

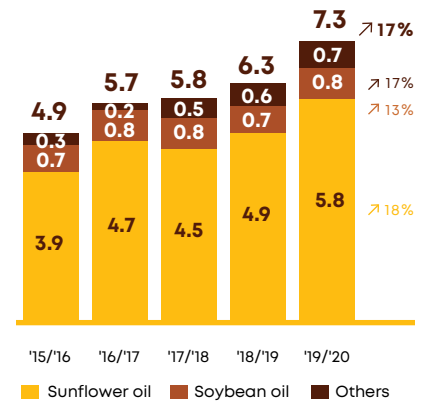
MARKET OVERVIEW

PRODUCTION

UNREFINED VEGETABLE OIL

In the 2019/2020 season, the production of vegetable oil increased by 17% and reached 7.3 million tonnes. The growth driver was sunflower oil, which occupies 79% of all vegetable oils produced in Russia. With the heavy sunflower harvest in 2019 (+20% vs 2018), sunflower oil production reached 5.8 million tonnes (+18% compared to the 2018/2019 season). For calendar 2020, Russia produced 5.8 million tonnes of sunflower oil, up 11% year-on-year. This volume includes 3.9 million tonnes of oil (+16%) produced from January to August out of the 2019 harvest and 2.0 million tonnes (+2%) – from September to December out of the 2020 harvest. In the 2020/2021 season, due to a 13% decrease in sunflower yield in 2020, oil production may go down to 6.6 million tonnes (-10%), including 5.0 million tonnes (-14%) of sunflower oil.

Production of unrefined sunflower oil in Russia, mn tonnes¹



Source: APK-Inform, agribusiness consultant agency

INDUSTRIAL FATS

Industrial fat production in Russia in 2016–2018 stood at the level of 1.2 million tonnes, in 2019 - at the level of 1.3 million tonnes. In 2020, it was driven up by 6% to 1.4 million tonnes by higher exports of industrial fats and confectionery products they are used in. Therefore, universal fats and milk fat substitutes accounted for the major portion of the growth (+12%, or 42 thousand tonnes, and +8%, or 29 thousand tonnes, respectively). The largest share (29 and 28% respectively) in the output mix was taken by universal fats, and milk fat substitutes, which is explained by the high demand from the confectionery and dairy industry in Russia.

↑6%

1.4

mn tonnes

production of industrial fats in Russia in 2020

Production of industrial fats in Russia, ths tonnes

Indicator	2016	2017	2018	2019	2020
Universal and confectionery fats	442	465	371	418	462
Milk fat substitutes	369	370	360	373	402
Universal margarines, margarines for puff pastry and special margarines	349	379	367	379	363
Frying fats	0	0	46	64	84
Cocoa butter analogues	39	27	43	54	52
Total	1,199	1,242	1,187	1,288	1,364

Source: expert assessment based on data from the All-Russian Union of Oils and Fats and the Federal Customs Service of Russia

¹ Including sunflower oil fractions

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

CONSUMER OIL AND FAT PRODUCTS

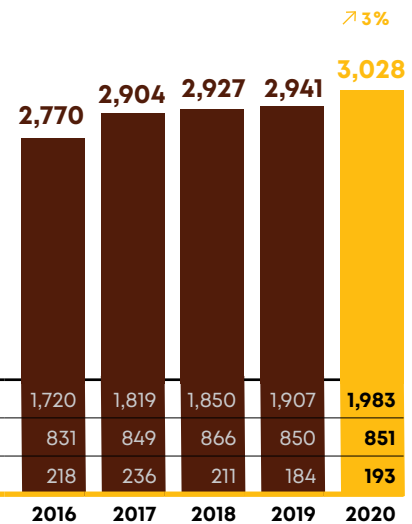
Over the previous three years, the production of consumer fats and oil products in Russia remained at more or less the same level, but in 2020 it grew by 3% – to 3.0 million tonnes. Rusagro estimates that all product categories contributed to this growth. The output of packaged butter increased by 4% (+76 thousand tonnes), and the output of consumer margarines and spreads – by 5%. The production volumes of mayonnaise and mayonnaise-based sauces remained almost unchanged (+0.2 thousand tonne). Exports of these product categories came as the main booster of the growth. Domestic consumption showed an episodic rise in demand for butter and mayonnaise fuelled by quarantine measures taken in the context of the coronavirus pandemic.

