

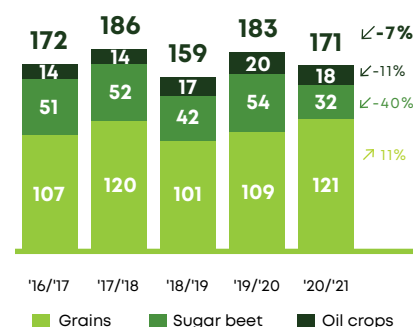
MARKET OVERVIEW

PRODUCTION

GROSS HARVEST

The preliminary data from Russian Federal Service for State Statistics showed that in the 2020/2021 season the harvest of main grains amounted to 121 million tonnes, up 11% (+11 million tonnes) season-on-season, which is the second largest yield in the last ten years. Due to high yields per hectare in Central Russia, wheat enjoyed the major growth – by 11 million tonnes (+15%) up to 86 million tonnes. 2020 witnessed a significant drop in the sugar beet yield – it decreased by 40% (-22 million tonnes) to its five year low of 32 million tonnes. Main oil crops also were on a downward trend – the harvest volume went down by 11% (-2 million tonnes) and amounted to 18 million tonnes, which was mainly spurred by a 14% decrease in sunflower seed yield (-2 million tonnes) – to 13 million tonnes.

Gross yield of main crops in Russia for the season, **mn tonnes**¹

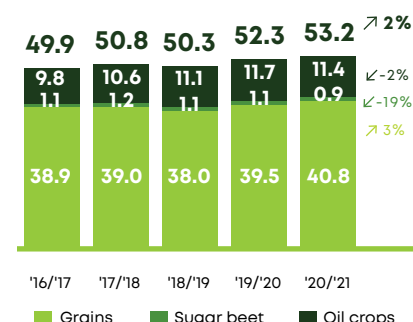


Source: Russian Federal Service for State Statistics (preliminary data)

AREA UNDER CROPS

High prices for wheat and corn in 2019 resulted in a 3% increase in the total area under main grain crops, totalling 40.8 million hectares (+1.4 hectares) in the 2020/2021 season. On the other hand, the area under oil crops shrank to 11.4 million hectares (-2%) as a result of the reduced soybean seeding-down (-7%) due to the closure of processing plants in the Russian Far East. The area under sugar beet experienced a significant shrinkage of 19% and amounted to 0.9 million hectares, which is attributable to the lower profitability of sugar beet production in the 2019/2020 season, as compared to other crops, driven down by a record high harvest, a decreased state support for the industry and projected high commodity stocks in the 2020/21 production season.

Cultivated area under main crops in Russia for the season, **mn ha**¹

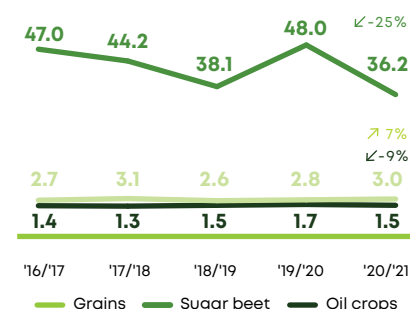


Source: Russian Federal Service for State Statistics (preliminary data)

YIELD PER HECTARE

Weather conditions in the 2020/2021 season were less favourable than a year earlier. Average yields per hectare for main grain crops rose by 7% driven by increased figures for wheat and barley (+10 and 5%, respectively). Due to agrometeorological conditions, the sunflower suffered a 13% fall in yield per hectare, as compared to the previous season when these conditions contributed to touching the record high. But of all crops, the hardest hit was sugar beet – its yield per hectare dropped by 25% and amounted to 36.2 tonnes per hectare, with a previous four season average of 44.3 tonnes per hectare.

