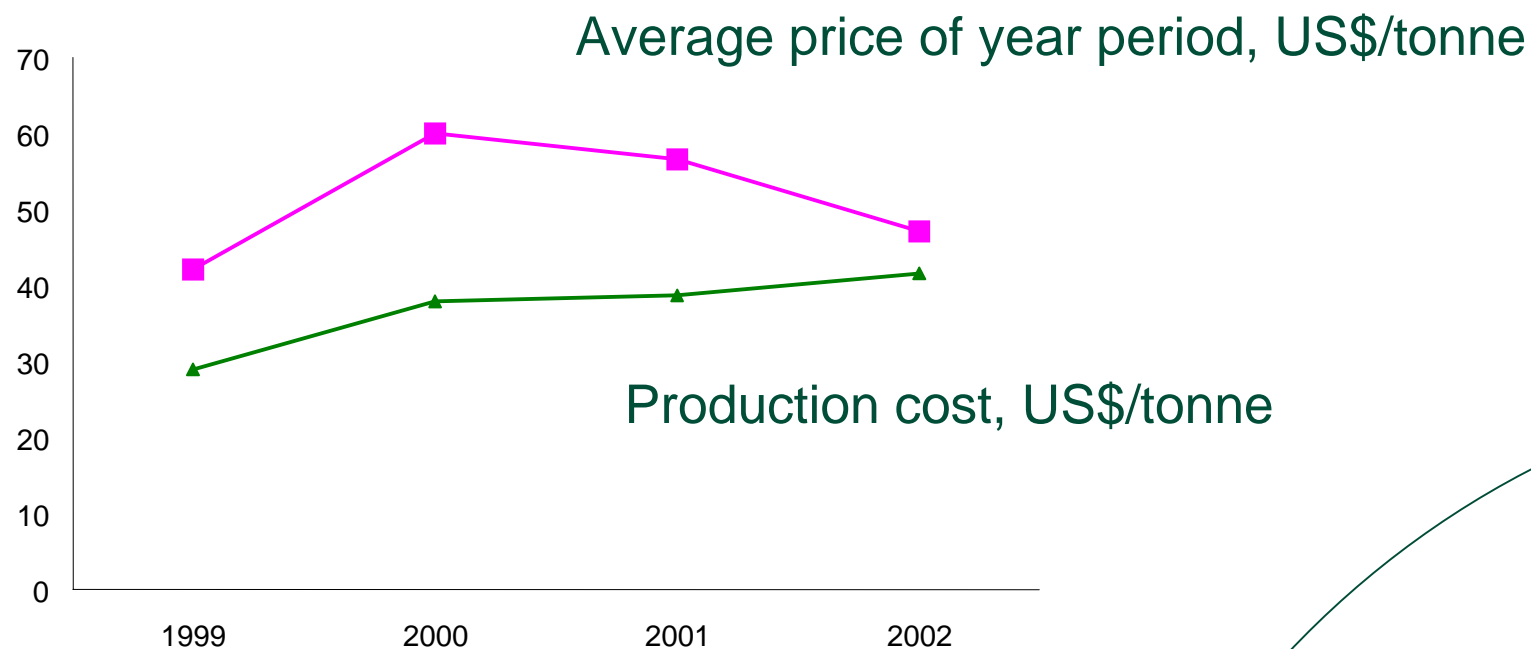


# Trade structure of the wheat yield in 2001 and 2002





# The ratio of average price-to-production costs for cereal products



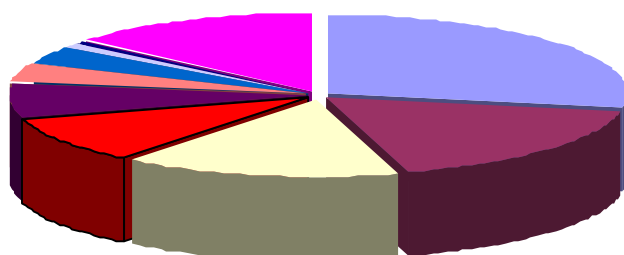
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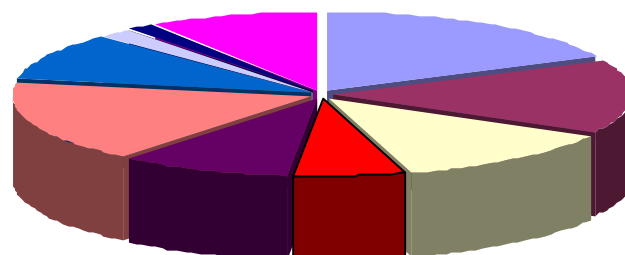
# Cost structure for agricultural enterprises producing plant-growing products, %

