



**BEFL**

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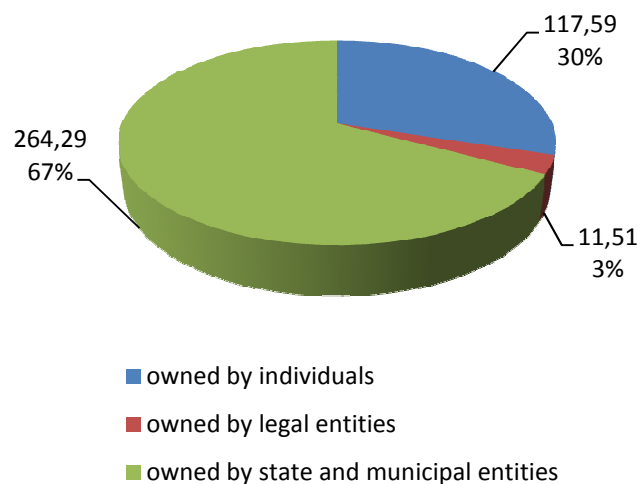
## **Agricultural Land: to Hold, to Buy or to Sell?**

VIII Annual Business Conference 'Agriholdings of Russia', December 02, 2011, Moscow

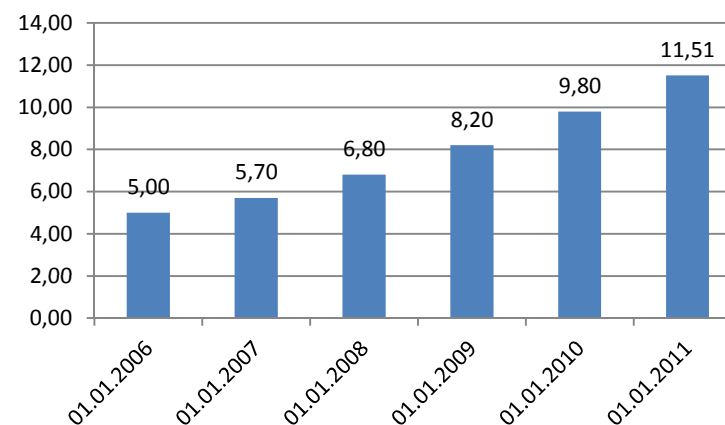
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## Market of Agricultural Land: Structure (1/3)

**Agricultural land by types of ownership  
as of January 01, 2011 (mln ha / per cent)**



**Dynamics for land owned by legal entities  
(mln ha)**



### Market segments

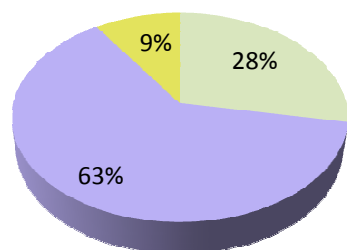
1. 'Pai' land
2. Municipal, state land
3. Owned land
4. Agricultural companies with owned land and long-term lease of 'pai' land and / or municipal land

## Market of Agricultural Land: Structure (2/3)

Data on agricultural land by regions of the Russian Central Federal District (CFD) as of 01.01.2011 (th ha)

