



MINISTRY FOR THE DEVELOPMENT
OF THE RUSSIAN FAR EAST



FAR EAST INVESTMENT
AND EXPORT AGENCY

資料2-1

INVESTMENT OPPORTUNITIES IN THE RUSSIAN FAR EAST

SECTOR: AGRICULTURE



APRIL 2018



GOVERNMENT SUPPORT OF INVESTORS IN THE FAR EAST OF THE RUSSIAN FEDERATION



“The Upswing of Siberia and the Far East is our national priority throughout the whole XXI century round.”

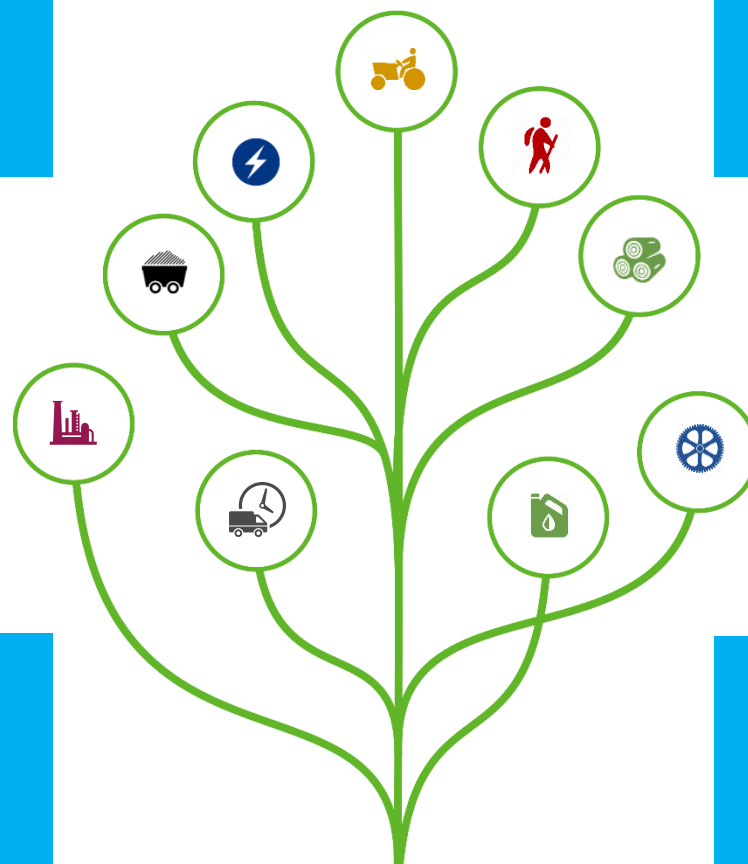
Vladimir Putin

President of the Russian Federation

WHAT RUSSIA OFFERS TO INVESTORS IN THE FAR EAST

**Low level of
fiscal burden**

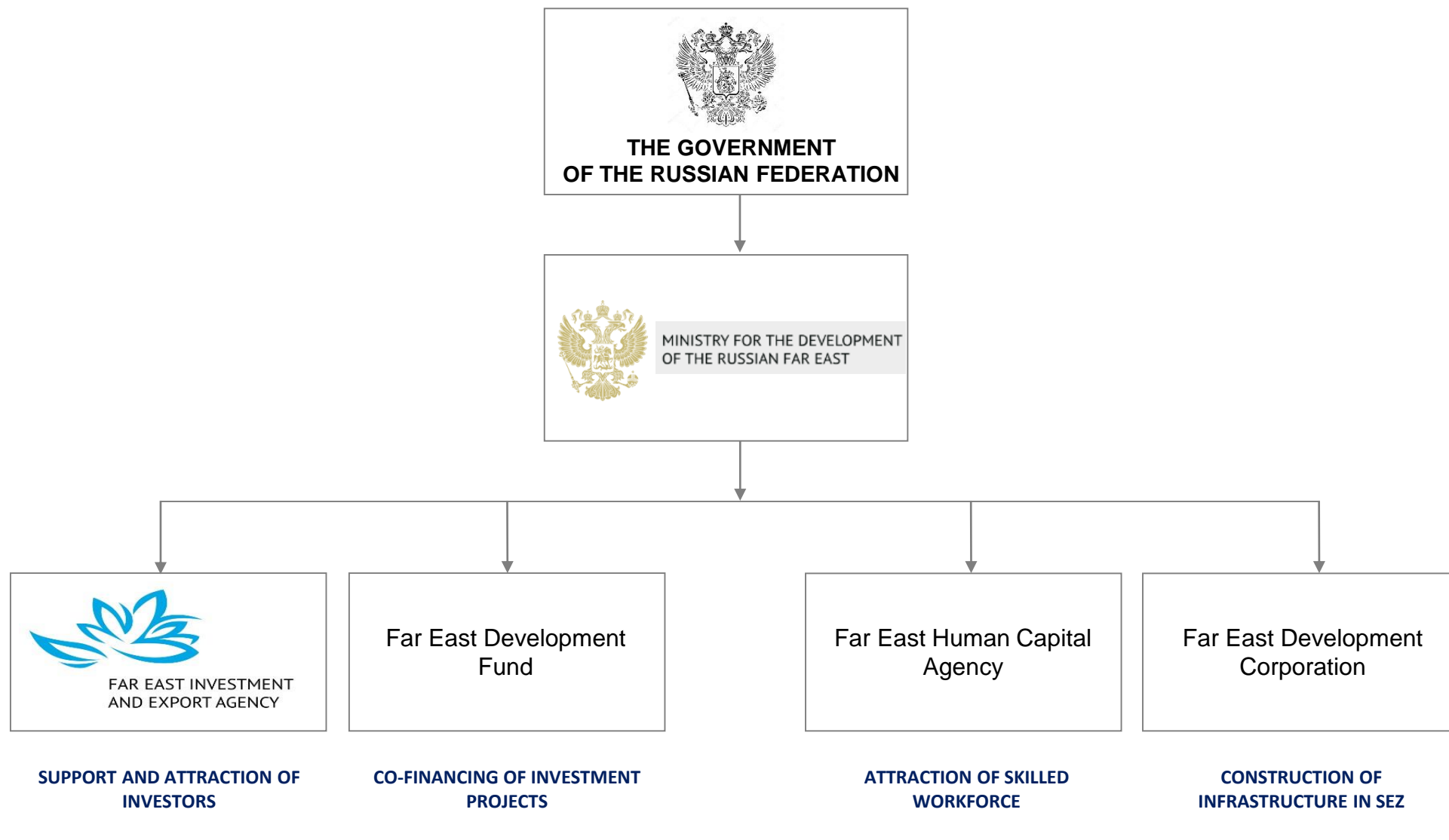
**Simplified
administrative
procedures**



