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RUSSIAN MARKET OF AGRICULTURAL LAND

Information of the International Conference for agricultural producers and suppliers of agricultural inputs and services, Moscow, Radisson SAS Slavyanskaya hotel, January 26, 2010.

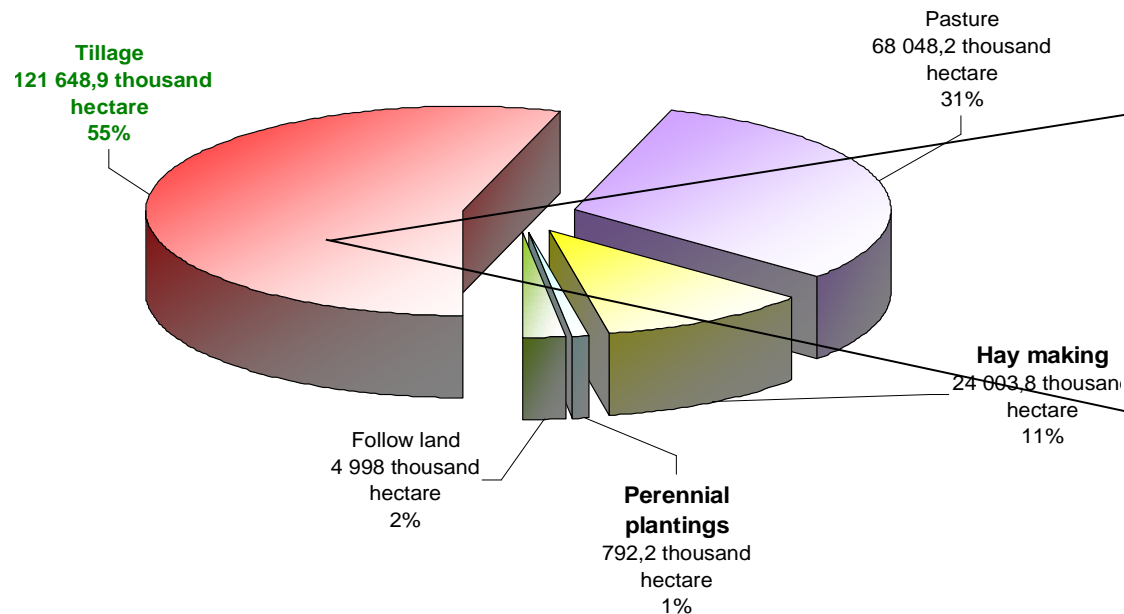
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1. Structure of agricultural land in Russia (1 / 2)

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Structure of agricultural land, 2009



More than **78 million hectare of tillage** is located in the Central, South and Volga Federal Districts that mainly attract agricultural producers