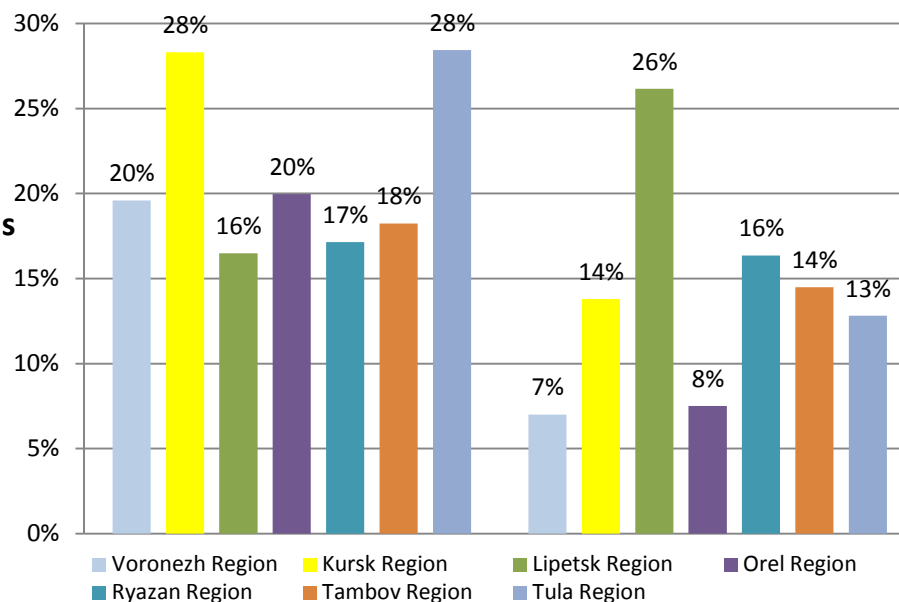
RF subject	Total area of agricultural land	Farmland (arable land)	Agricultural land			Redistribution fund land (arable land)	Unclaimed shares
			owned by state or municipal entities	owned by RF individuals	owned by legal entities		
Voronezh Region	4 213,70	2 915,90	1 320,20	2 689,60	203,90	10,90	526,80
Kursk Region	2 276,80	1 803,40	491,70	1 536,20	248,90	14,40	434,90
Lipetsk Region	1 938,70	1 463,40	490,90	1 065,00	382,80	9,50	175,60
Orel Region	2 032,20	1 508,50	597,90	1 321,00	113,30	15,60	263,80
Ryazan Region	2 583,50	1 448,70	821,10	1 525,50	236,90	53,10	261,60
Tambov Region	2 819,20	2 063,60	758,90	1 761,20	299,10	22,10	321,10
Tula Region	1 842,60	1 409,80	437,90	1 224,10	180,60	23,50	348,20

**Agricultural land of CFD regions by types of ownership (per cent)**



- owned by state and municipal entities
- owned by RF individuals
- owned by legal entities

**Unclaimed shares owned by individuals (per cent)**



**Land owned by legal entities of the total area of arable land (per cent)**

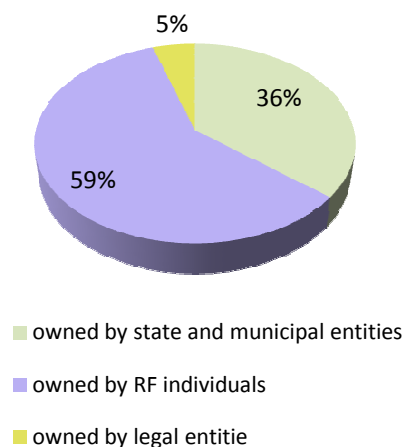
- Voronezh Region
- Kursk Region
- Lipetsk Region
- Orel Region
- Ryazan Region
- Tambov Region
- Tula Region

## Market of Agricultural Land: Structure (3/3)

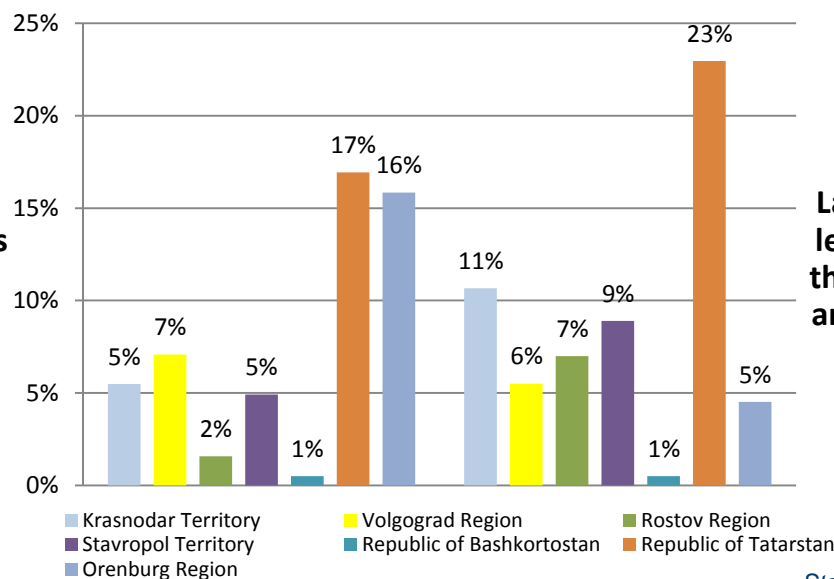
Data on agricultural land by regions of the Russian Southern Federal District (SFD), North-Caucasian Federal District (NCFD) and Volga Federal District (VFD) as of 01.01.2011 (th ha)