Yield per hectare of main crops in Russia, **tonnes/ha**¹



Source: Russian Federal Service for State Statistics (preliminary data)

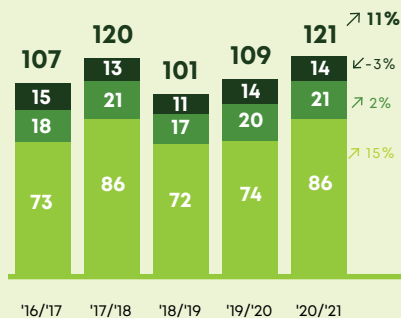
¹ For the annual report purposes, the main agricultural crops include wheat, barley and corn (main grain crops), as well as sunflower seeds and soybeans (main oil crops)

- Agriculture business
 - Oil and Fats Business
 - Meat Business
 - Sugar Business
 - Dairy Products Business

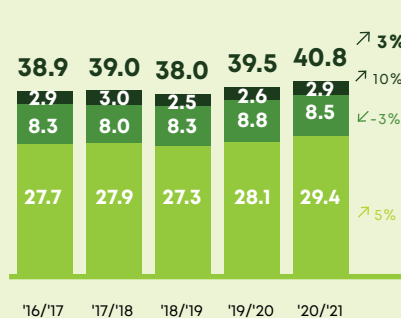
DOMESTIC PRODUCTION FIGURES BROKEN DOWN INTO MAIN CROPS

GRAINS

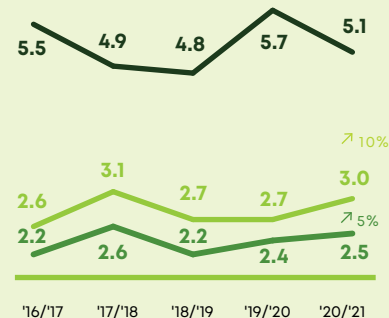
Gross yield of main grain crops in Russia for the season, **mn tonnes**



Cultivated area under main grain crops in Russia for the season, **mn ha**



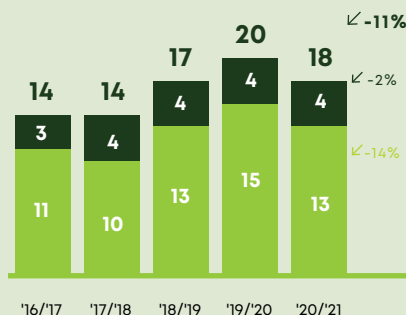
Yield per hectare of main grain crops in Russia for the season, **tonnes/ha**



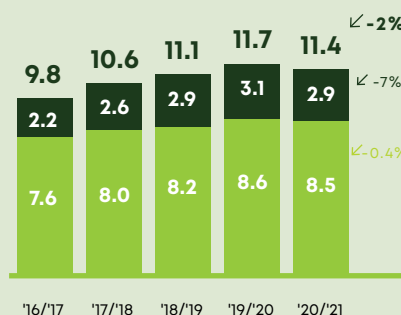
Source: Russian Federal Service for State Statistics (preliminary data)

OIL CROPS

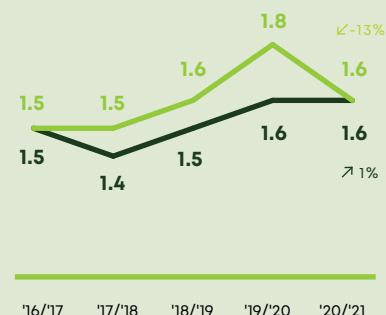
Gross yield of main oil crops in Russia for the season, **mn tonnes**



Cultivated area under main oil crops in Russia for the season, **mn ha**



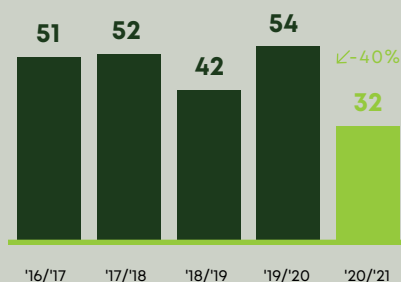
Yield per hectare of main oil crops in Russia for the season, **tonnes/ha**



