CIS BLACK SEA & RUSSIAN GRAIN AND OILSEED MARKETS: PRESENT AND FUTURE

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CIS Black Sea & Russian grain and oilseed markets: present and future dimensions

Причерноморские и российские рынки зерна и масличных: настоящее и будущее

IFA, Moscow, October 2009

Structure of presentation

CIS Black Sea and Russia's positioning

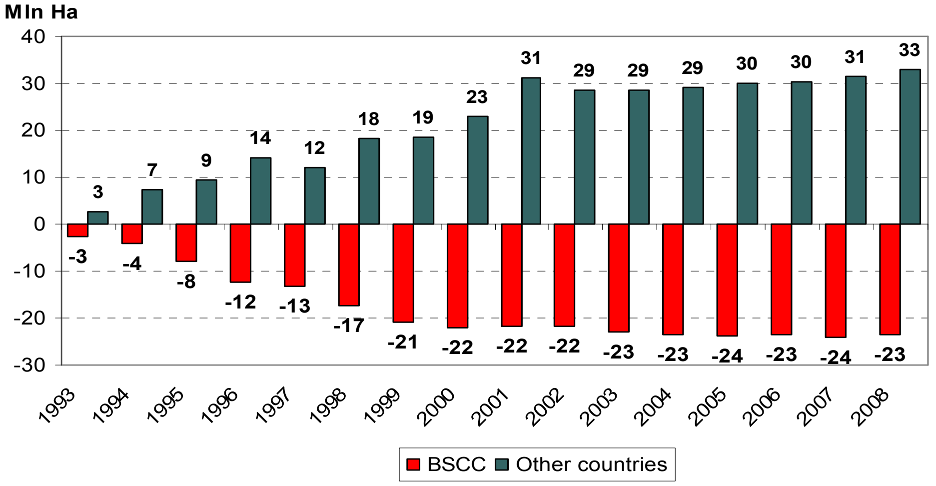
New ag operators (agroholdings)

State support

Infrastructure

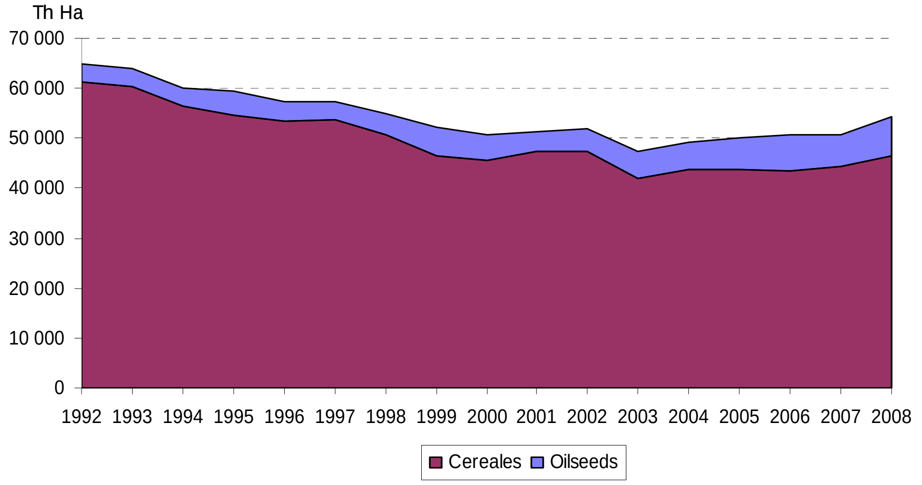
Selected conclusions

Dynamics of arable lands: rest of the world and three Black Sea nations, 1992=100%, MHA



