Impact of Sanctions on Russian Agriculture

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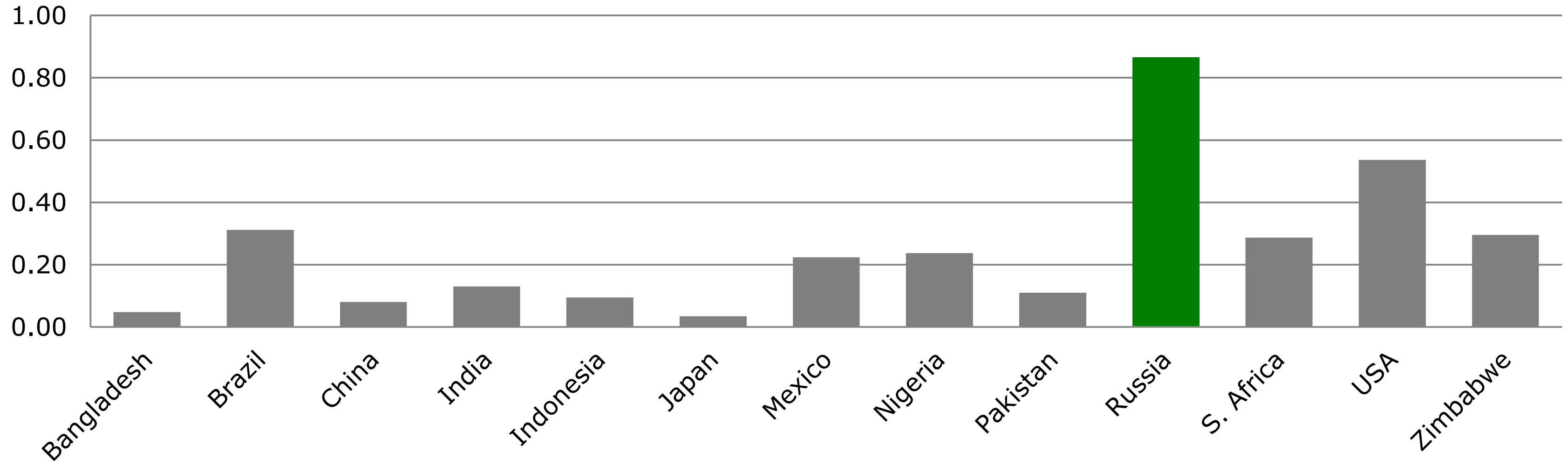
Discussion Topics

Agricultural potential in Russia

Macro-economic Environment

Impact of sanctions (+/-)