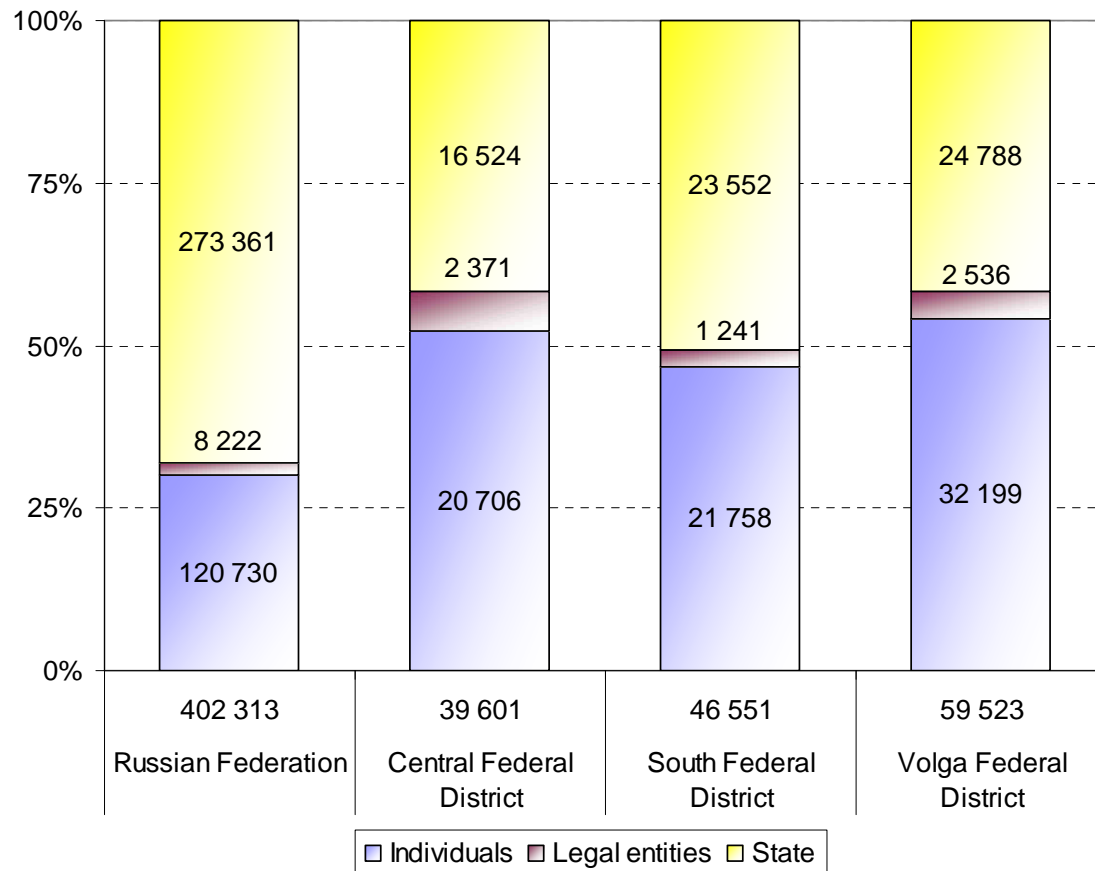
As BEFL estimates show, **follow land amounts to 15%** of tillage taking into account seeds in 2008-2009.

- ✓ **9% of the world agricultural land** is located in Russia while the segment of **agricultural products manufactured** makes up **less than 1,5%** of total
- ✓ For the recent 15 years **cropland in Russia decreased** by more than **10 million hectare**
- ✓ **30 million hectare** of agricultural land is not involved in the intended use

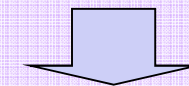
Data provided by State Register, Ministry of Agriculture, BEFL

1. Structure of agricultural land in Russia (2 / 2)

**Agricultural land by types of ownership, 2009
(thousands hectare)**



- ✓ 84% of agricultural land owned by individuals makes up shared ownership
- ✓ Land rights of the majority of agricultural producers are not registered properly
- ✓ 3,5% out of 12 million land share owners have state registration



- ✓ **Market development is strictly limited**
- ✓ **Very few transactions**
- ✓ **Difficulties with attracting funding under pledge of agricultural land**

Data provided by State Register

2. Legal restrictions to commerce in land

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Limited interest

- ✓ No sale or lease
- ✓ Exceptions: other participants of shares ownership; agricultural companies or individuals using the land plot

Separation of a land plot

- ✓ Complex order of activities and the majority at the participants' meeting
- ✓ Publications of advertisements on separation, executing conciliation procedures, etc. are required in case the location is undecided