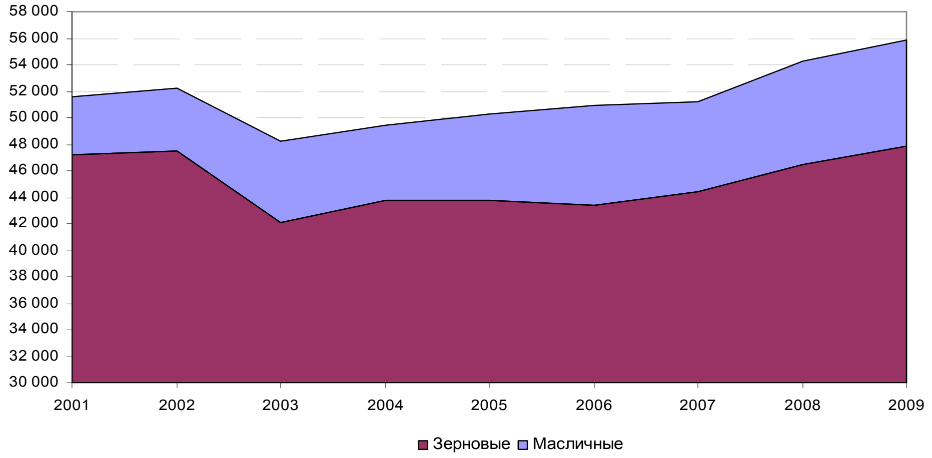
Up until the middle of 2000's the rest of the world has added about 33 MHA, while 3 Black Sea CIS countries have lost about 23 MHA of arable lands…

The dynamics of Black Sea CIS regional grains and oilseeds areas, 1992-2008



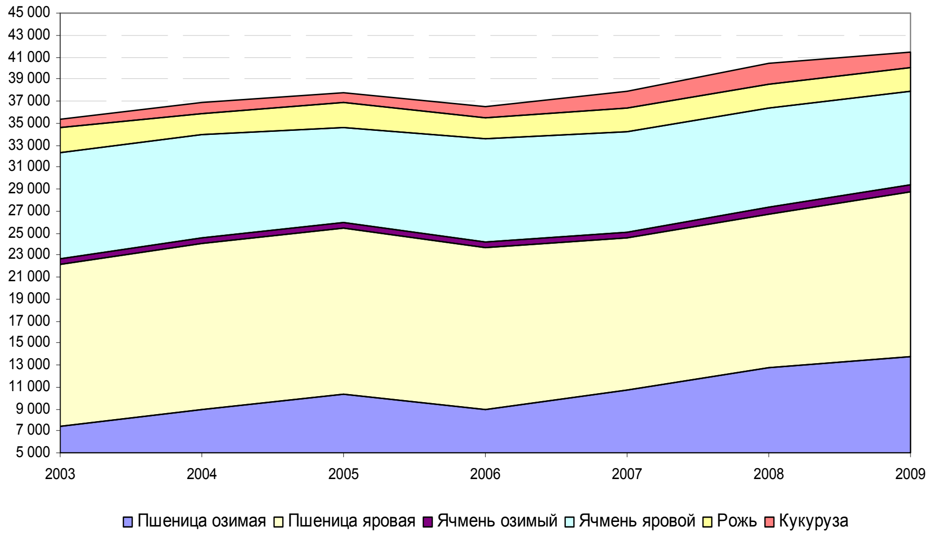
Steady gain of areas since the crop failure of 2003…