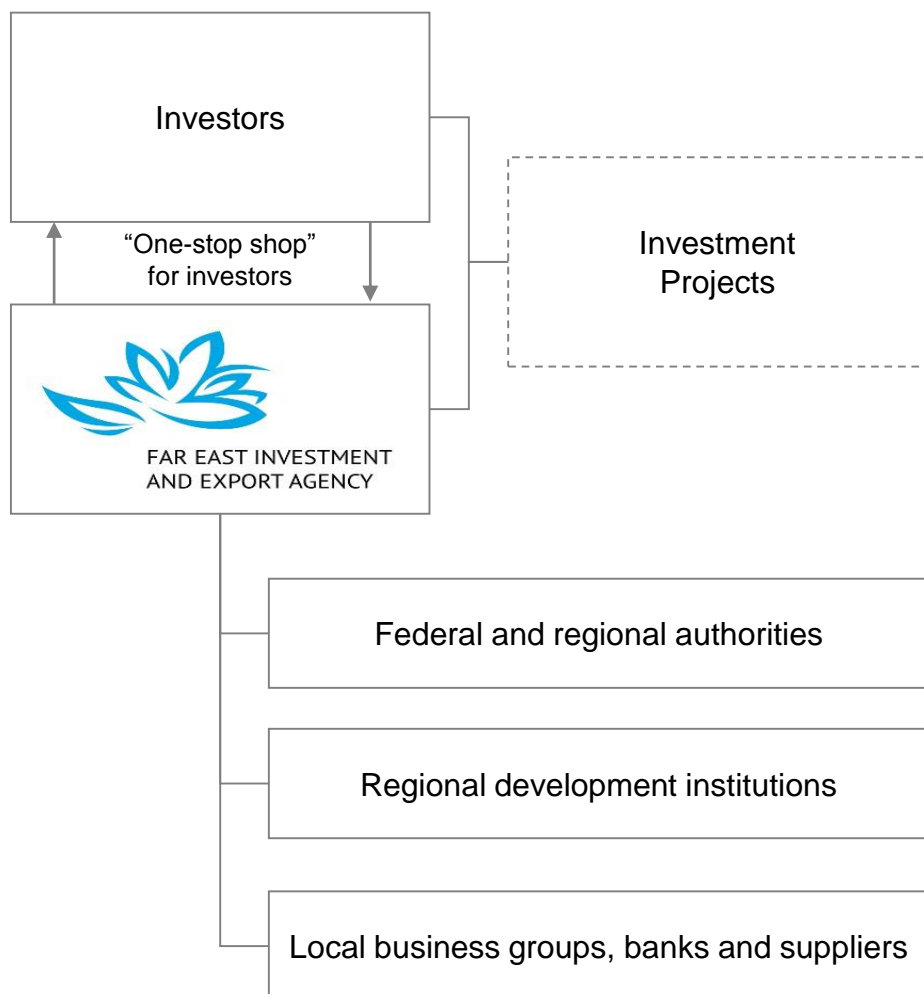
**Low costs
Efficiency of investors'
inputs**

**Provision of
infrastructure,
labor resources,
concessionary financing**

VERTICALLY INTEGRATED SYSTEM OF GOVERNMENT SUPPORT FOR INVESTORS



FEIA'S BUSINESS MODEL



HOW FEIA HELPS INVESTORS IN THE RUSSIAN FAR EAST

1 PROJECT SOURCING:

- Greenfield and brownfield investment projects with local partners
- Development of new investment projects

2 PROJECT FINANCING:

- Far East Development Fund (low-cost, long-term)
- State financing of infrastructure development (free of charge)

3 LAND ALLOCATION / ZONING / PERMITS

- Finding agricultural land and industrial sites for investors
- Control of zoning and receipt of permits

4 INFRASTRUCTURE SUPPORT:

- Assisting in the development infrastructure facilities

5 EXEMPTION FROM TAXES, SPECIAL AGREEMENTS

- The status of special economic zones for projects
- Agreeing special conditions (as required)

ADVANCED SPECIAL ECONOMIC ZONES (AEZS) AND THE FREE PORT OF VLADIVOSTOK (FPV)



Advanced Special Economic Zone (AEZ)