Disproportionate Arable Land per Capita

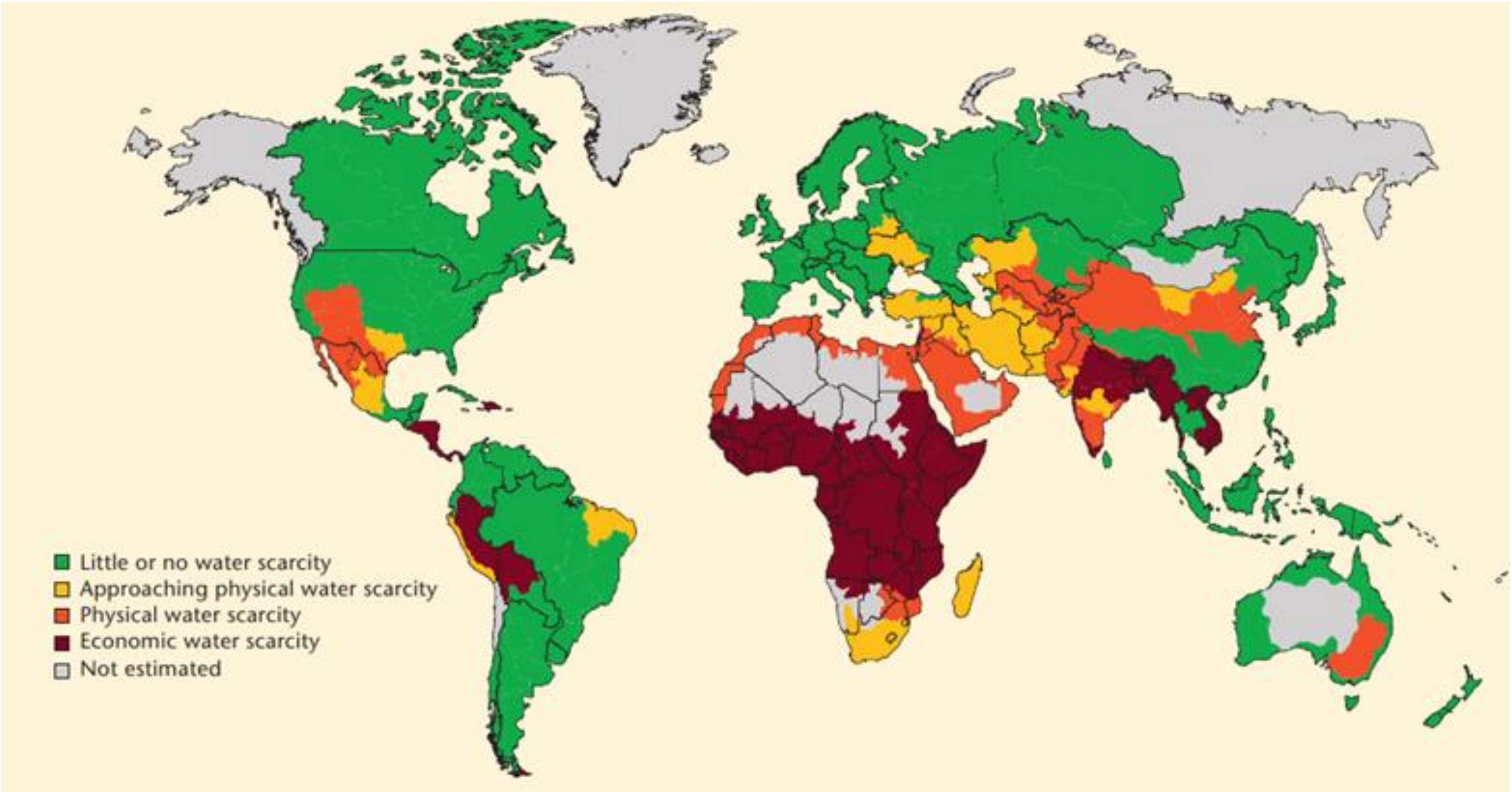


9% of world’s arable land

2% of world population

Sources: FAO Stat Book, 2010
Foreign Ag Service (USDA), retrieved January 2013

Adequate Water Supply