Russia: the dynamics of grain and oilseed sowing areas, 2001-2009

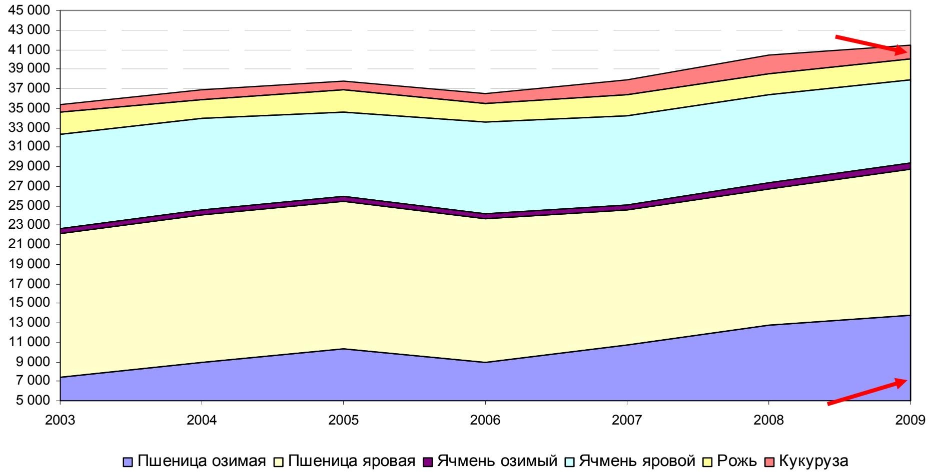


Russia: Steady gain of areas since the crop failure of 2003…
Oilseeds are leading the game…

Russian break-down of sowing areas under grains

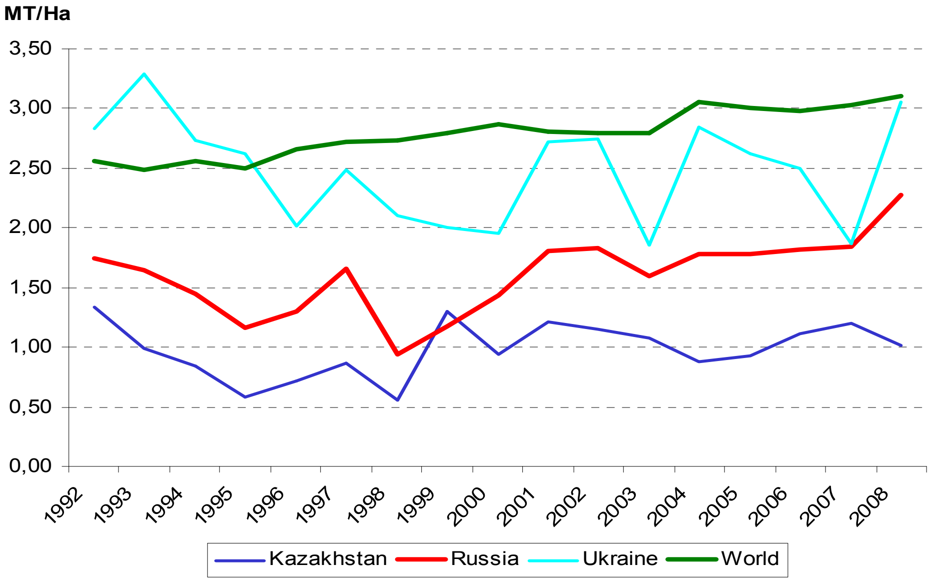


Russian break-down of sowing areas under grains



…drifting towards winter wheat and corn

Grain yields: world and Black Sea CIS countries, 1992-2008



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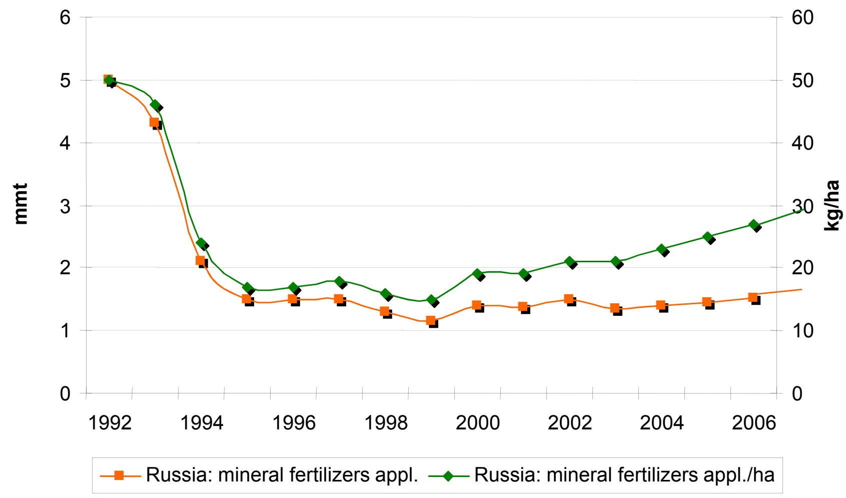
Russia: dynamics of fertilizers «delivery»