Preemption right

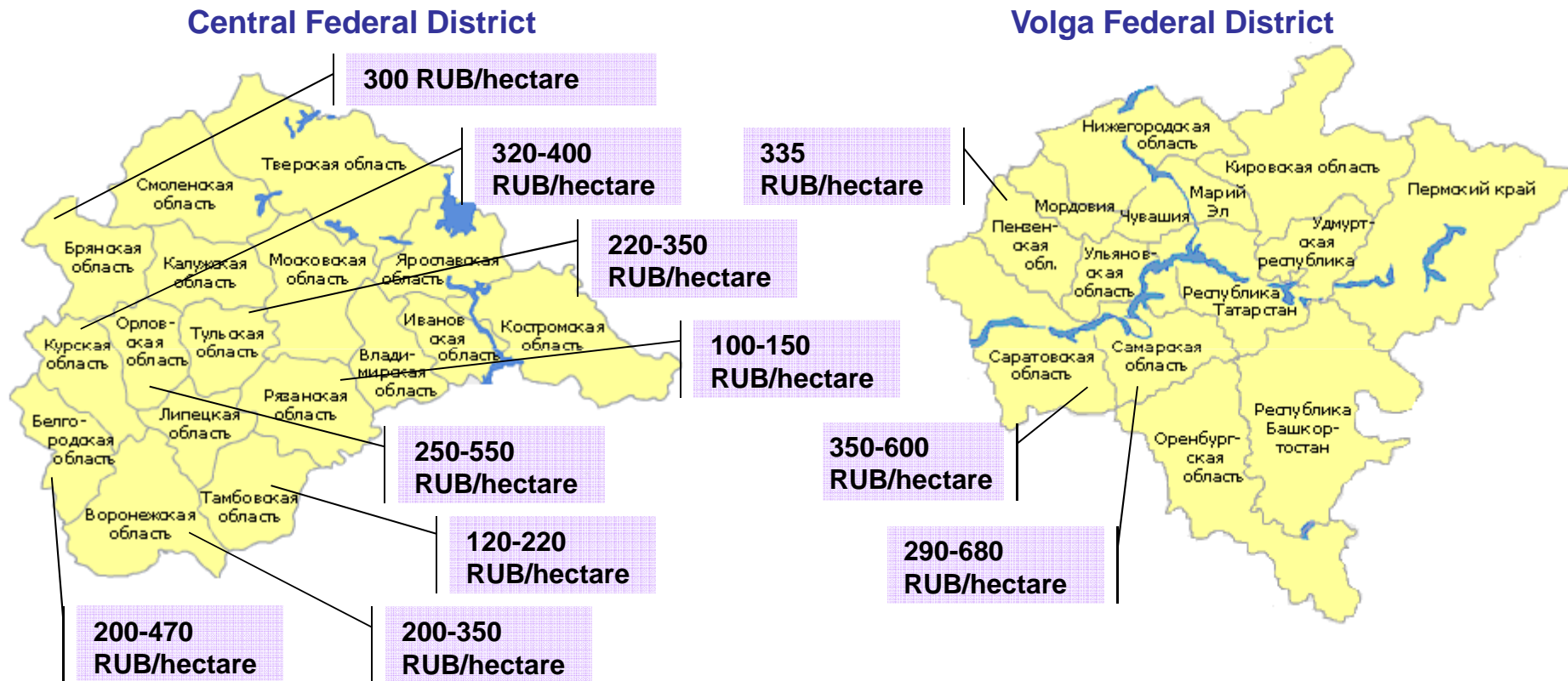
- ✓ Preemption right to purchase by RF subject (municipal entity)
- ✓ Onward sale on the same terms only

Ownership of land plots by foreigners is prohibited

- ✓ Foreigners and foreign companies are prohibited to own land plots, as well as companies ownership of foreigners and foreign companies in which is more than 50%

3. Cadastral Land Registration

Cost of agricultural land survey in 2008-2009



- ✓ Cost of agricultural land survey depends on the area, complexity of the object, its location and other factors
- ✓ Cadastral registration is currently free