Source: Business Insider, March 2011

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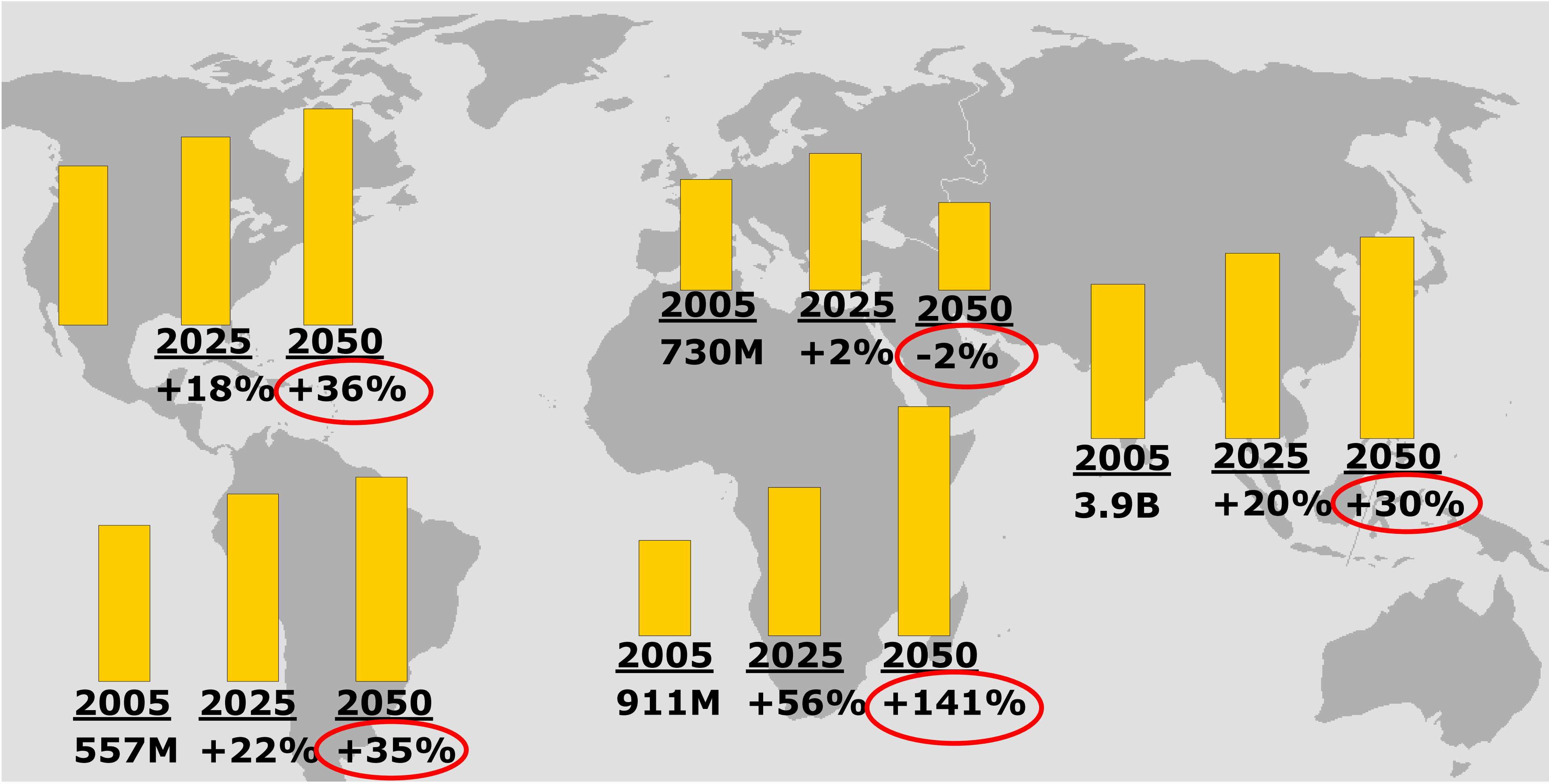
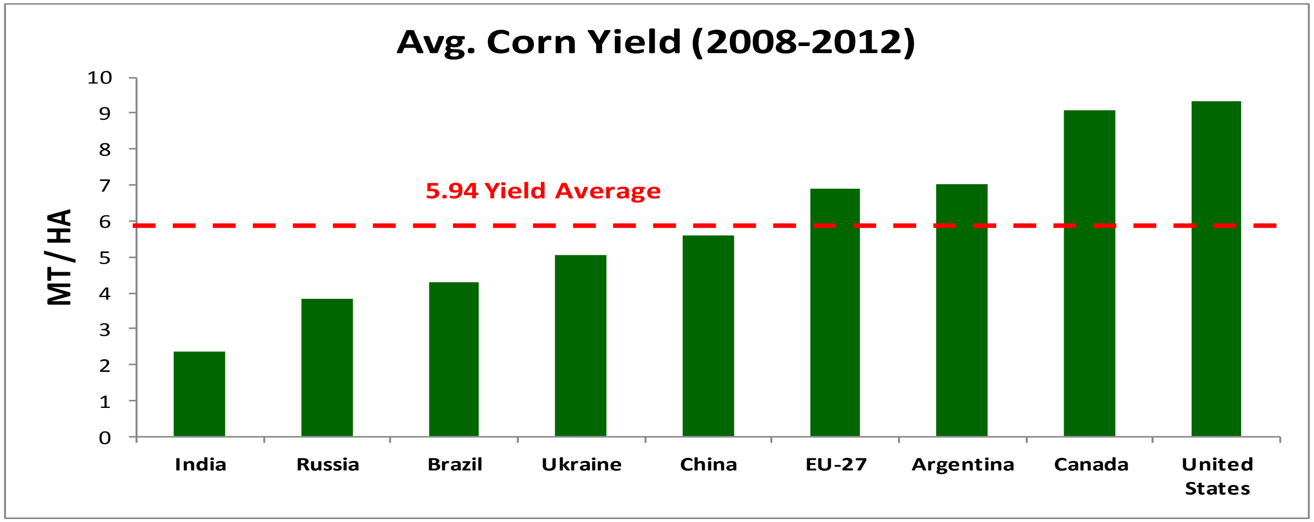
Uneven Distribution of Global Population Growth

