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ADVANCING Agriculture

A strong vision to double its turnover in the next five years will further bolster Rusagro Group's position as one of the largest agriculture companies in Russia, the CIS, and the world.

Images courtesy of Rusagro Group

Rusagro Group is growing at an extraordinary rate. The vertically integrated agriculture industry holding business was established in 1995 with operations in sugar imports and quickly expanded to import and process raw cane sugar in Russia, before adding the divisions of agriculture, meat, and oil and fats.

In 2011, the group completed the process of forming a unified corporate structure and the holding company Ros Agro PLC was created. It then successfully listed on the London Stock Exchange and this decision enabled it to attract additional funds for the implementation of investment projects. In the following year, Rusagro started to finance the construction of a new slaughterhouse in the Tambov

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region to widen its product portfolio and give it more of a competitive edge.

As the Russian market has opened up and evolved over recent years, Rusagro has gone along for the ride, working hard to take advantage of government sanctions, the country's growing food market, and the low level of competition.

CEO Maxim Basov joined the company in July 2009 as the general director of LLC Rusagro Group of Companies before being appointed to the board of directors in February 2011. During his time in the leadership seat, he has successfully steered the group forward and has no plans of slowing down anytime soon. In April 2015, the farming conglomerate reported a record net profit of 20.2 billion

roubles, up from 3.2 billion roubles in 2013.

"Russian agriculture will grow very quickly, I think," Maxim says. "It will be based on the current import situation and the export potential for Russian companies to support neighbours in countries such as Japan, Korea, China, Iran, and Afghanistan. We are really growing very quickly and there's a huge market out there for Russian agricultural goods."

Rusagro's sugar segment is comprised of six facilities in the Tambov and Belgorod regions, all of which are located close to its sugar beet crops. This division is a leader in the manufacturing of granulated and refined sugar, and holds a market share of around 15 per cent. Sugar sales grew 32 per cent as of April this year thanks to an increase in volume and price. >





The oil and fats business is represented by a fats plant in Yekaterinburg and an oil extraction plant in the Samara region. Rusagro ranks first place in the production of margarine, fifth place in mayonnaise, and eighth in sunflower processing.

In terms of farming, Rusagro has a land bank of approximately 500,000 hectares located near the company's processing facilities, sugar and fodder plants, and elevators. Crops include sugar beet, wheat, barley, peas, soya, sunflower seeds, and corn. The third division of Rusagro is meat and this segment has experienced a significant sales increase of 139 per cent already this year. The reason for the fluctuation has been largely due to a national government-imposed ban placed on western agriculture products, occurring in response to international economic sanctions over Moscow, as well as the launch of new pig-breeding facilities in 2013.

Maxim says the biggest changes he has seen with Rusagro over the past 12 months have been a result of the external environment. Firstly, in mid 2014 the government implemented sanctions against the import of agricultural goods and raw materials from the West. This followed the ban of European pork at the start of last year as the Ukraine crisis escalated. Furthermore, the developing relationship between Russia and China, and the decline of the rouble also impacted the operations of Rusagro.

"Several events over the past 12 months have allowed Russian companies to improve their performance in the domestic market," Maxim says. "There has been significant change in our currency and that's why the growth of the company has increased so heavily. We have had some developments which have also influenced the price, one being when Russia stopped importing pork from Europe. And the alliance with China as a country we have

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recently started exporting to, this has also played a very big part in our expansion. It will continue to play a huge role in our future, too; Rusagro will double its turnover in five years."

Maxim adds that while the future looks extremely positive, there will no doubt be some challenges along the way. "There may be a lot of challenges but I know that we will be able to get through them," he says. "Thanks to sanctions, the economy is perhaps not growing as quickly as it once was but it's my view that Russia will soon start to expand at its previous rates, and much higher than today's. The main reason for that is that Russia is a big, wealthy country with a lot of people and there are a lot of expanding industries. There are some European companies that are losing opportunities but we are making the most of what we can."

Maxim says that to continue on its growth trajectory, Rusagro needs to work closely with its stable and strategic network of key suppliers. He has regular interaction through direct meetings and discussions to ensure that its vision is aligned with them. "I think that is really important," he says.

"For this growth and production to continue for the next generations we will need to buy more material, crush it, and then sell the product globally. A decade ago, you couldn't find a good supplier because the global companies weren't present and the local companies were either non-existent or the quality of their services was too low. Today, we understand that if you want to be successful or produce a product that customers like and one that can compete in the modern market then you should have reliable, high-quality suppliers. We always buy only the best equipment we can find on the market.