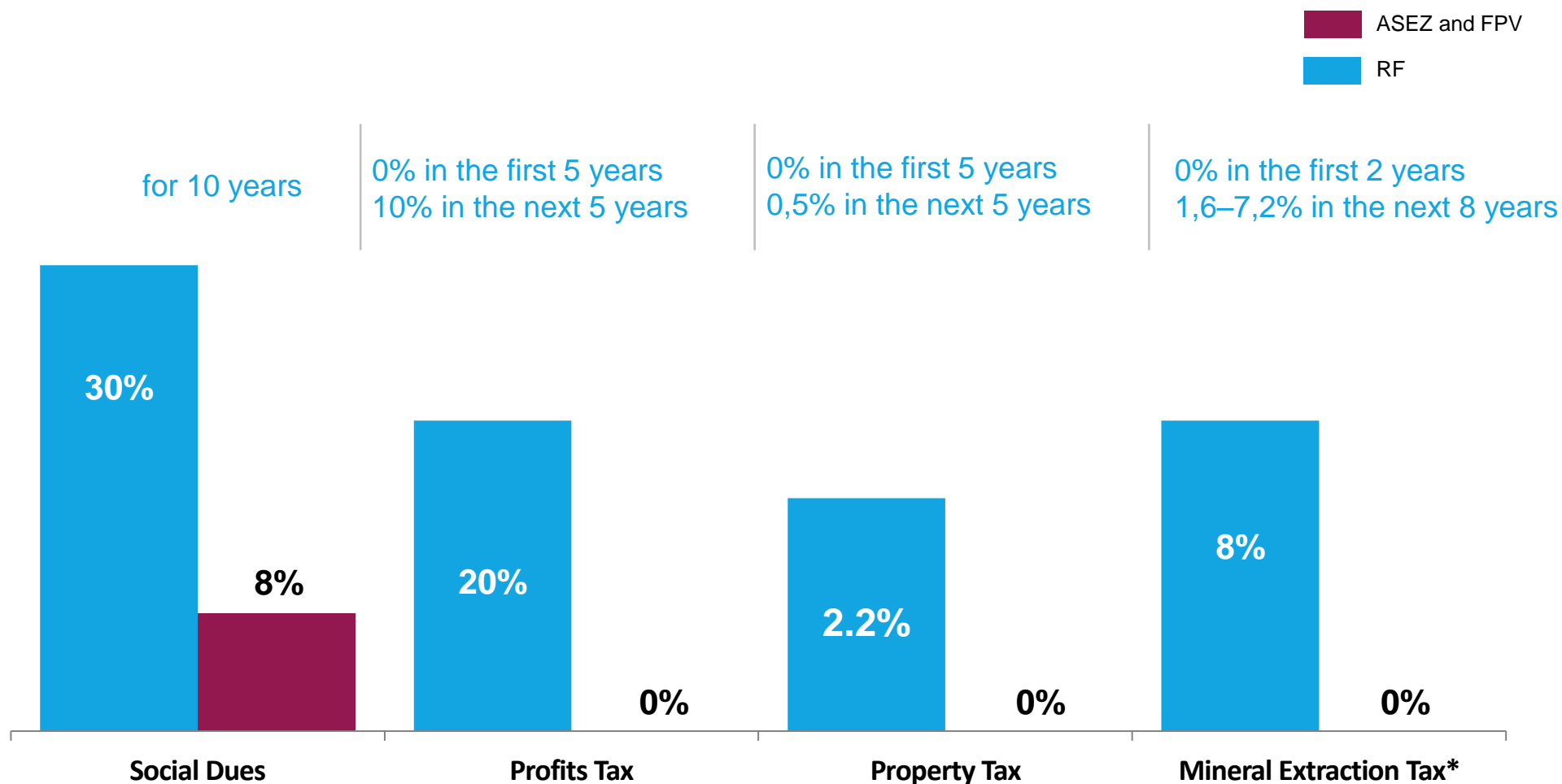
18 economic zones with
ready-to-use
infrastructure

Free Port of Vladivostok (FPV)

21 districts with simplified
administrative
procedures

+	Free customs zone	+
+	Simplified land acquisition procedure	+
+	"Single window" approach	+
+	Simplified regulation of business	+
-	Simplified customs control procedure	+
-	8-day electronic visa for foreign citizens	+
+	Government financing of infrastructure construction	-

TAX PREFERENCES



* Note: By the example of the Mineral Extraction Tax on nickel



INVESTMENT ATTRACTIVENESS OF THE AGRICULTURE SECTOR IN THE RUSSIAN FAR EAST

AGRICULTURE: INVESTMENT APPEAL OF THE FAR EAST



OPPORTUNITIES FOR INVESTING

Dynamic sector of economy :

- >10% growth (CAGR) within the period from 2006 to 2016.
Production volume - USD 3 bln (in 2016)

Availability of land resources:

- Potential: 8 mln hectares of cultivated areas, including 2,9 mln hectares of arable land
- Actual: 0,8 mln hectares are not cultivated and can be used by new investors

Geographic proximity to major markets of APAC countries:

- USD 280 bln – annual import of agricultural goods in Eastern and South-Eastern Asia (6% of import growth in 2010-2016)

Low level of self-sufficiency of the Far East in the food production:

- USD 3-5 bln – market size for new investors. Meat, milk, vegetables are the most sought-after goods.

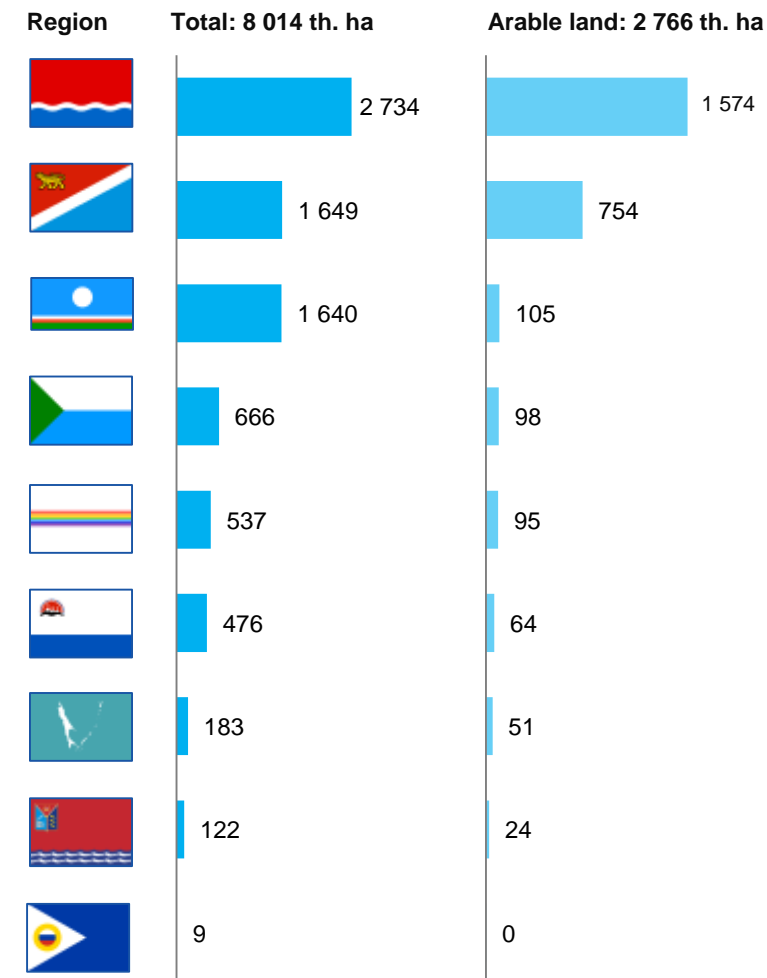
State support:

- Federal and regional system of institutions for development and support of investors
- State and regional program to support agriculture
- Preferential business environment in the territories of ASEZ and FPV
- Funding of the Russian Far East Development Fund
- Government subsidy for the construction of infrastructure

AGRICULTURE: LAND AVAILABLE FOR INVESTORS (1/2)



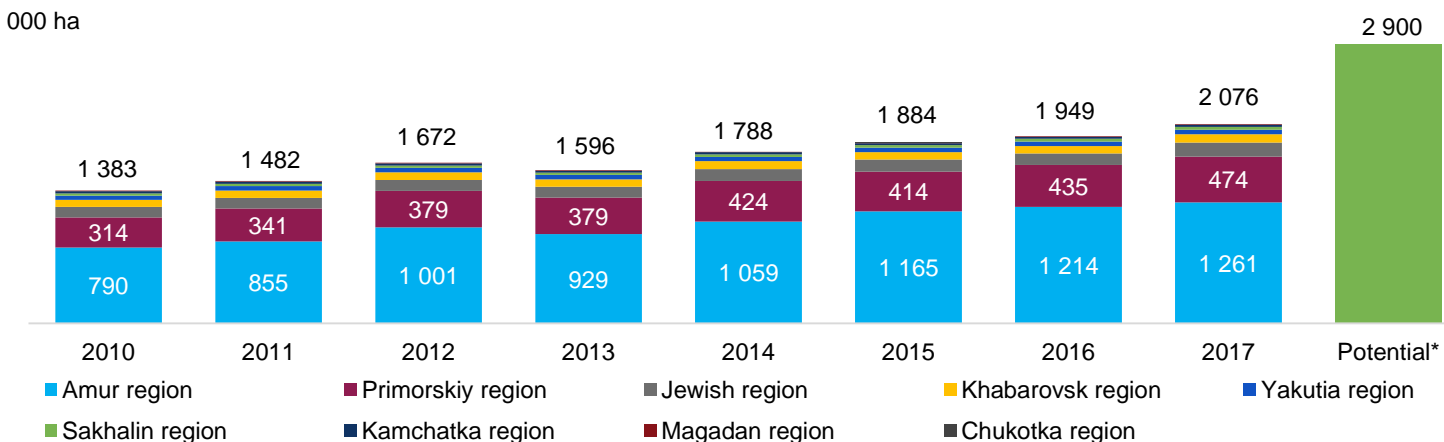
AGRICULTURE LAND OF THE RUSSIAN FAR EAST



- Amur and Primorskiy regions – key clusters of arable land in the Russian Far East

AGRICULTURE: LAND AVAILABLE FOR INVESTORS (2/2)

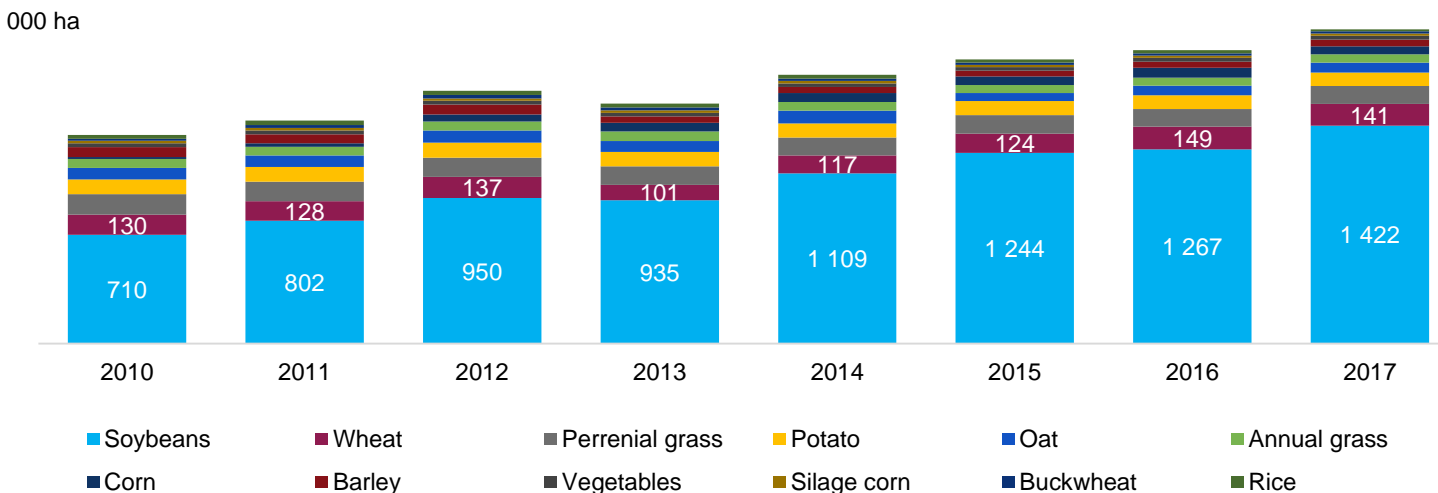
REGIONAL STRUCTURE OF CROP PRODUCTION IN THE FAR EAST



COMMENTS

- Arable land in Far East: 2,9 mln ha. Actual crop operations cover 2,1 mln ha. 0,8 mln ha – potential for new investors but land requires melioration
- During 2010-2017 CAGR of actual crop operations increased 6%
- Amur region has the largest size of arable land (1,6 mln ha), in 2017 crop operations covered 1,3 mln ha. Primorskiy region is top-2 region in terms of arable land
- Far East is a largest producer of Russia of soybeans. During 2010-2017 area of soybeans production doubled and amounted 1,4 Mt in 2017. Soybeans are mainly produced in Amur, Primorskiy and Jewish regions
- Other key crops in Far East include wheat, perennial grass, potato, oat, corn, barley, vegetables, buckwheat and rice