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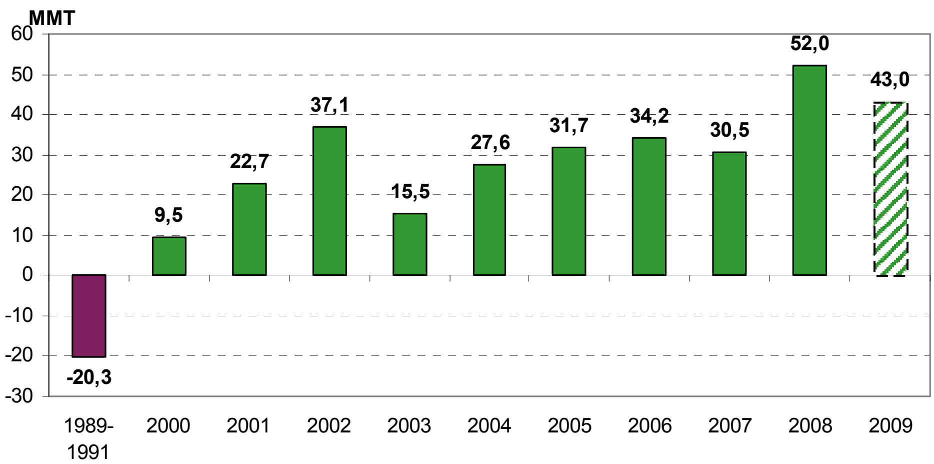
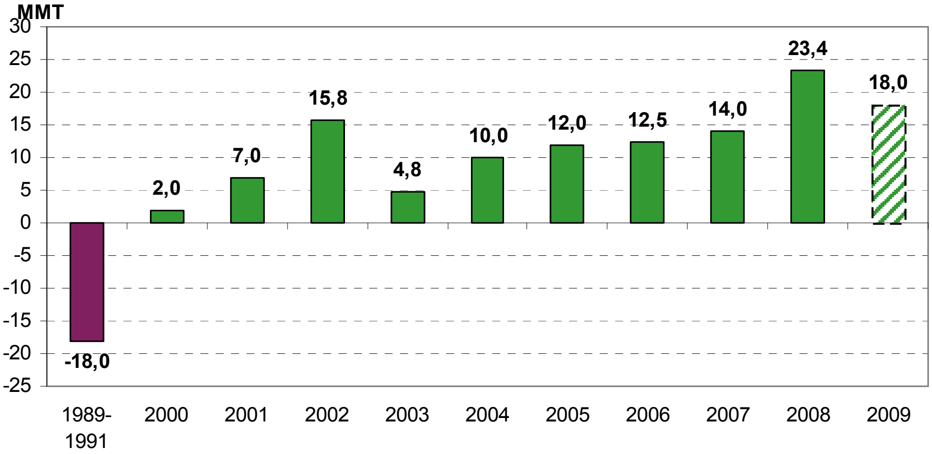
Emerging agribusiness power: Black Sea CIS foreign trade with grains, 1989-2009