"At the moment, the situation is becoming more competitive. We see that the European companies especially are trying to compete



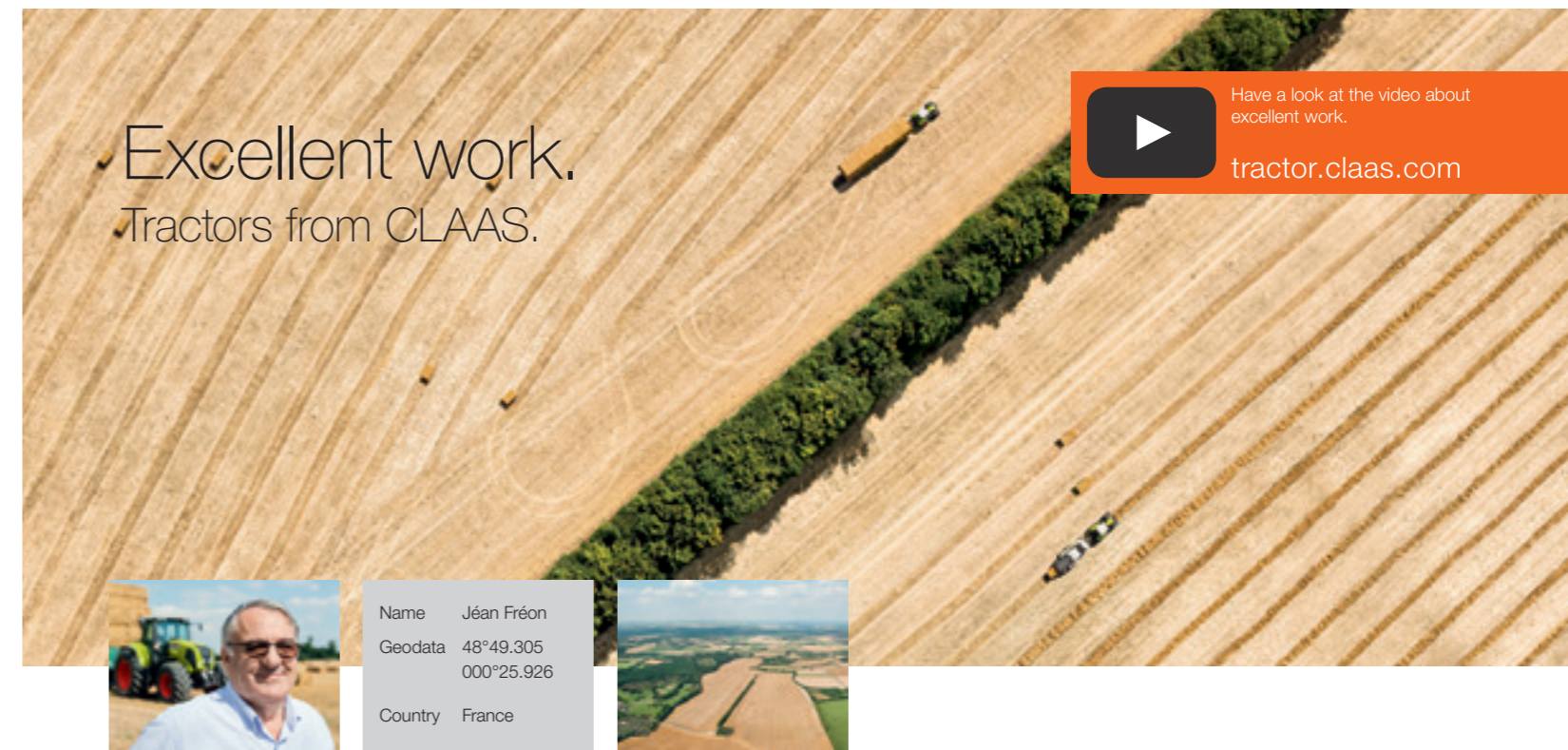
but it is a very different program than what we offer to the market. We are the local Russian producers and we are becoming more and more competitive on an international scale as well. We are also now starting to experience the marketing by the Chinese companies and the Chinese manufacturers. We have developed some strong ties there which will aid our success.

"My view is that Russia is a big market and we're a big company so we are welcoming all suppliers and potential investment partners to come and talk to us and create business together."

Rusagro has its sights set on becoming a world leader in the agriculture industry and, going by the past 12 months of success, it appears to be on the right track. Maxim believes that Rusagro has the potential to grow exponentially in the short- and long-term future and has appropriate strategies in place to achieve that vision. •



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