1990



**Mineral Fertilizers**  
**9,9 %**

2000



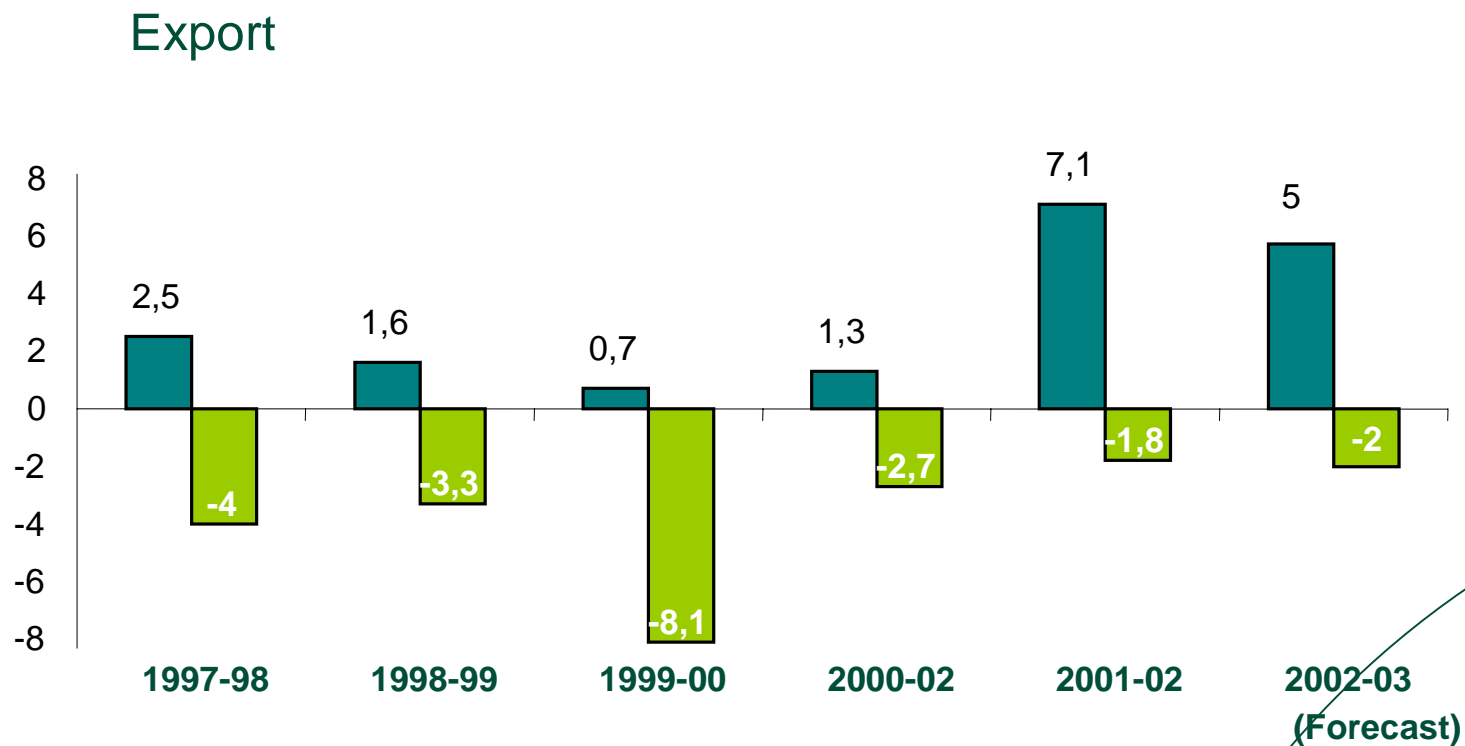
**Mineral Fertilizers**  
**6,2 %**

- Labor payment
- Seeds
- Amortization
- mineral fertilizers**
- services of third parties
- oil products
- Spare parts and construction materials
- electricity
- Fuel
- Other

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# Export/Import ratio of Russian grain



Import

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## II. Mineral Fertilizers Consumption Forecast

by 2010



# Main factors influencing mineral fertilizer consumption in Russia

- liberalization of agricultural sector
- sufficient number of efficient owners
- application of intensive agricultural technologies
- development of market tools needed to attract financial resources into agricultural industry

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# Forecast for mineral fertilizer consumption by 2010

Million tonnes in nutrients

Indicator	2002 Final	2005	2010
TOTAL	1,5	1,5-2,0	4,1-6,1
N	1,0	1,2-1,4	1,3-2,6
P <sub>2</sub> O <sub>5</sub>	0,3	0,5-1,0	2,4-2,8
K <sub>2</sub> O	0,2	0,3-0,6	0,4-0,7

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### **III. Russian Potassium Fertilizer Industry Overview**