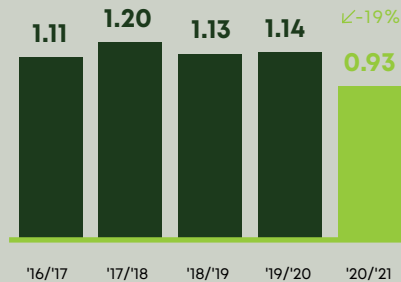
Source: Russian Federal Service for State Statistics (preliminary data)

SUGAR BEET

Gross yield of sugar beet in Russia for the season, **mn tonnes**



Cultivated area under sugar beet in Russia for the season, **mn ha**



Yield per hectare of sugar beet in Russia for the season, **tonnes/ha**



Source: Russian Federal Service for State Statistics (preliminary data)

Source: Preliminary data of the Russian Ministry of Agriculture

KEY PLAYERS

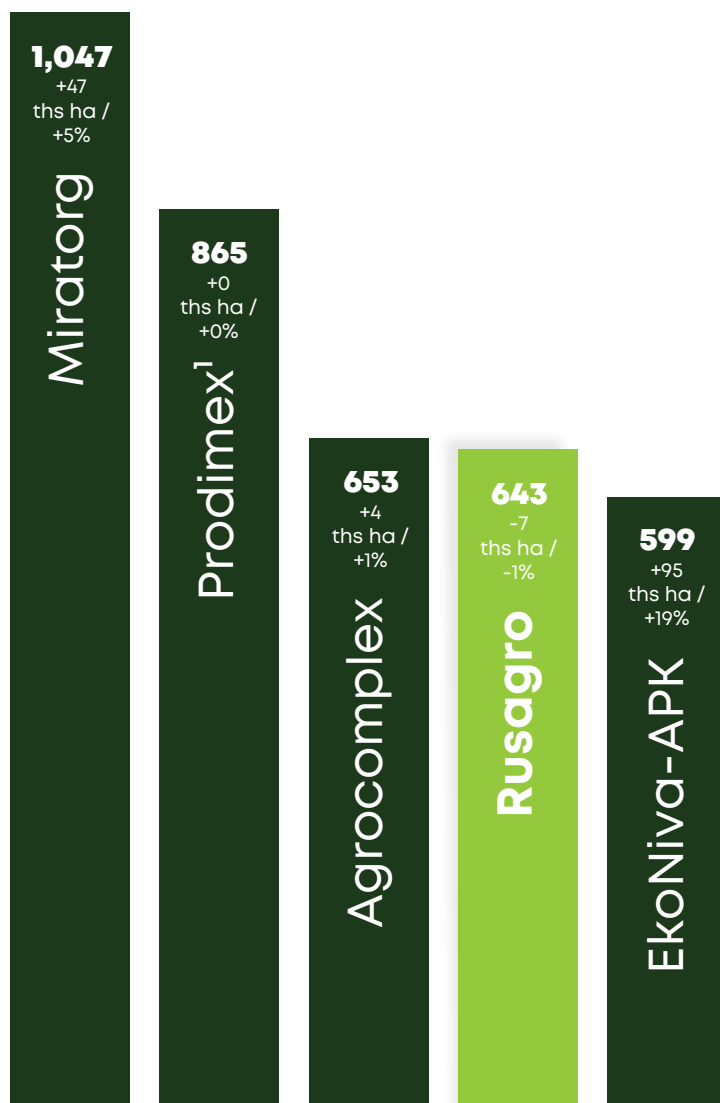
According to BEFL, accounting and consulting company, 3.8 million hectares of agricultural lands were controlled by five largest farmland owners as of May 2020. Over the year, their total land bank increased by 139 thousand hectares (+4%) as EkoNiva expanded its lands by 95 thousand hectares (+19%) and Miratorg – by 47 thousand hectares (+5%).