RF subject	Total area of agricultural land	Farmland (arable land)	Agricultural land			Redistribution fund land (arable land)	Unclaimed shares
			owned by state or municipal entities	owned by RF individuals	owned by legal entities		
SFD							
Krasnodar Territory	4 750,50	3 753,30	1 345,00	3 005,30	400,20	22,40	165,00
Volgograd Region	9 126,00	5 794,10	2 592,70	6 214,50	318,80	167,60	439,30
Rostov Region	8 816,00	5 726,40	2 370,60	6 045,50	399,90	48,50	95,20
NCFD							
Stavropol Territory	6 110,50	3 930,20	1 824,00	3 936,60	349,90	36,50	193,60
VFD							
Republic of Bashkortostan	7 696,30	3 496,60	5 460,20	2 234,20	1,90	7,70	0,60
Republic of Tatarstan	4 627,70	3 307,40	1 611,90	2 256,70	759,10	н/д	382,20
Orenburg Region	10 938,40	6 035,30	3 438,30	7 228,00	272,10	135,60	1 145,50

Agricultural land of SFD, NCFD and VFD regions by types of ownership (per cent)

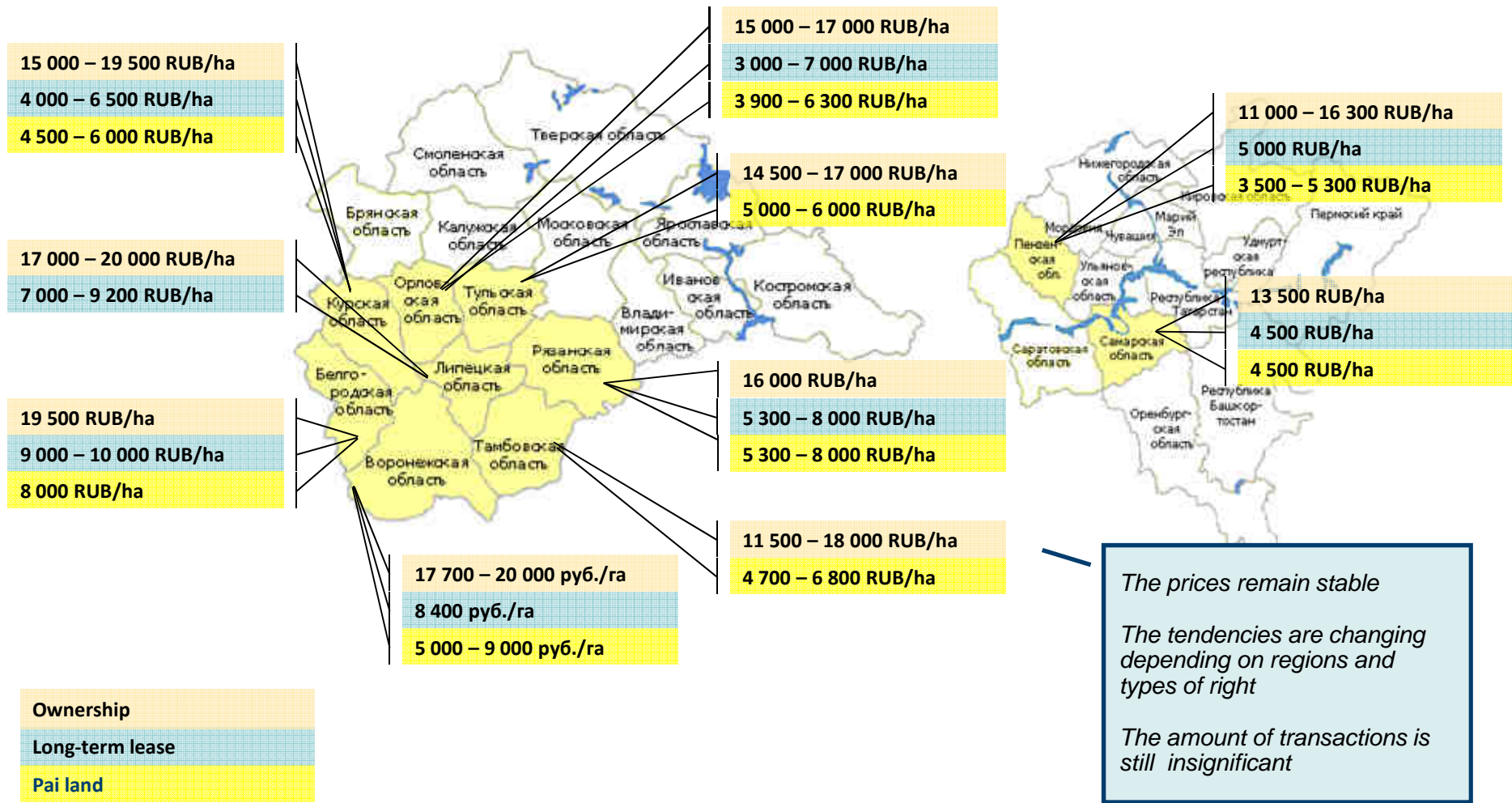


Unclaimed shares owned by individuals (per cent)



Land owned by legal entities of the total area of arable land (per cent)

# Prices 2011



Data provided by BEFL on various transactions

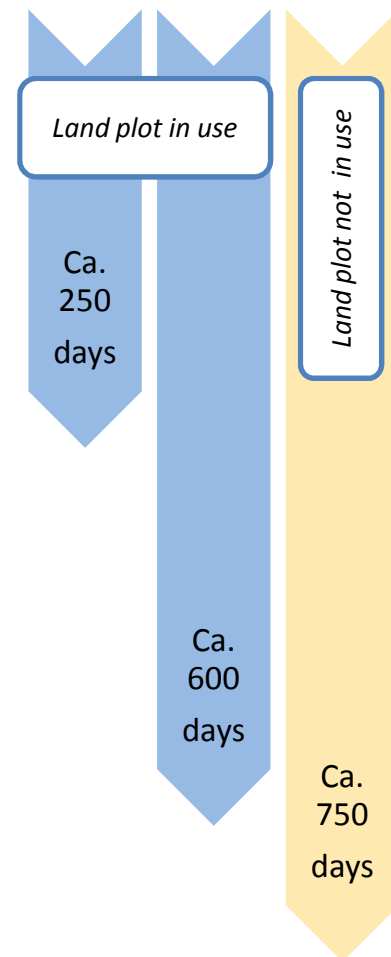
**Amendments to the Federal Law 'On turnover of agricultural lands' from July 01, 2011**

1. **Grounds and procedure for forced seizure of a land plot are specified (in particular: decrease of land fertility and non-use of a land plot for 3 and more years)**
2. **Procedure for preparation and holding of a general meeting of shared ownership participants is changed**
  - 2.1. A land survey plan is to be prepared prior to making a decision on land separation
  - 2.2. Two alternative procedures for land separation are initiated :
    - based on decision of a general meeting;
    - based on a participant's decision without holding a meeting
  - 2.3. Local self-government body is in charge of arranging, preparation and holding of a general meeting
  - 2.4. Procedure for holding a general meeting of shared ownership participants, its competence, quorum and voting results are changed
  - 2.5. A person, authorized by a general meeting of participants, is enabled to sign an lease agreement of a land plot and to perform some actions related to the state registration of rights
  - 2.6. Grounds for a shared ownership participant to withdraw from a lease agreement without a lessee's consent are determined
3. **Criteria for assigning land shares to unclaimed shares are specified. Procedure for registration of land plots on account of unclaimed shares is detailed**