CROP PRODUCTION STRUCTURE

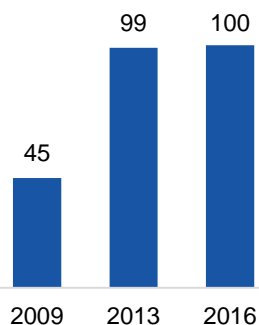


Note: * During Soviet times crop area in the Russian Far East amounted to 2,9 Mha

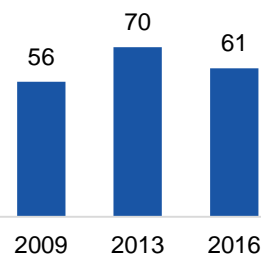
AGRICULTURE: TARGET FOREIGN MARKETS

IMPORT DYNAMICS, \$BN

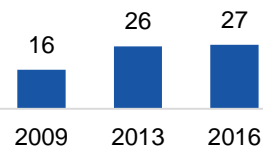
China



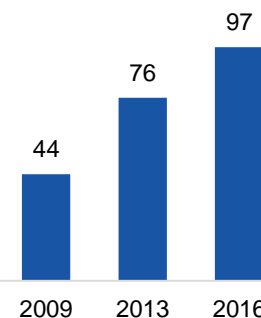
Japan



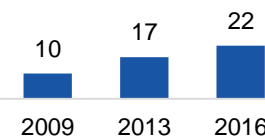
South Korea



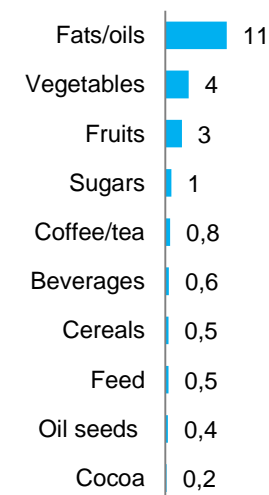
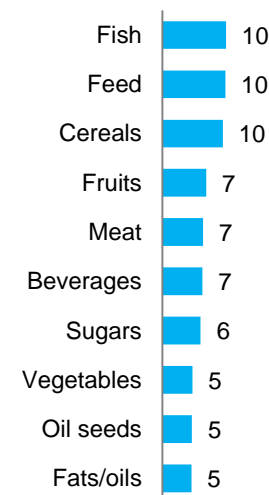
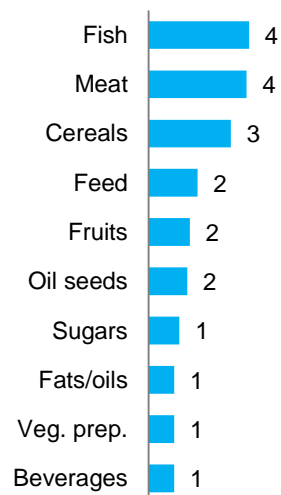
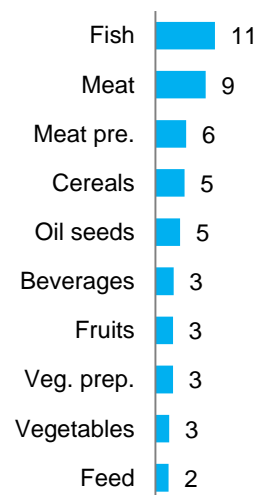
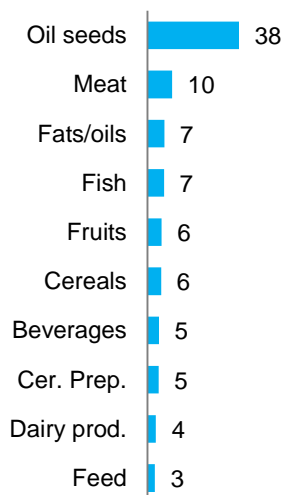
ASEAN