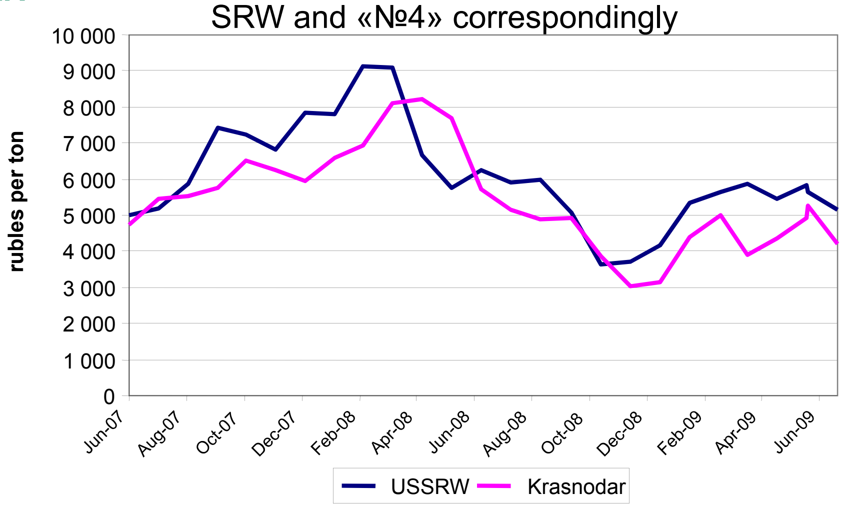
Grain export has been the driving force of growing areas under grains as well as oilseeds in the region!

Emerging agribusiness power: Russia's foreign trade with grains (incl. flour)



Grain export has been the driving force of growing areas under grains as well as oilseeds in the region!

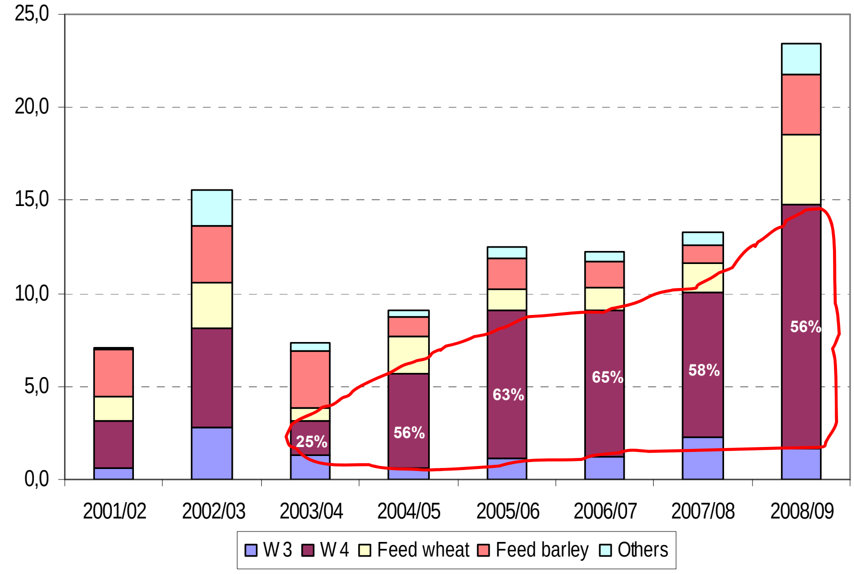
Average price received by farmers, Illinois and Krasnodar, SRW and «№4» correspondingly



We are hughly integrated into the global markets, although farmers in South of Russia are basically discounted during most of the season

Russian grain mix export structure: the issue of «ordinary milling wheat»

Структура российского зернового экспорта



Behind the story: state support and NAOs (new agricultural operators)

Emerging New Agricultural Operators as key regional phenomenon

NAOs: mega-multi farming projects of mostly non-agricultural entities, which have entered primary ag production

Criteria:

- **Active participation in management and control**
- **Investment & Risk sharing (value at risk in agriculture)**

Size and scope of NAO operations up-to-date

From Autumn 1999 (first publication) ongoing monitoring and updates of data base

Summer 2009: more than 200 companies, which have captured about 14 MIO ha of arable land…

Including 34 companies with 100 th. ha and more…

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NAO's/agroholdings: selected examples

Prodimex: biggest sugar processor (400 THA)

Yug Rusi: biggest oilseed crusher (200 THA)

Glencore: biggest domestic grain exporter (100 THA)

AGRO-INVEST: Swedish land investment fund (300 THA)

Fosagro, Akron: Growing farmland portfolio

Bonduel: biggest domestic canned vegetables manufacturer (5 THA)

Case of «Traditional» and «New» farming.