Data provided by BEFL, public Internet sources

4. Segments of agricultural land market (1 / 2)

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Market segment	Main Features
1. Owned land	<ul style="list-style-type: none">✓ The most attractive segment for purchasers, high demand to land of more than 1 thousand hectare✓ Offer is strictly limited✓ High price✓ As a rule, infrastructure, agricultural equipment, seeds are included in the transaction✓ Minimum risk of land acquisition
2. Structured agribusiness with owned land	<ul style="list-style-type: none">✓ It's not land, but a part in the capital of agricultural business that is sold✓ Attractive segment✓ Offer is strictly limited✓ High price of the transaction, the price includes bonus for established business✓ The purchaser acquires financial, tax and legal business risks
3. Agricultural companies with long-term lease of «pai» and municipal land	<ul style="list-style-type: none">✓ Subject of sale includes lease rights together with infrastructure, agricultural equipment, seeds or shares in the capital✓ Price depends on perspectives of land acquisition and area increase be means of nearby land owners✓ Moderate demand✓ Many segment participants are intending to move to Segment 2✓ Represented mostly by companies established after 2003

4. Segments of agricultural land market (2 / 2)

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Market segment	Main features
4. «Pai» land cultivated without legal rights or «pai» land uncultivated	<ul style="list-style-type: none">✓ Mostly represent land of this segment✓ Lowest price✓ Significant expenses for involving in agricultural turnover✓ High risks of the process and operations on the land✓ Conflict with current land user and municipal authorities is highly possible
5. Unclaimed shares (land)	<ul style="list-style-type: none">✓ By different estimates, from 15 to 30% of land owned by individuals✓ As a rule, used under «short-term lease» with municipal entities✓ It is impossible to purchase ownership or lease rights✓ Law includes procedure of recognition ownership of RF subject or municipal entity✓ In demand by land users owing / controlling nearby lands
6. Municipal, state land	<ul style="list-style-type: none">✓ Long-term lease is mainly offered✓ Seldom sold to ownership✓ Under general provision any agreement shall be made in trading✓ Price is subject to local laws on land turnover

5. Development of agricultural land market in Russia (1 / 5)

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Cost of agricultural land in the Russian Federation in 2003-2008

- ✓ **2005 – 2006** – agricultural holdings are starting to purchase land
2007 г. – many non-profile investors appeared in the market
- ✓ Increase of «pai» land cost in Russia in 2003 – 2008 amounted to **400%**, marginal cost amounted to **180 – 300 USD**
- ✓ By summer, 2008, owned land of more than 5 thousand hectare was offered at price of more than **1 000 thousand USD per hectare**.
Marginal cost of transactions amounted to **750 – 900 USD per hectare**.
- ✓ Lease payment for «pai» land for 2005-2008 increased **more than 2 times** and is still paid in kind (grain, oil/butter, sugar, etc), or from **500 up to 1 000 RUB/hectare** per year in monetary terms.
- ✓ Cost of lease rights under long-term lease agreements (lease transfer) amounted to **200 USD per hectare** (without crops)
- ✓ By mid 2008 the Institute for Agricultural Market Studies estimated total area of arable land under control of 196 private agricultural holdings as 11,5 million hectare. 32 agricultural holdings controlled more than 100 000 hectare each.
- ✓ 0,6% – ownership, 83% – lease, 16% – state lease

5. Development of agricultural land market in Russia (2 / 5)

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Major land banks (by the end of 2009)