India

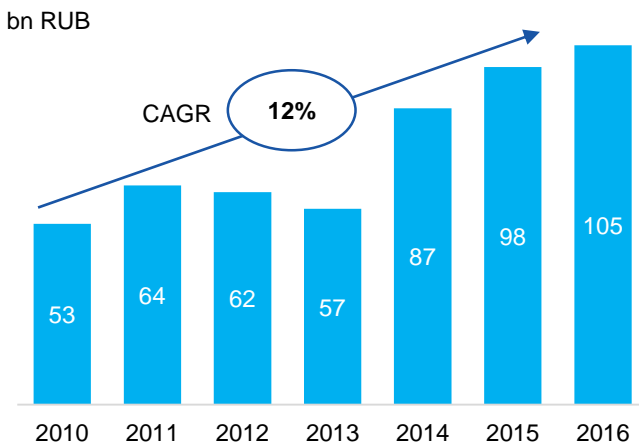


MAJOR IMPORT PRODUCTS, \$BN

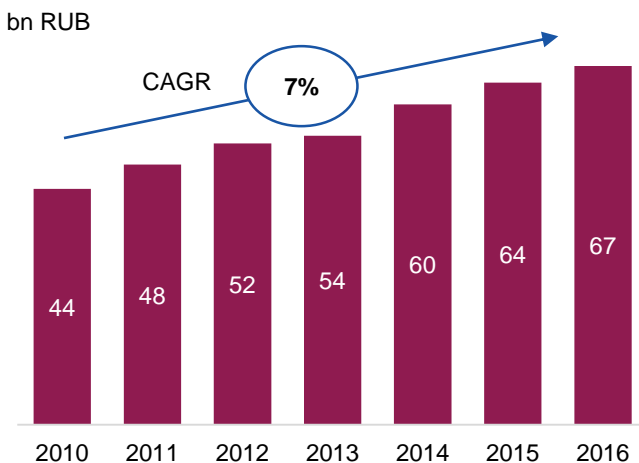


AGRICULTURE: LOCAL MARKET POTENTIAL OF THE FAR EAST

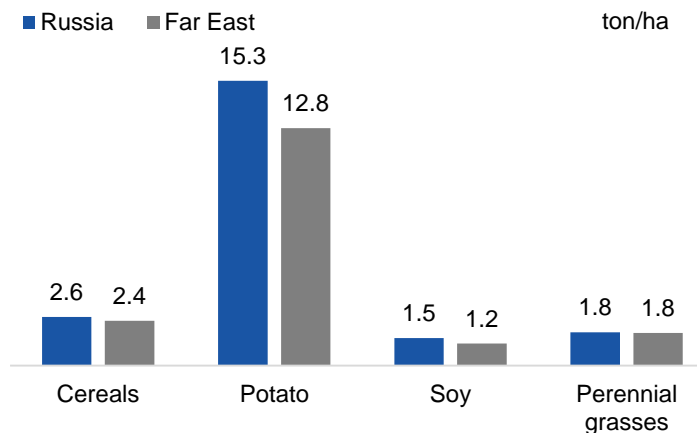
DYNAMICS OF “CROP PRODUCTION” SECTOR



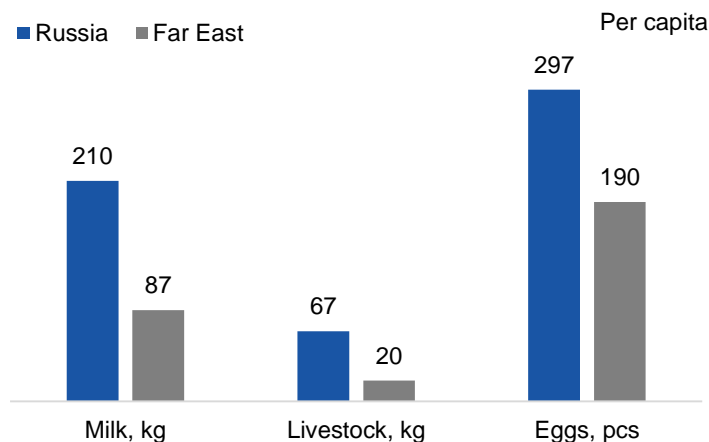
DYNAMICS OF “LIVESTOCK” SECTOR



CROP YIELD



PRODUCTION



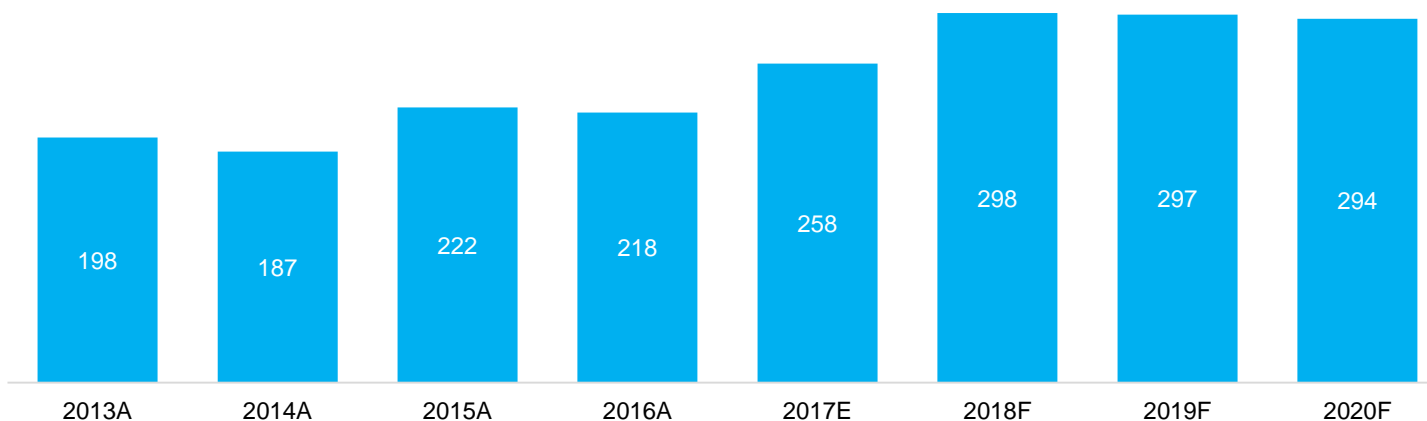
COMMENTS

- Agriculture is the most dynamically developing sector of the Russian Far East. >10% growth (CAGR) within the period from 2006 to 2016. The production volume is USD 3 bln (in 2016)
- The possibility of increasing the yield of major crops through the use of modern technologies, development of infrastructure of agro-industrial complexes and observance of crop rotation
- The Russian Far East is characterized by low self-sufficiency in key livestock products. To achieve all-Russian average level, it is required to produce 290 thous. tons of meat, 760 thous. tons of milk and 660 mln eggs in the Russian Far East. USD 3 bln – volume of local market for new investors

STATE SUPPORT MEASURES OF AGRICULTURE SECTOR (1/2)

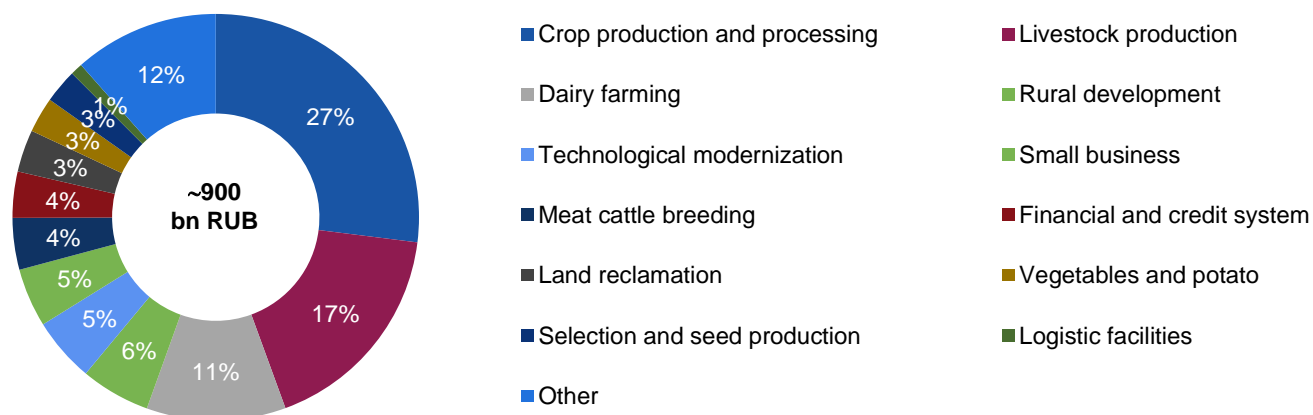
AGRICULTURAL STATE PROGRAM IN RUSSIA (2013-2020)