For the second year in a row, the rating is topped by the largest meat producer in Russia, Miratorg – the company's land bank is estimated at 1,047 thousand hectares. The second largest sugar producer in Russia is Prodimex with a land bank of 865 thousand hectares (+0%). The third place was taken by the Kuban agricultural holding, Agrocomplex, having 653 thousand hectares (+1%, or 4 thousand hectares) under management. Rusagro with a land bank of 643 thousand hectares took the fourth position – in an effort to optimise the structure of land assets, the Company reduced the total area by 7 thousand hectares (-1%).

No. **4**

Among largest
agriculture land bank
holders

The largest farmland owners in Russia as of May 2020, **thsa**



Source: BEFL

¹ Including Agrokultura

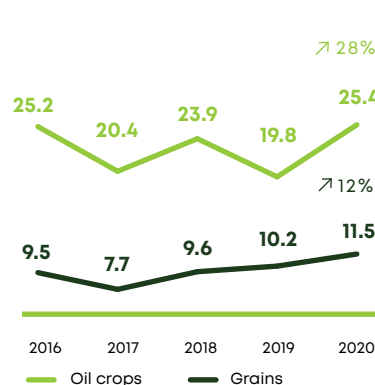
- Agriculture business
- Oil and Fats Business
- Meat Business
- Sugar Business
- Dairy Products Business

PRICES

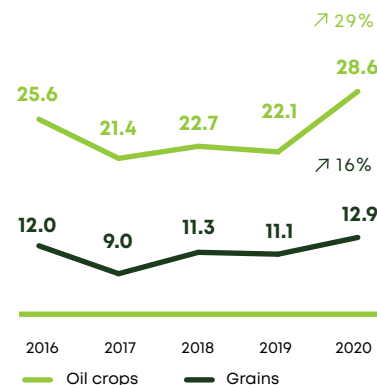
The average annual market prices for all key agricultural crops cultivated in Russia increased under the influence of the rising world prices and the devaluation of the rouble in 2020. Thus, domestic prices for main grain crops grew by 12% and amounted to RUB 11.5 thousand per tonne, mainly due to corn and wheat, which prices rose by 18 and 17% – up to RUB 12.0 and 12.5 thousand per tonne, respectively, while barley showed just a slight change in price – only by 2%. The poorer harvest of oil crops in Russia and the introduction of duties in China on soybeans from the United States and Australia, the selling prices of oil crops showed even higher growth results than those of grains. The average selling price was RUB 25.4 thousand per tonne, which is 28% above the previous year. The price of sunflower rose by 38% – to RUB 26.9 thousand per tonne, soybeans – by 21% to RUB 23.9 thousand per tonne.

World prices for grain crops in 2020 went up by 16%, for oil crops – by 29%, reaching the level of RUB 12.9 and 28.6 thousand per tonne, respectively. The high prices were mainly attributable to the growing global demand against the backdrop of reducing supply. Higher demand was driven by a build-up in commodity inventories because of the coronavirus pandemic and the imposition of duties in China on products from the United States and Australia. Lower supply resulted from unfavourable weather conditions prevailing in key producing countries, especially in South America, the restrictions on the export of grains and sunflower seeds imposed by Russia, as well as increased EU control over the content of pesticides in raw materials and finished products.

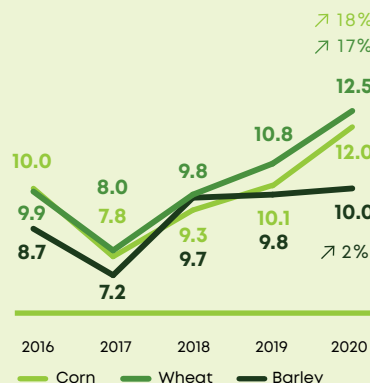
Prices for main agricultural crops in Russia, ths RUB/tonne, excl. of VAT¹