Stavropol, neighboring farms, winter wheat. June, 2008

2.3 tons/ha potential yield

7.0 tons/ha potential yield

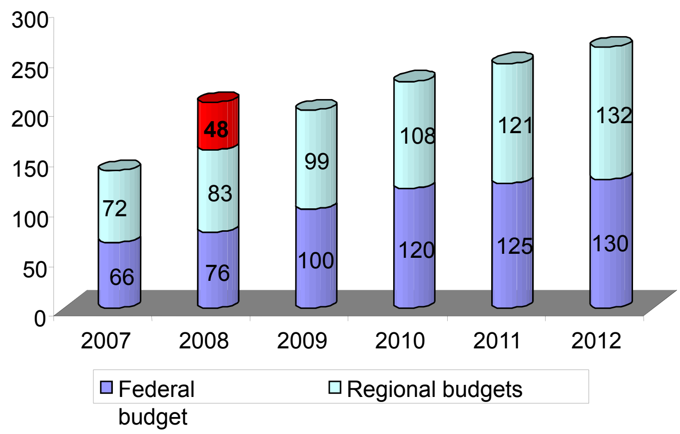
Case of «Traditional» and «New» farming.

Stavropol, sunseeds, neighboring farms, June, 2008

«Traditional»

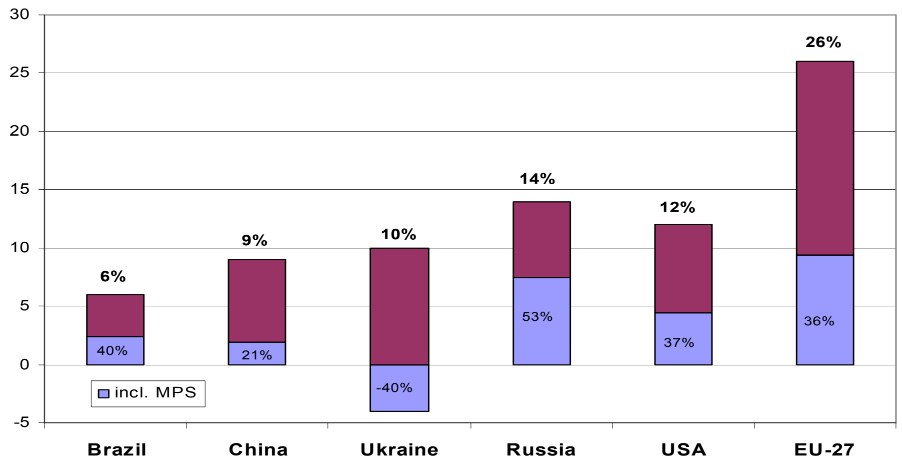
«New»

Agricultural program: state agricultural budget outlays



2009: implementation of rescuing plan for domestic agriculture: record high federal government spending!

Producer subsidy equivalent (PSE) in selected countries, 2005-2007, % of farm output



In 2005-07 Russia has had one of highest PSE and MSP levels!

Source: OECD

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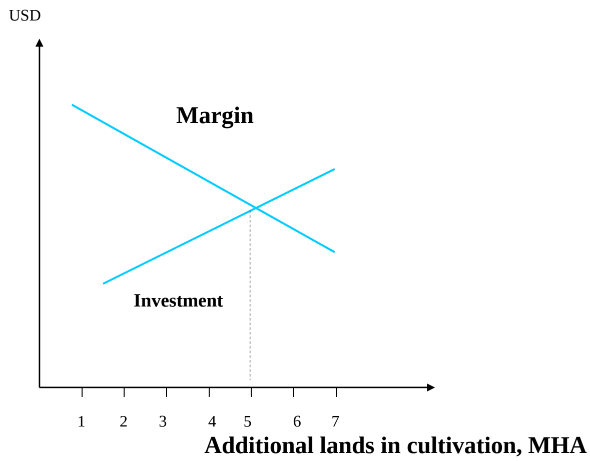
Prospects