1. Current state
2. Potassium fertilizers' promotion program
3. Uralkali's competitive targets



# Development of Potash production in Russia

- 1925 – Discovery of the Verkhne-Kamskoye potassium deposit
- 1934 – Uralkali extracted 1 million of tonnes of sylvinite ore
- '70<sup>ies</sup> – intensive development of the industry
- 1990 – 3,85 million tonnes of total usage capacity (100% K<sub>2</sub>O)
- '90<sup>ies</sup> – dramatic drop of domestic consumption; potassium industry was re-orienting to external markets
- 1999 – 2002 – production increased by 25%

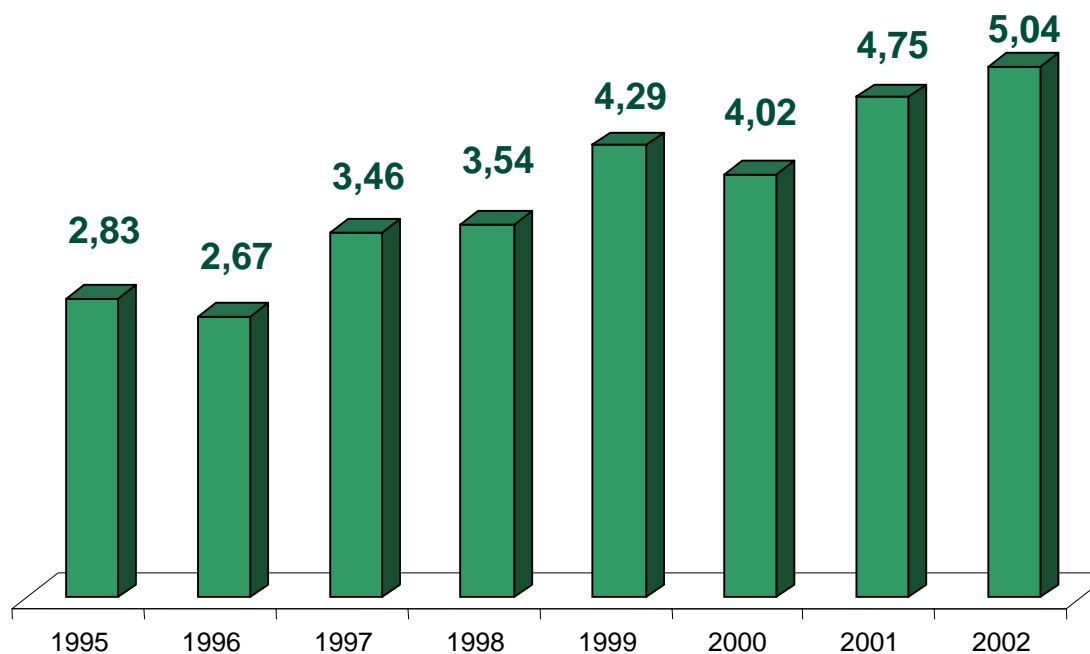
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# Potash fertilizer production in Russia