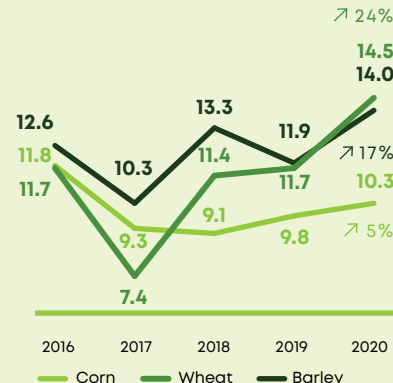
Global prices for agricultural crops, ths RUB/tonne, excl. of VAT¹



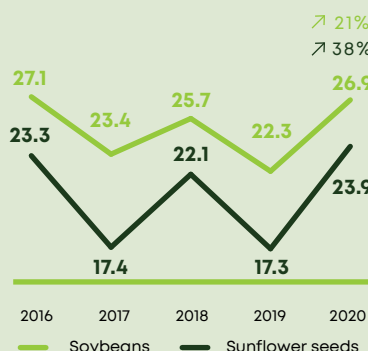
Prices for main grain crops in Russia, ths RUB/tonne, excl. of VAT



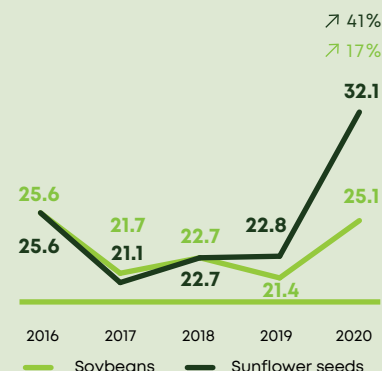
Global prices for main grain crops², ths RUB/tonne, excl. of VAT



Prices for main oil crops in Russia, ths RUB/tonne, excl. of VAT



Global prices for main oil crops³, ths RUB/tonne, excl. of VAT



¹ Calculated as (unweighted) simple mean of average prices for each crop

² Prices for wheat and maize are based on the Chicago Stock Exchange, barley - France FOB

³ Prices for soybeans are based on FOB South America (Chicago Stock Exchange and Argentina), sunflower seed - FOB Ukraine

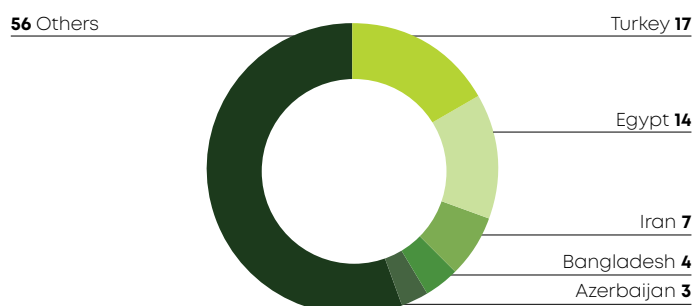
Source: APK-Inform, agribusiness consultant agency

EXPORTS

In 2020, the volume of exports of main crops totalled 51.1 million tonnes, up 26% (+ 10.5 million tonnes) year-on-year¹. Thus, the supply of grain crops increased by 9.4 million tonnes (+24%): wheat exports – by 6.7 million tonnes (+21%) to 38.6 million tonnes, barley – by 2.0 million tonnes (+52%) to 6.0 million tonnes, corn – by 0.7 million tonnes (+22%) to 3.8 million tonnes. The reasons behind the growth in grain exports include a higher harvest in Russia and increased demand in the world market, specifically due to the coronavirus epidemic. Meanwhile, exports of sunflower and soybeans grew by 1.1 million tonnes (+71%) in 2020 and reached a record high over the past five years – 2.8 million tonnes.

In 2020, Turkey, with a share of 17%, topped the list of the largest importers of Russian grain. With the abolition of duties on grain in 2019 and the ambition for the increase in domestic stocks, Turkey became a key importer of Russian wheat for the past two years. Imports of Russian grain to this country reached 8.0 million tonnes (+3%). Egypt received 6.7 million tonnes from Russia – the volume of supplies grew by 9% (+0.5 million tonnes) as a result of reduced harvest in Ukraine and the EU countries. In the reporting period, Russia stepped up grain exports to Iran by 56% (+1.2 million tonnes), reaching 3.4 million tonnes.