Company	Land under control, thousand hectare	Including		Regions
		owned, thousand hectare	leased, thousand hectare	
Prodimex	570,0	n/a	n/a	Voronezh, Belgorod, Orel, Tula, Penza, Krasnodar, Stavropol, Bashkortostan
Ivolha-holding	500,0	n/a	n/a	Chelyabinsk, Kursk, Orenburg, Ulyanovsk, Krasnodar, Kazakhstan
Razgulay	463,0	94,0	369,0	Belgorod, Rostov, Kursk, Orel, Orenburg, Volgograd, Samara, Krasnodar, Stavropol, Altay
NAPKO	460,0	390,0	70,0	Moscow, Penza, Lipetsk, Voronezh, Ulyanovsk, Tambov
Zolotoy Kolos	450,0	n/a	n/a	Tatarstan, Nizhniy Novgorod
South of Russia	420,0	n/a	n/a	Krasnodar, Rostov, Voronezh
Vamin Tatarstan	400,0	n/a	n/a	Tatarstan
Krasny Vostok - Agro	394,8	96,4	298,4	Kursk, Voronezh, Ulyanovsk, Tambov, Tatarstan
Siberian Agrarian Holding	376,7	242,8	133,9	Altay, Novosibirsk, Rostov, Tula, Ulyanovsk
Valars	360,4	42,5	317,9	Rostov, Stavropol, Ukraine
Black Earth Farming	323,0	n/a	n/a	Central Russia
RusAgro	260,0	n/a	n/a	Belgorod
Agroforce-Group	221,2	n/a	n/a	Tatarstan
Inteko-Agro	200,0	n/a	n/a	Penza, Kursk, Kaliningrad, Kalmykia, Stavropol
Lupus Holding (through Volga Farming and Redland Russian Land Fund)	198,0	n/a	n/a	Central Chernozem Region of Russia
Alpcot Agro	161,0	91,0	70,0	Central Chernozem Region of Russia
PAVA	160,0	68,7	91,3	
Avangard-Agro	155,0	77,0	78,0	Voronezh, Kursk, Lipetsk, Orel, Belgorod
PAB Agro-Pro	150,0	68,7	91,3	Voronezh, Orel, Rostov
Trigon Agri	130,1	n/a	n/a	Central Chernozem Region of Russia
Stoylenskaya Niva	109,5	n/a	n/a	
Management Company «IPF-Agro»	100,0	n/a	n/a	
Talina	87,0	63,0	24,0	Republic of Mordovia
OGO	70,0	20,0	50,0	

Data provided by RBC

5. Development of agricultural land market in Russia (3 / 5)

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Capitalization of agricultural companies

	Black Earth Farming, USD		Alpcot Agro, USD		Trigon Agri, Euro	
	2008	2009	2008	2009	2008	2009
Capitalization at the beginning of the year	280 173 751	435 825 835	45 851 621	42 895 882	63 517 464	94 628 059
Reporting date	30.09.2008	30.09.2009	30.06.2008	30.06.2009	30.09.2008	30.09.2009
Long-term liabilities	82 700 000	80 415 000	19 633 465	30 656 760	26 313 000	24 325 000
Cash and cash equivalents	153 016 000	94 296 000	87 201 288	14 291 255	22 609 000	3 651 000
EV	209 857 751	421 944 835	- 21 716 202	59 261 387	67 226 464	115 302 059
Controlled land, hectare	333 000	323 000	133 000	167 000	137 359	169 105
Assets	416 825 000	384 270 000	231 072 444	175 597 548	194 732 000	144 944 000
Non-current assets	171 913 000	201 604 000	98 607 105	102 546 369	78 777	85 893
Including land	78 152 806	59 259 000	н/д	н/д	н/д	н/д
EV / Controlled land	630	1 306	-	354	489	682
Non-current assets / Controlled land	516	624	741	614	574	508
Expenses per 1 hectare of land under control	235	183	-	-	-	-