bn RUB



CROP PRODUCTION STRUCTURE

%






COMMENTS

- Russian Government has set course on self-sufficiency and has allocated substantial budgetary resources for agriculture support:
 - ✓ 2013-2017: 1 082 bn RUB
 - ✓ 2018-2020: 889 bn RUB
- Key areas of state support include crop production and processing, livestock production, dairy farming
- Key state support measures include:
 - ✓ Subsidizing bank loans
 - ✓ Unified regional subsidy
 - ✓ Interest rate subsidy
 - ✓ Reimbursement of CAPEX
 - ✓ Dairy farming subsidy
 - ✓ Crop production subsidy
 - ✓ Machinery subsidy
 - ✓ Transportation subsidy

STATE SUPPORT MEASURES OF AGRICULTURE SECTOR (2/2)

ADVANCED SPECIAL ECONOMIC ZONES:

ASEZ	Investors	Investments	Jobs
 <p>Primorskiy Region ASEZ "MIKHAYLOVSKY"</p>	13	67,6 bn RUB	3 252
 <p>Sakhalin Region ASEZ "YUZHNAJA"</p>	8	9,7 bn RUB	633
 <p>Amur Region ASEZ "BELOGORSK"</p>	4	4,5 bn RUB	563
Total	25	81,8 bn RUB	4 448

MAJOR ADVANTAGES:

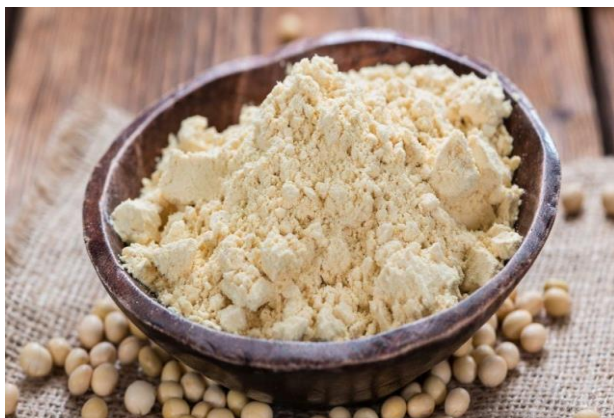
Russian Government established 3 ASEZ in the Russian Far East to attract investors in the agriculture sector. ASEZ have the following advantages:

- ✓ Infrastructure support (electricity, gas, water supply, roads)
- ✓ Tax incentives:
 - Income tax
 - Property tax
 - Social taxes
- ✓ Simplified administrative procedures
- ✓ Low-price of land for rent: ~500 RUB per hectare p.a.
- ✓ FEIA assists investors in getting land for crop production in the Russian Far East and its inclusion in the ASEZ



INVESTMENT OPPORTUNITIES IN THE AGRICULTURE SECTOR IN THE RUSSIAN FAR EAST

FINAL PRODUCTS: EXAMPLES OF PROJECTS



SOYBEAN PROCESSING

- **Project description:** construction of a plant for deep processing of soybeans
- **Region:** Jewish autonomous region
- **Investor:** “Amurprom”, LLC (China)
- **Investments :** USD 130 mln
- **IRR:** 20+%
- **Production:** 300 thous. tons per year
- **Market:** Russia, China, Japan



SOYBEAN PROCESSING

- **Project description:** construction of a plant for deep processing of soybeans
- **Region:** Amur region
- **Investor:** “Amuragrotcenter”, LLC (Russia)
- **Investments:** USD 70 mln, required capital: USD 20-30 mln
- **IRR:** 20+%
- **Production:** processing of 240 thous. tons of soybeans per year
- **Market:** Russia, China, Japan

FINAL PRODUCTS: EXAMPLES OF PROJECTS



**MODERNIZATION OF SUGAR
PRODUCTION**

- **Project description:** construction of a sugar beet plant with a capacity of up to 6 kt/day and modernization of a sugar-cane processing plant with a capacity of up to 0.9 kt/day
- **Region:** Primorski Krai
- **Investor:** “Primorskiy Sakhar”, LLC (Russia)
- **Investment:** USD 133 mln, required capital: USD 80-100 mln
- **IRR:** 15%
- **Production:** 250 kt/year of sugar
- **Market:** Russia, China, Japan



PRODUCTION OF MILK PRODUCTS

- **Project description:** the construction of three livestock breeding complexes and a milk plant with a processing capacity of 60 kt/year
- **Region:** Primorski Krai
- **Investor:** “TH Rus Primorsky”, LLC (Vietnam)
- **Investment:** USD 277 mln, required capital: USD 30-50 mln
- **IRR:** 15%
- **Production:** 70 kt/year of dairy products
- **Market:** Russia, China, Vietnam

INFRASTRUCTURE FOR AGRICULTURE: EXAMPLES OF PROJECTS



**CREATION OF A WHOLESALE
DISTRIBUTION CENTER**

- **Project description:** the creation a wholesale-distribution centre of agricultural products and regional food stocks
- **Region:** Primorski Krai
- **Investor:** “SPV ORTS”, LLC (Russia)
- **Investment:** USD 70 mln, required capital: USD 50 mln
- **IRR:** 30+%
- **Production:** 50 thous. tons of products of instantaneous storage
- **Market:** China, Japan, Democratic People's Republic of Korea, Republic of Korea



**CREATION OF AN AGRO-INDUSTRIAL
CLUSTER**

- **Project description:** the creation of an agro-industrial park (storage of grain, production of mixed fodders, processing of milk and fish) and a wholesale-distribution center
- **Region:** Khabarovsk Krai
- **Investor:** “Agrokhab”, LLC (Russia)
- **Investment:** USD 45 mln, required capital: USD 20-30 mln
- **IRR:** 20+%
- **Production:** 60 thous. tons of products of instantaneous storage, 88 thous. tons processing
- **Market:** Russia