Two myths and real issues

Myth No 1. The issue of «Fallow lands»
(picture from Voronezh region Central Black Soil)

«Russian cross», or why – *ceteris paribus* (!) - arable lands increase is unlikely to exceed 5 MHA



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Myth No2. Russia will need much more grains for growing animal protein sector

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Real issue

Infrastructure: from farm to end users and export destinations

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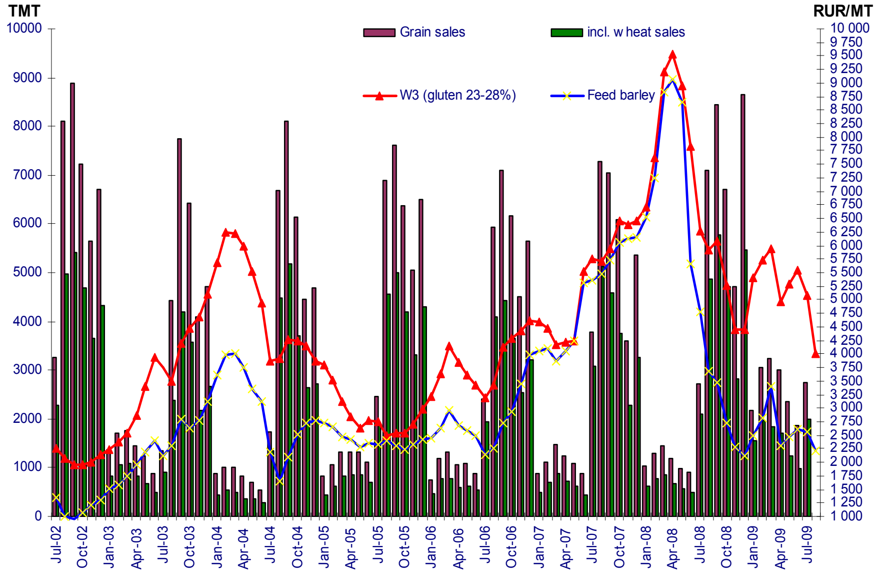
Domestic grain price/shipments «saw»



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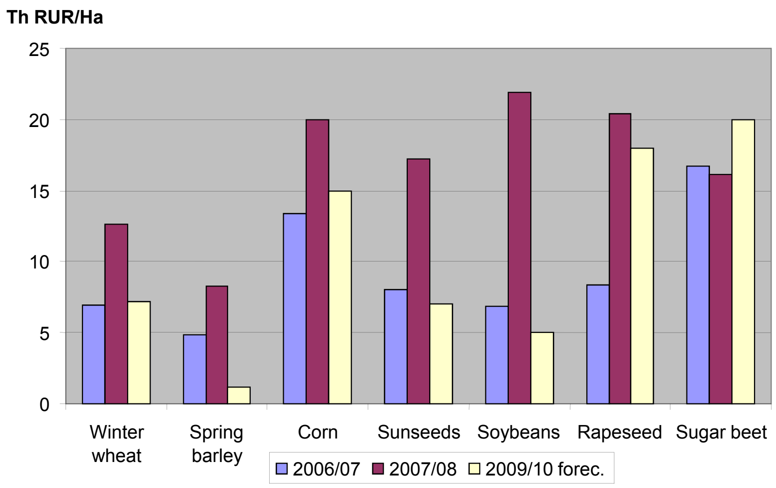
Real issues. Russian crop margins before, during and after «agflation» Россия: маржа до, во время и после «агфляции»



«preliminary observations» for 2010: wheat is still OK, but shifting interest to oilseeds, row crops, and niche commodities?