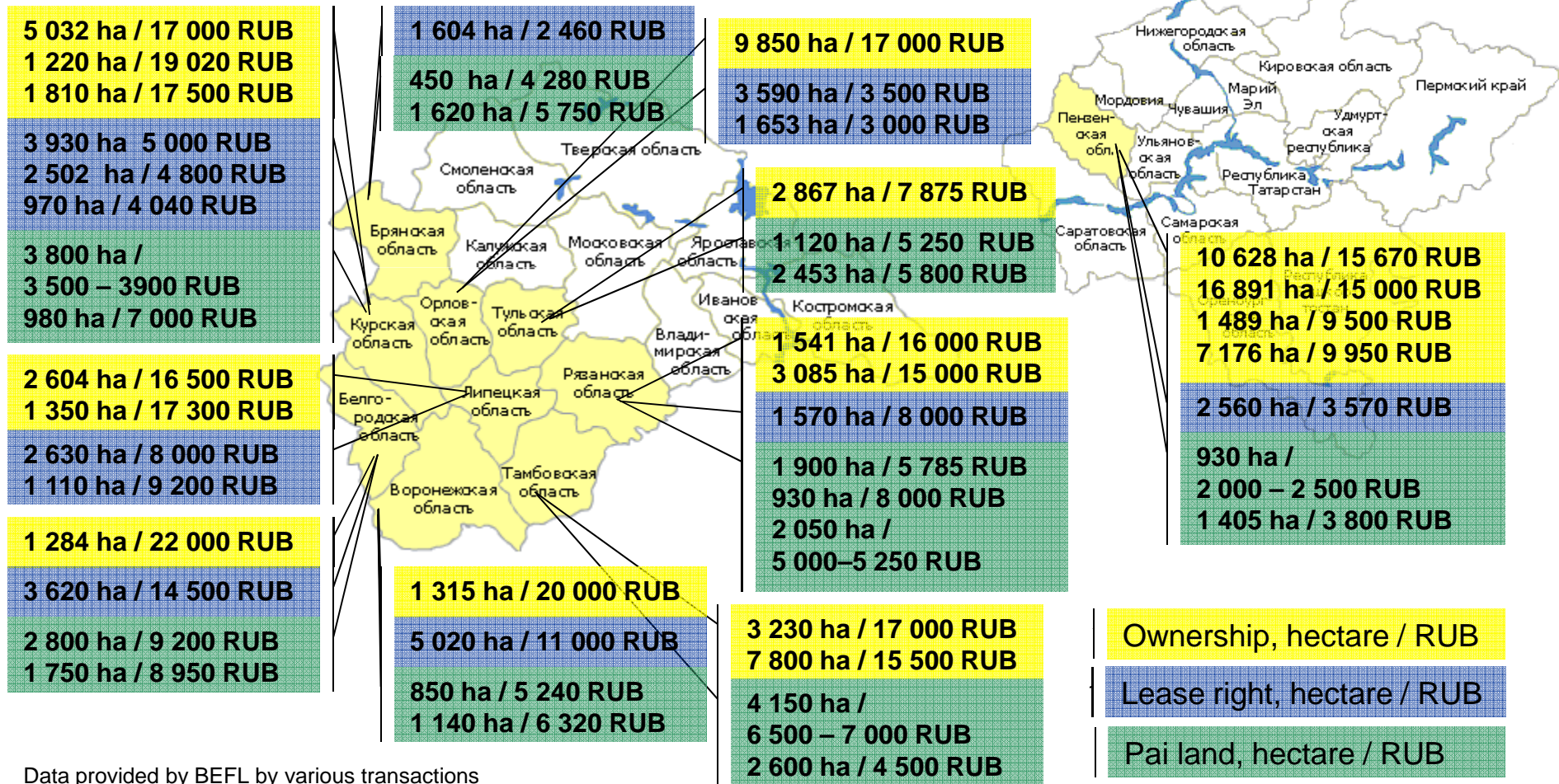
Data from financial statements of Black Earth Farming, Alpcot Agro, Trigon Agri, BEFL estimates