INFRASTRUCTURE FOR AGRICULTURE: EXAMPLES OF PROJECTS



CULTIVATING, PROCESSING AND HANDLING OF PLANT PRODUCTS

- **Project description:** the creation of a vertically integrated agricultural holding for the purposes of cultivating, processing and handling of plant products
- **Region:** Primorski Krai, Amur region
- **Investor:** “Sodruzhestvo”, JSC (Russia); Joyvio Group, Juisan Group (China)
- **Investment:** USD 265 mln, required capital: USD 50-100 mln
- **IRR:** 20%
- **Production:** 30 thous. tons per year (processing), 3 MT per year (transshipment)
- **Market:** Russia, China



CONSTRUCTION OF A GRAIN TERMINAL

- **Project description:** the construction of a grain terminal in the sea port with a transshipment capacity of 10 million tons
- **Region:** Primorski Krai
- **Investor:** “United Grain Company”, JSC (Russia)
- **Investment:** USD 475 mln, required capital: USD 150-200 mln
- **IRR:** 20%
- **Production:** up to 10 MT per year (transshipment)
- **Russia:** Russia, China

CROP PRODUCTION: EXAMPLES OF PROJECTS



**CONSTRUCTION OF
A GREENHOUSE COMPLEX**

- **Project description:** the construction of a greenhouse complex for year-round production of vegetables
- **Region:** Khabarovsk Krai
- **Investor:** “JGC Corporation” (Japan)
- **Investment:** USD 20 mln, required capital: USD 3-5 mln
- **IRR:** 20%
- **Production:** 10 hectares of year-round greenhouses
- **Market:** Russia



**RICE AND SOYBEANS
PRODUCTION**

- **Project description:** crop production in Primorskiy region (soybeans and rice), construction of grain storage and machinery purchase
- **Region:** Primorskiy region
- **Investor:** “MKR Capital”, LLC (Russia); Sojitz Corp (Japan)
- **Investment:** USD 85 mln, required capital: USD 10-15 mln
- **IRR:** 30+%
- **Production:** 12 000 ha
- **Market:** China

CROP PRODUCTION: EXAMPLES OF PROJECTS



CONSTRUCTION OF A GREENHOUSE COMPLEX

- **Project description:** construction of a greenhouse complex for year-round production of vegetables
- **Region:** Primorskiy region
- **Investor:** “Dalnevostochnoe”, JSC (Russia); JFE Corp (Japan)
- **Investment:** USD 10 mln, required capital: USD 3-5 mln
- **IRR:** 20%
- **Production:** 10 hectares of year-round greenhouses
- **Market:** Russia



PRODUCTION AND STORAGE OF GRAIN AND OILSEEDS

- **Project description:** the cultivation of corn, barley and soybeans and the construction of a complex of acceptance, cleaning and drying of grain
- **Region:** Primorski Krai
- **Investor:** “Chernigovsky Argoholding”, LLC (Russia)
- **Investment:** USD 20 mln, required capital: USD 7-10 mln
- **IRR:** 17%
- **Production:** storage of 20 thous. tons, 3 thous. hectares of crops
- **Market:** Russia, China, Japan, Republic of Korea

LIVESTOCK PRODUCTION: EXAMPLES OF PROJECTS



PIG-BREEDING

- **Project description:** the construction of a pig-breeding complex and development of feed production
- **Region:** Primorski Krai
- **Investor :** “Rusagro”, OJSC (Russia)
- **Investment:** USD 530 mln
- **IRR:** 17%
- **Production:** 112 thous. tons of meat per year
- **Market:** Russia, China, Japan, Republic of Korea



FARMING OF BEEF CATTLE

- **Project description:** the purchase of a herd (Wagyu, Aberdeen Angus and Hereford), cultivation of forage crops and construction of a slaughterhouse
- **Region:** Primorski Krai
- **Model project:** strategic investor and operation seeking
- **Investment:** USD 800 mln, required capital: USD 800 mln
- **IRR:** 20+%
- **Production:** 30 thous. tons of cattle meat per year
- **Market:** Russia, China, Japan

LIVESTOCK PRODUCTION: EXAMPLES OF PROJECTS



PIG-BREEDING

- **Project description:** the construction of a pig-breeding complex and development of feed production
- **Region:** Primorski Krai
- **Investor:** “Ratimir”, LLC (Russia)
- **Investment:** USD 300 mln, required capital: USD 100-150 mln
- **IRR:** 17%
- **Production:** 45 thous. tons per year
- **Market:** Russia, China, Japan, Republic of Korea



TURKEY MEAT PRODUCTION

- **Project description:** the creation of a complex with fully-integrated production of turkey meat
- **Region:** Khabarovsk Krai
- **Investor:** “KhZPK”, JSC (Russia)
- **Investment:** USD 83 mln, required capital: USD 40-50 mln
- **IRR:** 16%
- **Production:** 14 thous. tons per year
- **Market:** Russia

LIVESTOCK PRODUCTION: EXAMPLES OF PROJECTS



DAIRY CATTLE BREEDING

- **Project description:** the construction of two cattle-breeding complexes
- **Region:** Primorski Krai
- **Investor:** “Greenargo”, LLC (Russia)
- **Investment:** USD 130 mln, required capital: USD 50-70 mln
- **IRR:** 15%
- **Production :** 5 400 cattle animals
- **Market:** Russia, China



DAIRY CATTLE BREEDING

- **Project description:** the construction of ten cattle-breeding complexes
- **Region:** Primorski Krai
- **Investor:** Zhongding Dairy Farming (China)
- **Investment:** USD 300 mln, required capital: USD 100-150 mln
- **IRR:** 15%
- **Production:** 50 thous. cattle animals
- **Market:** Russia



MINISTRY FOR THE DEVELOPMENT
OF THE RUSSIAN FAR EAST



FAR EAST INVESTMENT
AND EXPORT AGENCY

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