## Stages

## Acquisition of rights to unclaimed shares

1. Composing and approval of a list of unclaimed shares
2. Recognition of rights of the local self-government body to unclaimed shares
3. Granting of preemptive right to purchase unclaimed shares
4. Separation of land plots on account of unclaimed shares
5. Registration of title of the local self-government body to a land plot
6. Granting of preemptive right to purchase a land plot
7. Holding trading for land plot sale





## Lease rights to land plots. Key risks

### *Regardless of a lessor status*

**Risk of a lease agreement termination**

**Grounds for termination**

- not using of land plots
- failure to pay rent more than twice at a stretch

### *Land plots owned by state or municipal entity or state ownership to land plots is not separated*

**Risk of a lease agreement rescission**

**Grounds for rescission**

- violation of procedure on making a lease agreement without trading
- violation of procedure on preparation and holding of trading for the right to make lease agreement

**Risk of rent increase**

**Risk associated with the following circumstances**

- Non-compliance of legislation of the RF subject with the RF legislation on determination of the rental amount with regard to the land plots with not shared/separated state ownership
- Revision of the land plot cadastral value (cadastral revaluation can be conducted on an annual basis potentially)

### *Land plots owned by legal entities and individuals*

**Risk of declaration of a lease agreement as void**

**Grounds**

the amount and order of rental payment are not approved (the amount of the rental payment is often determined as liabilities related to grain transfer, performance of particular works, etc. Meanwhile, the exact type of grain to be transferred in consideration for rental payment, is not specified).

### **Land plots title. Key risks**

**Risk of land plots forfeiture**

**Grounds**

- violation of preemptive right of the RF subject relating to purchase of land plots
- a buyer's ineligibility to purchase shares in the land plot ownership
- declaration of the shares purchase agreement as fraudulent transaction, made to cover up the transaction of land plots purchase
- violation of the admeasure procedure

### Key factors

- ↓ Global economy
- ↑ Macroeconomic environment in Russia
- ↓ Political risks of Russia
- ↑ Land – an alternative to many financial assets
- ↓ Lack of financial instruments bound to land
- ↑ Food shortages
- ↓ Significant risks of changes in agricultural production prices
- ↑ State support of the agricultural sector
- ↓ Lack of expertise in the sector and low business efficiency
- ↑ Relatively low land prices
- ↓ Legal risks, a ban on land purchase by foreigners

## Events of 2011

**IPO of Rusagro**

The company has raised \$ 330 mln through IPO on the London Stock Exchange.  
The company was valued at \$ 1.8 bln.

**PPF Group buys RAV Agro-Pro**

PPF Group has acquired 100% of CJSC RAV Agro-Pro shares (CJSC RAV Agro-Pro controls 150 th ha of land in Voronezh, Rostov and Orel Regions).

**Kernel Holding SA buys Russkie Masla**

Kernel Holding SA has acquired 100% of shares of Russian Oils, the owner of three oil-extracting factories in Krasnodar and Stavropol Territories (total processing capacity amounts to 400 th tons of sunflower seeds a year).

**VTB establishes agricultural fund**

VTB Capital has announced the establishment of investment fund VTB Capital Agri Fund dealing with investments in agricultural assets of Russia and Kazakhstan. They plan to acquire land assets with a total area of 9 000-15 000 ha, grain elevators and infill livestock projects.

**JSFC Systema enters agribusiness**

The company has won an auction and has acquired 100% of shares belonging to OJSC Donskoe (Rostov Region, 25.4 th ha of cultivated land).

**Avangard Asset Management presents agricultural fund + contribution to Razgulay capital**

AVG CIS Agricultural Opportunities Fund is presented (the plans of which are connected with large-scale projects for poultry and livestock production, greenhouse facilities in Voronezh Region, Republic of Bashkortostan, Orenburg Region).  
Capital asset comprises 29.99% stock of shares belonging to OJSC Razgulay Group.

*Data provided by the companies*

**CONSIDERABLE OPPORTUNITIES!****BUT****serious risk, high barrier to entry, lack of proper assets****low activity of buyers****TAKE A CHANCE TO INCREASE CAPITALIZATION OF YOUR BUSINESS!**

**THANK YOU!**

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