5. Development of agricultural land market in Russia (4 / 5)

Cost of agricultural land in regions in second half of 2008-2009

Central Federal District

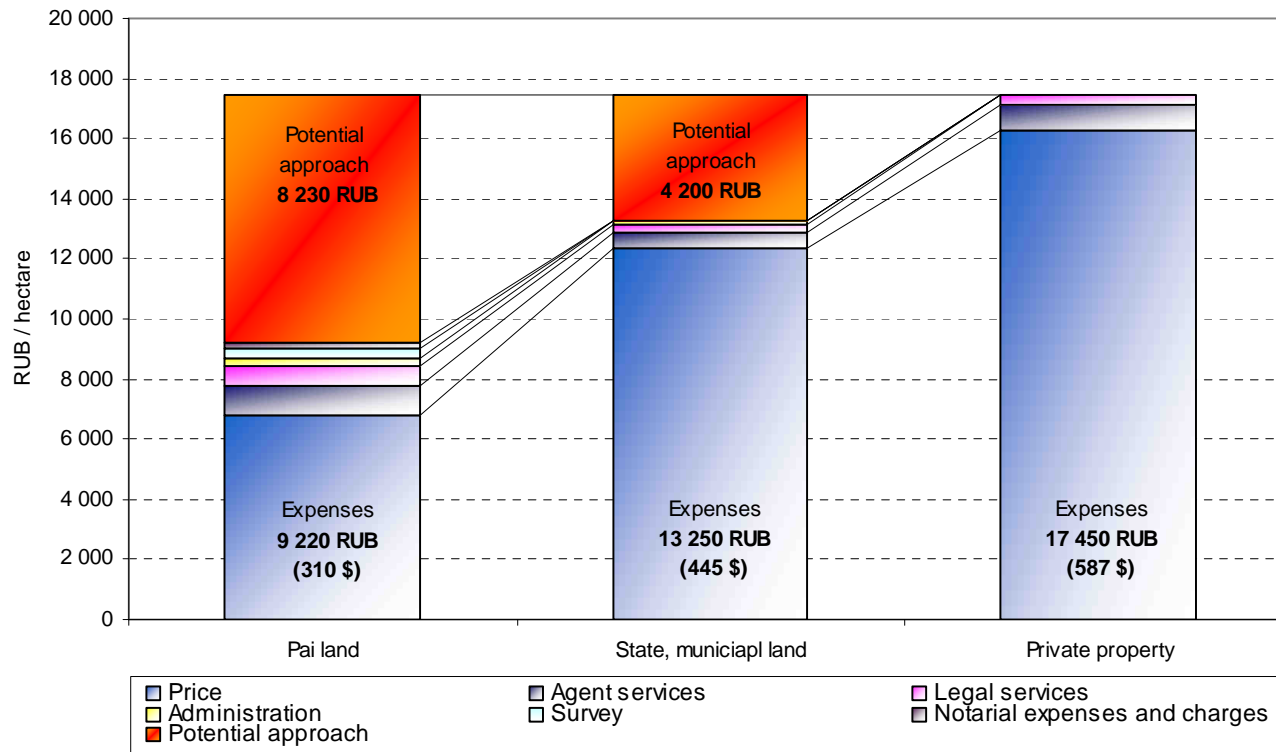
Volga Federal District



Data provided by BEFL by various transactions

5. Development of agricultural land market in Russia (5 / 5)

Structure of prices to land owned by various market segments, 2009



- ✓ Huge areas of agricultural land and 'speculative' land were not introduced to the market as it was anticipated
- ✓ Stabilization of land price; price reduction was less than forecast predicted
- ✓ Financial investors act as main purchasers
- ✓ First signs of demand growth

Data provided by BEFL, average data for the Central Federal District

5. Market development in 2010: Forecast

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Increase of state influence:

- **inventory of state land**
- **Increasing responsibility for unused land**
- **Simplification of legal procedures for involving land in turnover**
- **Financing the agribusiness**

Stabilizing price band at the following levels (Central Federal District):

- **ownership 15 000 – 20 000 RUB per hectare**
- **lease (20-49 years) 5 000 – 10 000 RUB per hectare**

Main Purchasers:

- **Financial investors**
- **Successful agricultural holdings (proximity to funding sources is important)**

Main criteria for Purchasers:

- **Rights to the asset**
- **Quality of land**
- **Logistics and infrastructure**
- **Facilities for grain storage**

A person in a suit is shown from the chest up, holding a pen in their right hand over an open left hand. The background is a clear blue sky. The person is wearing a dark suit jacket and a light-colored shirt with a white cufflink.

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Thank You for Your attention!

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