↑ 3%

3.0

mn tonnes

production of consumer oil and fat products in Russia in 2020



Production of consumer oil and fat products in Russia, ths tonnes

Indicator	2016	2017	2018	2019	2020
Bottled vegetable oil	1,720	1,819	1,850	1,907	1,983
Mayonnaise and mayonnaise-based sauces	831	849	866	850	851
Packaged margarine and spreads	218	236	211	184	193

Source: Rusagro's estimate based on the data from the Russian Federal Service for State Statistics, Federal State Statistics Service, BusinesStat

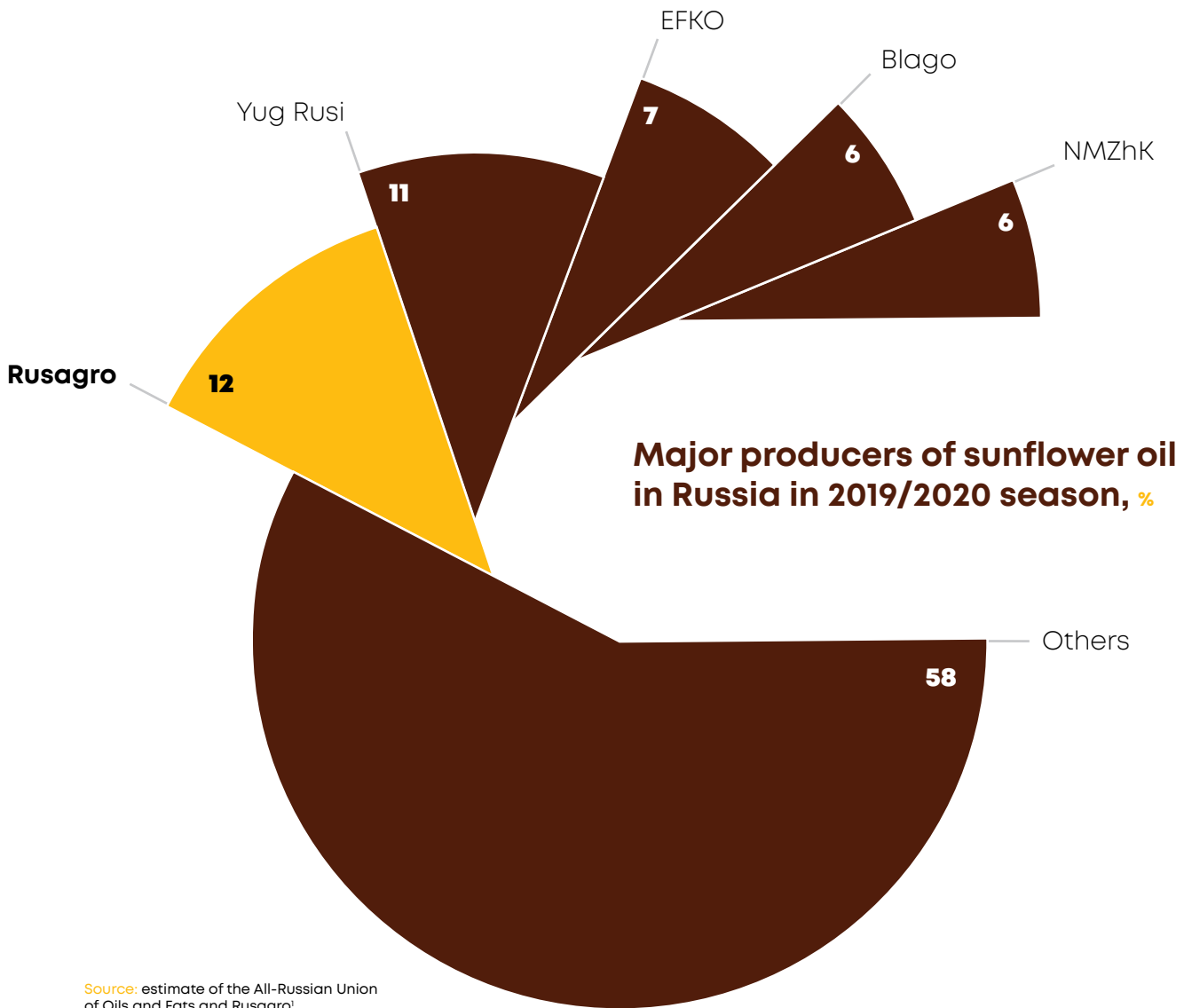
KEY PLAYERS

UNREFINED VEGETABLE OIL

In the 2019/2020 season, five players accounted for 42% of the total domestic production of unrefined sunflower oil. As estimated by the Oil and Fats Union and the Company, Rusagro topped the list of the largest producers with a 12% share – it ramped up the production of unrefined sunflower oil from 610 thousand tonnes in the 2018/2019 season to 671 thousand tonnes in the 2019/2020 season through the attainment of projected capacity of the plants under management. Yug Rusi (South of Russia), which previously was the third-largest player, increased oil production volumes by 47% and occupied 11% of the market, thus approaching Rusagro’s positions and outperforming EFKO, whose share fell from 10 to 7%.

No. 1

Rusagro’s place among producers of sunflower oil in Russia in 2020



Source: estimate of the All-Russian Union of Oils and Fats and Rusagro¹