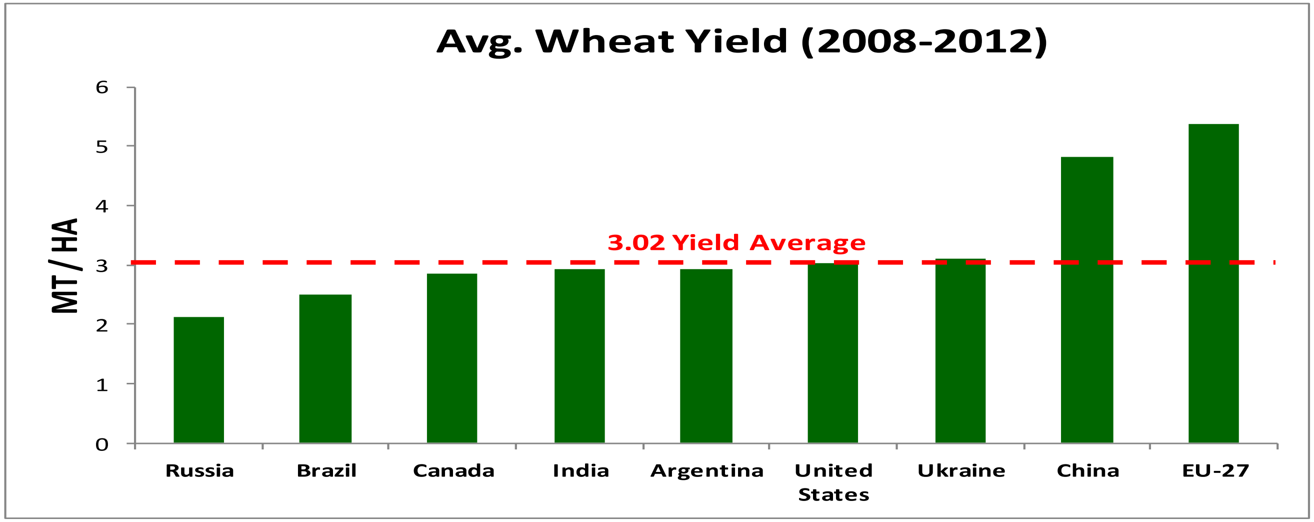
Favors existing Russian trading partners



Source: United Nations, World Population Prospects 2010 Revision

Significant yield potential to be realized





Source: Foreign Ag Service (USDA), Data retrieved January 2013; Weighted Yield Average of above countries