Million tonnes 100% K<sub>2</sub>O

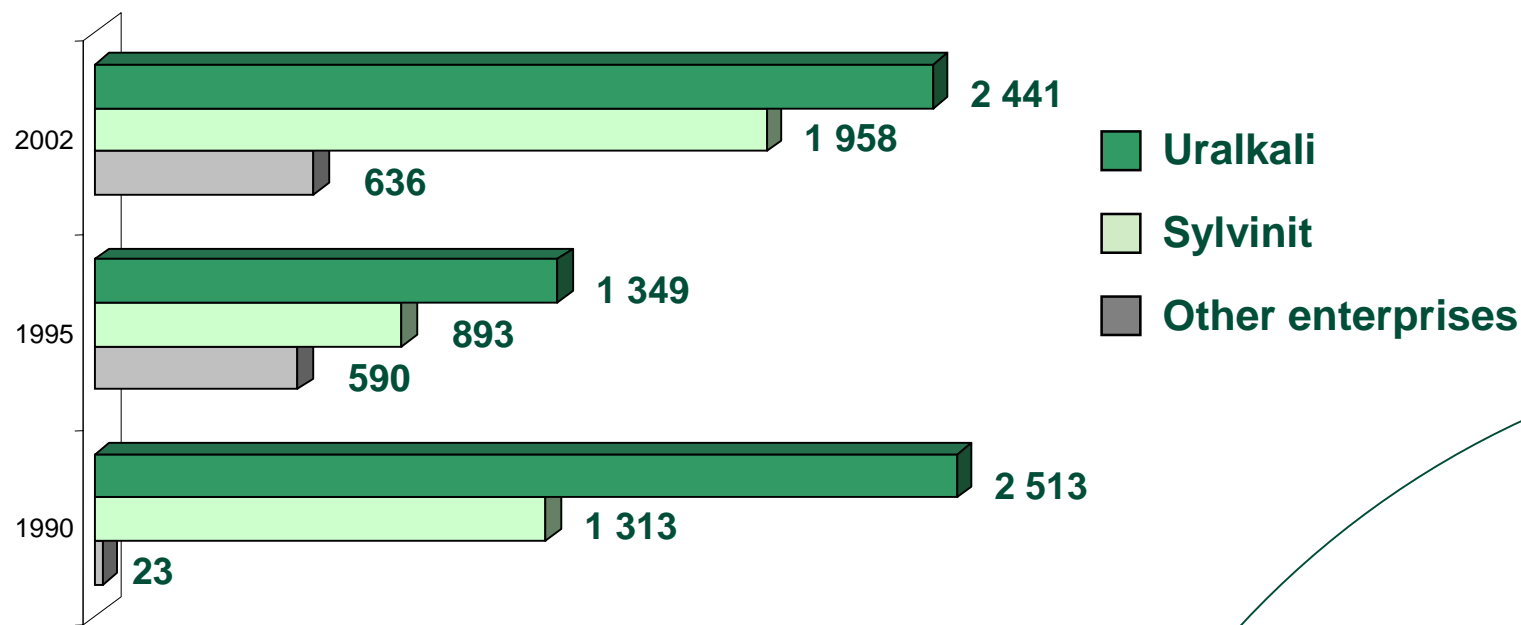


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# Range of enterprises by output volume of potassium fertilizers



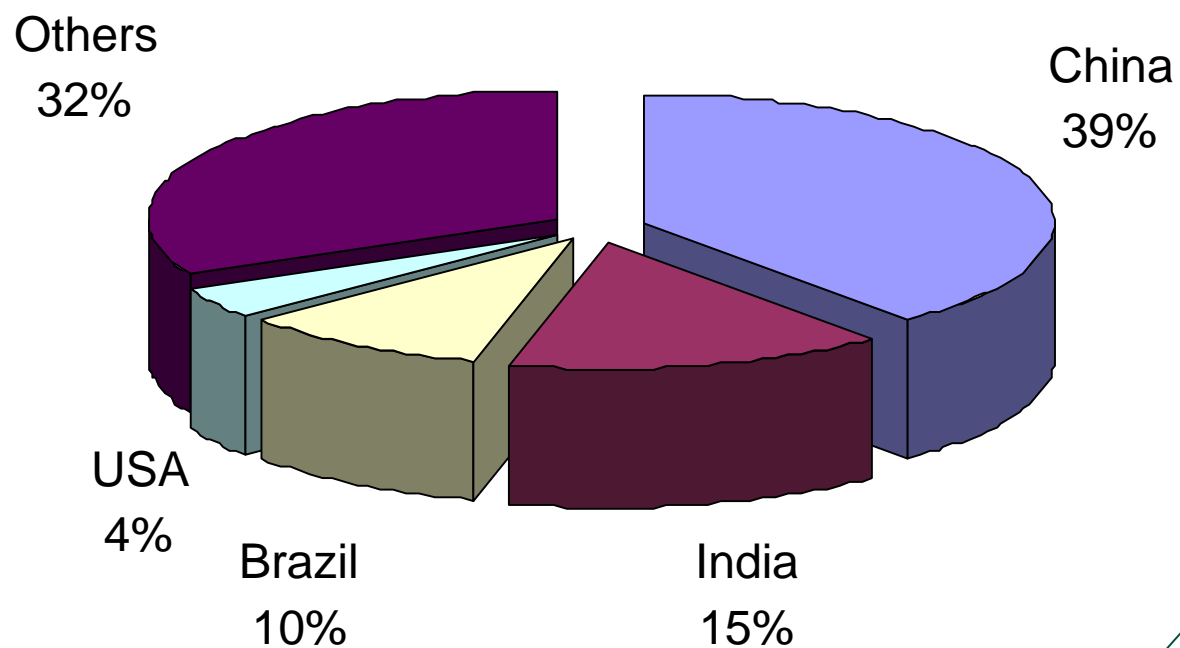
'000 tonnes 100% K<sub>2</sub>O

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# Export range of Russian Potash



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# Promotion of Fertilizers' consumption in Russia

- Organization of field experiments on the balanced usage of fertilizers
- Development of efficient technologies of soil analysis
- Development of automatic systems optimizing application of mineral fertilizers
- Stimulation and support of scientific research in the regions

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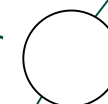
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# Competitiveness of “Uralkali”

## Main objectives

- Become a global player in the world market of potassium fertilizers
- To be the most dynamically developing producer in the growing market
- To keep the lowest level of cost in the long term
- To become one of the most preferred suppliers of potassium fertilizers in key markets
- To build a strong brand and create a base for customer loyalty



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