¹ Data on the actual production volume of sunflower oil by Rusagro, NMZhK, Blago—estimate of the All-Russian Union of Oils and Fats; EFKO data – estimate of the All-Russian Union of Oils and Fats plus the volumes of Elite Maslo (Elite Oil) and EFKO Taman branch as estimated by the Company; Yug Rusi – the Company’s estimate based on the growth in proportion to the growth of vegetable oil production in Russia

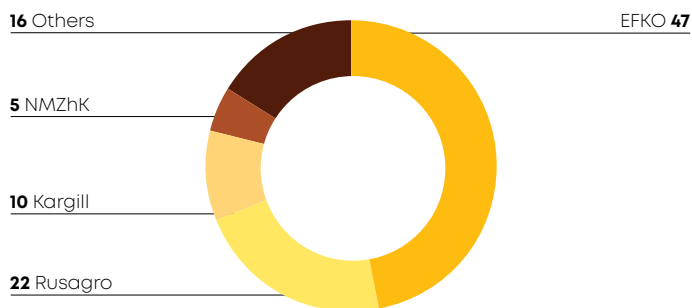
- Agriculture Business
- **Oil and Fats Business**
- Meat Business
- Sugar Business
- Dairy Products Business

INDUSTRIAL FATS

Four major players in the Russian industrial fats market hold 84% in 2020. The top spot in the market is taken by EFKO: in 2020, this company occupied 47% (+2 p.p.) of the Russian industrial fats market. Having recaptured a market segment from smaller producers, Rusagro retained its second place among the players on the Russian market of industrial fats and expanded its share by 1 p.p. to 22%.

No. 2
Rusagro's place on industrial fats market in Russia in 2020

Major players in the industrial fats market in Russia in 2020, %



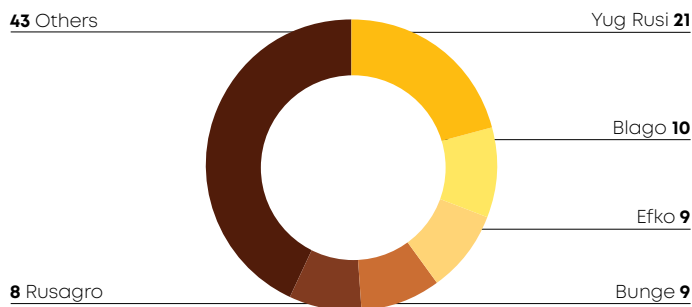
Source: All-Russian Union of Oils and Fats and expert assessment based on the data from the Federal Customs Service of Russia

MAJOR PRODUCERS OF BOTTLED VEGETABLE OIL

The major producer of bottled vegetable oil in Russia is Yug Rusi. Since this company is not part of the All-Russian Union of Oils and Fats, Rusagro made an expert estimate of its output at a level of 425 thousand tonnes and its share in Russian production – at 21%. Blago produced 199 thousand tonnes of oil in 2020 and ranked second with a share of 10%. Rusagro may qualify for fifth place in the ranking with a share of 8%.