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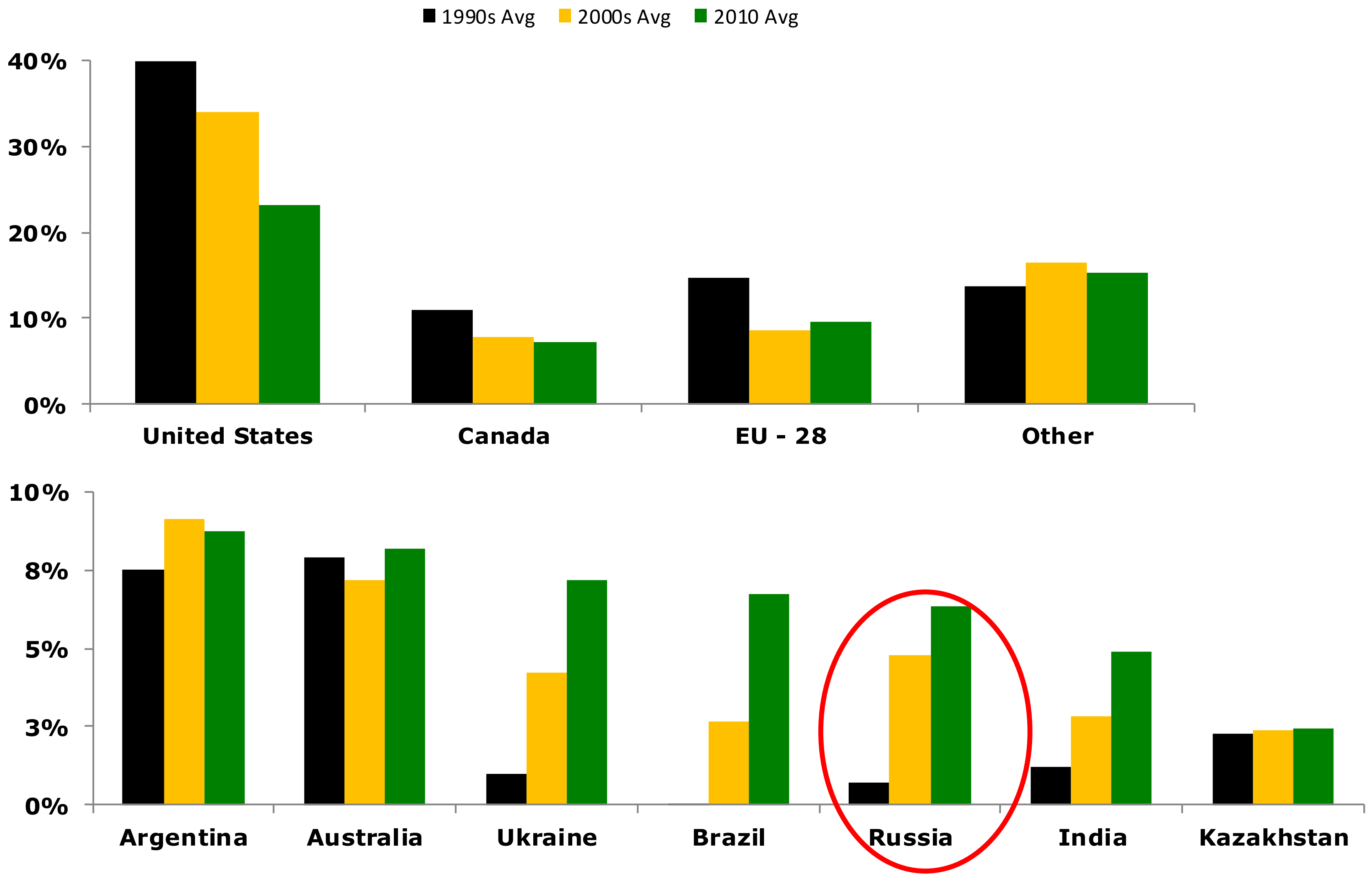
Major Grain Exporter Market Shares Shifting



Source: Foreign Agricultural Service, Official USDA Estimates , October 2014

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U.S. Corn Supply and Use

	2012 (MT)	2013 (MT)	Share of World 2013 (%)	2014F (MT)	Share of World 2014 (%)
Global Grain Production	2,267,220	2,470,027		2,468,978	
Russia	67,062	88,434	3.6	100,175	4.1
Ukraine	45,391	62,290	2.5	60,390	2.4
Global Wheat Production	658,315	715,133		721,115	
Russia	37,720	52,091	7.3	59,000	8.2
Ukraine	15,761	22,278	3.1	24,500	3.4
Global Corn Production	868,606	988,566		990,692	
Russia	8,213	11,635	1.2	12,000	1.2
Ukraine	20,922	30,900	3.1	25,000	2.5
Global Wheat Exports	137,361	166,181		156,019	
Russia	11,289	18,534	11.2	22,500	14.4
Ukraine	7,190	9,755	5.9	10,000	6.4
Global Corn Exports	95,156	129,029		114,092	
Russia	1,917	4,100	3.2	3,000	2.6
Ukraine	12,726	20,000	15.5	16,000	14.0

Source: USDA/WASDE, Oct 2014

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Reforms required to realize Agricultural Potential

- Mechanization supporting increased productivity
- Logistics infrastructure
- Optimized seed genetics
- Development of regional Research Institutes