Breakdown of export deliveries of grain crops by destinations, %



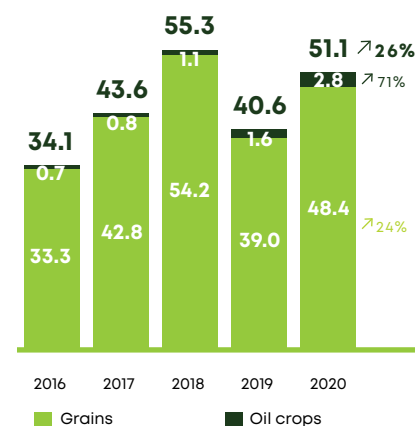
Key export destinations of Russian main grain crops, mn tonnes

Countries	2016	2017	2018	2019	2020
Turkey	3.4	5.0	6.8	7.8	8.0
Egypt	6.7	7.8	9.6	6.1	6.7
Iran ²	1.8	2.2	2.5	2.2	3.4
Bangladesh	1.9	1.9	1.9	2.6	1.9
Azerbaijan	1.4	1.4	0.8	1.4	1.2
Others	18.1	24.6	32.7	18.9	27.2

¹ For the annual report purposes, the main agricultural crops include wheat, barley and corn (main grain crops), as well as sunflower seeds and soybeans (main oil crops)

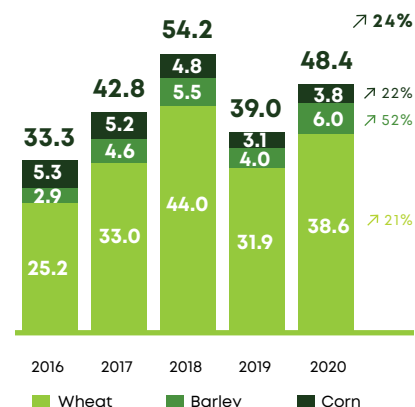
² Export volumes to Iran in 2020 are Rusagro's estimation

Russian export volume of main crops, mn tonnes¹

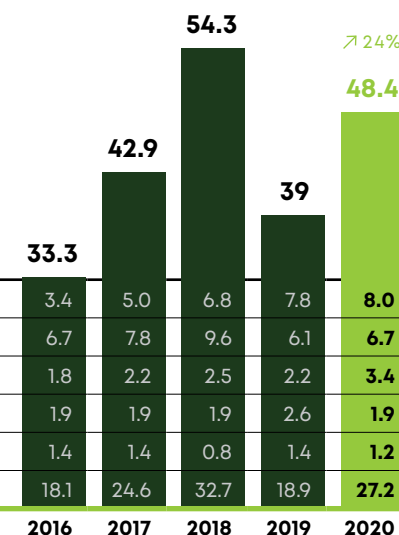


Source: Federal Customs Service of Russia (preliminary data)

Russian export volume of main grain crops, mn tonnes



Source: Federal Customs Service of Russia (preliminary data)



Source: Federal Customs Service of Russia (preliminary data)

EXPORT QUOTAS

Due to the growth in export volumes and sales prices of agricultural products in late 2020 and early 2021, Russia approved a number of restrictive measures that will have a big impact on the market in 2021:

- On 10 December 2020, the Prime Minister of the Russian Federation signed a decree introducing quotas for grain crops and tariffs on wheat, sunflower and rapeseed. The allocation of quotas for the export of grain crops (wheat, rye, barley and corn) in the amount of 17.5 million tonnes will be in effect from 15 February to 30 June 2021. The quota will be prorated between the companies based on export volumes from 1 January to 31 December 2020. Wheat will be subject to a 25 Euro per tonne tariff within that quota from 1 March to 30 June 2021. In case wheat is exported outside the quota, a tariff of 50% of the FOB price will apply, but not less than EUR 100 per tonne. Sunflower and rapeseed will be subject to the 30% tariff of the customs value, but not less than EUR 165 per tonne from 9 January to 30 June 2021.
- On 27 January 2021, Russia raised export tariffs on grain crops sold outside the Customs Union countries. From 1 March 2021, the export tariff rate for wheat within the export quota will be increased from EUR 25 to 50 per tonne. From 15 March 2021, corn and barley will also be subject to the EUR 25 and EUR 10 per tonne tariff, respectively.
- On 6 February 2021, Russia approved a different tariffication method. From 2 June 2021, a flexible tariff calculation formula will be in effect. With the world price of wheat below USD 200 (and USD 185 for barley and corn) per tonne, the tariff will not be charged. If the price exceeds this figure, the tariff will be 70% of the difference between the world price and the base price (USD 200 or USD 185 per tonne).

↑ 26%

51.1

mn tonnes

Exports of main grain and oil crops from Russia in 2020

IMPORTS

In 2020, imports of main agricultural products to Russia compared to 2019 remained virtually unchanged (+1%) and amounted to 2.4 million tonnes. Imports (87%) mainly consist of soybean, specifically 2.1 million tonnes (+2%). The major suppliers of soybean to Russia are the two South America countries, which is due to high oil content and product quality, as well as logistical convenience. In 2020, Russia received 1.1 million tonnes (+16%) from Brazil and 0.6 million tonnes (-24%) – from Paraguay.

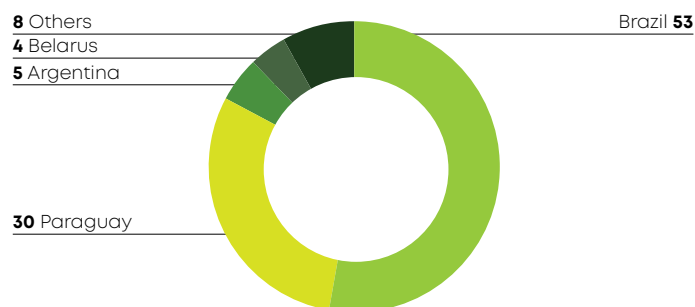
↑ 2 %

2.1

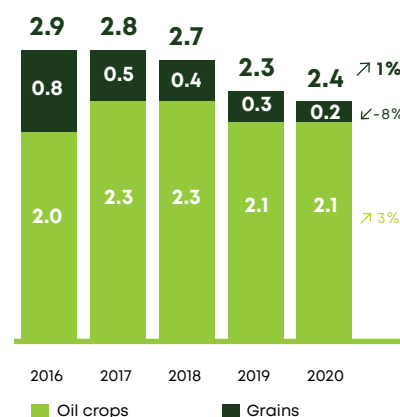
mn tonnes

Soybeans imports
to Russia in 2020

Breakdown of soybean imports by destinations in 2020, %



Volume of Russian imports, mn tonnes



Source: Federal Customs Service of Russia

- **Agriculture business**
- Oil and Fats Business
- Meat Business
- Sugar Business
- Dairy Products Business

OUTLOOK FOR 2021

The major market drivers in 2021 will include the rouble exchange rate and the volume of the harvest of main grains (wheat, barley, corn) and oil crops (sunflower, soybeans), as well as sugar beet. The Ministry of Agriculture expects that dry weather can lead to a poorer yield of winter crops, and quotas and high tariffs on grains introduced by Russia in December 2020 – February 2021 may entail a revision of crop rotations in favour of more profitable crops. For example, there is a stable domestic demand for sunflower seed and a growing Chinese demand for Russian soybeans. Given the recovery in sugar prices, the Ministry of Agriculture expects that in 2021 producers will expand the area under sugar beet. Product pricing in 2021 will be influenced by the new rules for regulating the export of grain from Russia – the world's largest exporter of wheat. Reduced supply of Russian products may drive up the prices, which will also hinge upon the situation with the world balance of agricultural crops.