No. 5
Rusagro's place among bottled oil producers in Russia in 2020

Major producers of bottled vegetable oil in Russia in 2020, %



Source: All-Russian Union of Oils and Fats, expert assessment¹

¹ Data on the actual volume of production of bottled oil by Rusagro, Blago, EFKO, Bunge – an estimate of the All-Russian Union of Oils and Fats; data on Yug Rusi and other players – the Company's estimate based on the data from the Federal Customs Service of Russia and AC Nielsen

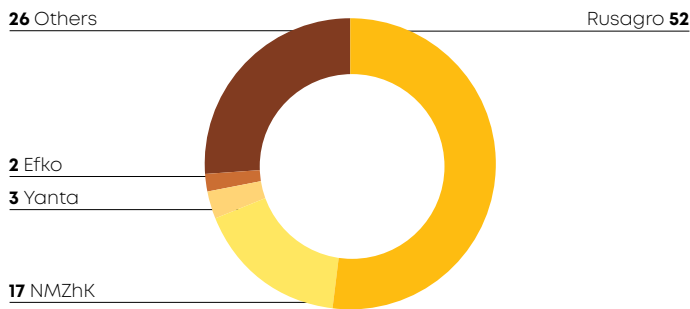
MAJOR PRODUCERS OF CONSUMER MARGARINE

Since 2019, Rusagro has been accounting for more than half of the consumer margarine produced in Russia. In 2020, its share in this product category output is estimated at 52% (+1.8 p.p.). Second in the rank comes NMZhK with a production volume of 15 thousand tonnes and a share of 17% (-1.5 p.p.).

No. 1

Rusagro's place among consumer margarines producers in Russia in 2020

Major consumer margarine producers in Russia in 2020, %



Source: All-Russian Union of Oils and Fats, expert assessment¹

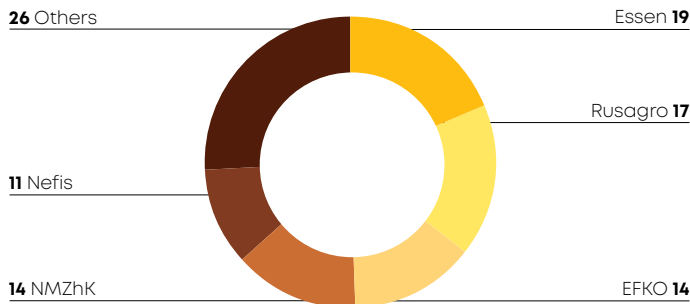
MAJOR PRODUCERS OF MAYONNAISE

Three quarters of mayonnaise production in Russia is covered by five players. With a 19% share, Essen became the largest mayonnaise producer in Russia in 2020. Rusagro was in second place with a share of 17%.

No. 2

Rusagro's place among mayonnaise producers in Russia in 2020

Major mayonnaise producers in Russia in 2020, %



Source: All-Russian Union of Oils and Fats, expert assessment²

¹ Data on the actual volume of production of mayonnaise by Rusagro, EFKO, NMZhK, Yanta – an estimate of the All-Russian Union of Oils and Fats; data on other players – the Company's estimate based on the data from the Federal Customs Service of Russia, AC Nielsen and BusinesStat

² Data on the actual volume of production of mayonnaise by Rusagro, Essen, EFKO, NMZhK – an estimate of the All-Russian Union of Oils and Fats; data on Nefis – the Company's estimate based on the data from the Federal Customs Service of Russia and AC Nielsen

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

EXPORTS AND IMPORTS

UNREFINED VEGETABLE OIL

EXPORTS

As a result of growth in the production of vegetable oil in Russia, its exports in the 2019/2020 season were increased by 43% year-on-year. The exported volume of oil amounted to 4.7 million tonnes, which is equal to 64% of the total volume produced in the country. Other reasons behind export growth include increased demand from importers and higher world prices. Unrefined sunflower oil accounted for 72% of supplies, or 3.3 million tonnes, which is 60% over the level of the previous season. The export of sunflower oil for the 2020 calendar year amounted to 3.3 million tonnes, which is up 18% year-on-year. In the new season, the export volumes of this product category are projected to go down amid the expectations of a decline in production in January-August 2021 caused by a lower sunflower harvest in 2020.