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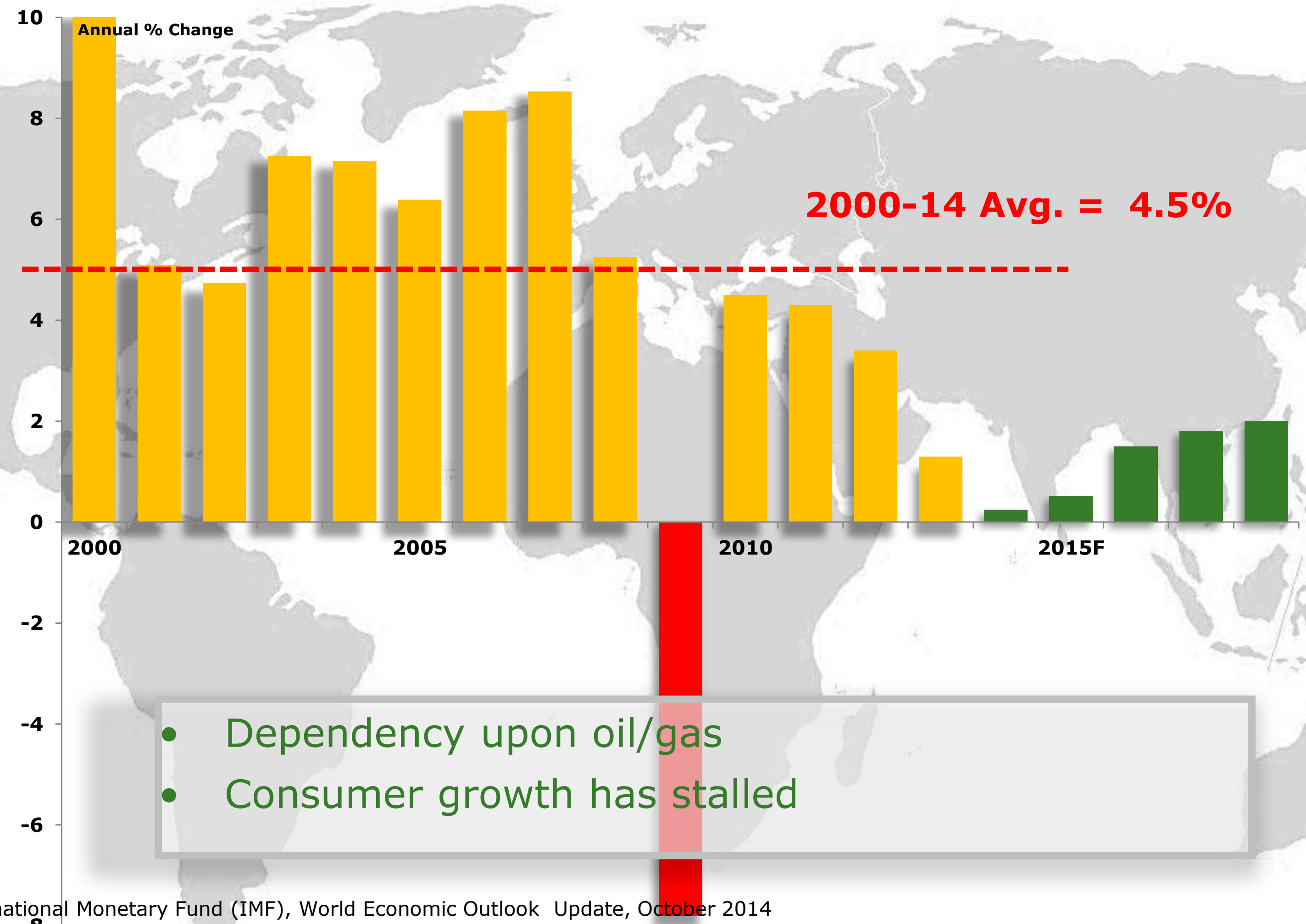
Russia
GDP Growth



- Dependency upon oil/gas
- Consumer growth has stalled

Source: International Monetary Fund (IMF), World Economic Outlook Update, October 2014

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Russian Sanctions Overview

Specially Designated Nationals (SDN)

- Prohibit legal entities & persons from all transactions with SDN

Sectoral Sanctions Identification (SSI):

- Prohibit legal entities & persons from financing new debt or equity

Russia restricts EU, USA, Canada, Norway and Australia imports

- Beef, pork, poultry, fish, sausage, cheese, milk, vegetables & fruit

Impact of Sanctions

	Positive
+	Russian Ag commodity prices
+	Ruble depreciation
+	Agricultural self-sufficiency

	Negative
-	Cost of capital
-	Access to credit
-	Uncertainty

"The weakened ruble should help import substitution efforts so that Russia can domestically produce affordable medicines and food within three to five years."

Agricultural Operations in Russia

Family Farms	**Corporate Farms**	Agro Holdings
200 – 3,000 Ha	3000 – 30,000 Ha	> 30,000 Hectares
Local producers	Regional grain suppliers	Vertically integrated
	Grain exporters	Diversified
Typical history: Family farm	**Typical history: Collective farm**	Typical history: Investors from outside Ag

Summary

Agricultural potential as global grain exporter

Agricultural reforms to realize full potential

Sanctions heighten urgency for self-sufficiency

Sanctions impact Russia's global competitiveness

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