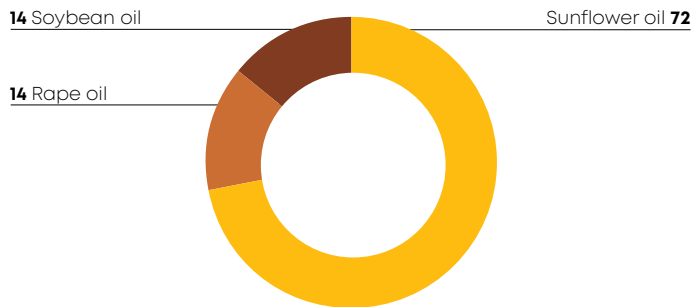
↑ 60%

3.3

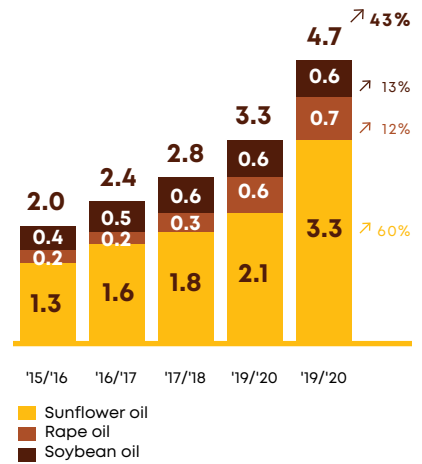
mn tonnes

exports of unrefined sunflower oil in Russia in 2020 season

Breakdown of unrefined oil exports, %



Unrefined vegetable oil exports, mn tonnes



Source: Federal State Statistics Service

Historically, major buyers of Russian unrefined sunflower oil are Turkey and Egypt, and plus Iran since the 2018/2019 season. However, in the 2019/2020 season, export destinations mix experienced some major changes – with a share of 22%, China became the main importer, tripling the volume of imported Russian sunflower oil – to 722 thousand tonnes. Another new large importer, with a 16% share, is India – the volume of supplies to this country grew sixfold from 89 to 526 thousand tonnes. The supplies to the above destinations are driven up by higher oil purchases on the back of the pandemic and better purchasing power of the population. Meanwhile, Turkey keeps the lead and goes in the close second after China: in the 2019/2020 season, its imports of Russian sunflower oil amounted to 677 thousand tonnes (+54%). Growing imports to China, Turkey and India made Egypt drop to the fifth place, although the volume of its supplies declined only marginally (-5%) and amounted to 242 thousand tonnes.

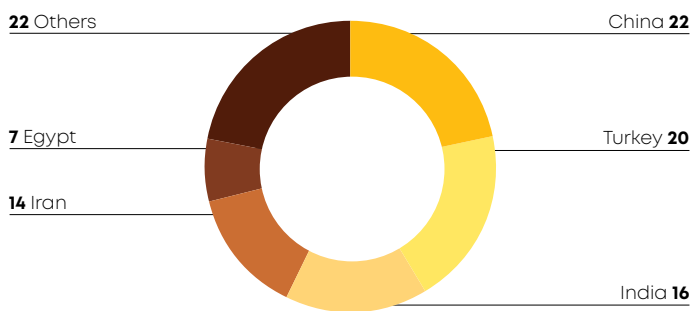
↑217%

722

ths tonnes

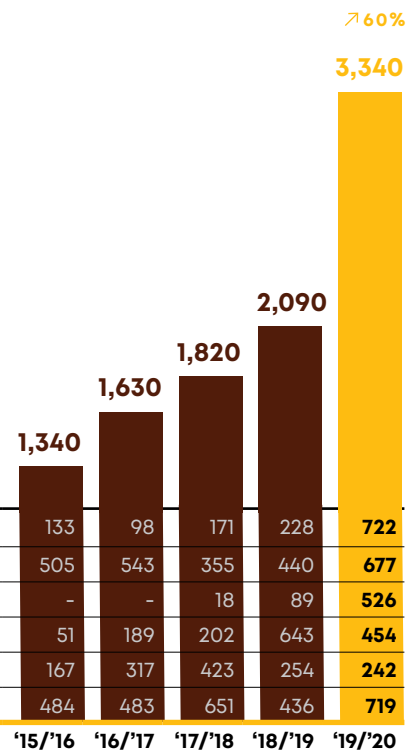
Unrefined sunflower oil export to China in 2020

Sunflower oil export destinations in 2020, %



Russian unrefined sunflower oil export destinations, ths tonnes

Indicator	'15/'16	'16/'17	'17/'18	'18/'19	'19/'20
China	133	98	171	228	722
Turkey	505	543	355	440	677
India	-	-	18	89	526
Iran	51	189	202	643	454
Egypt	167	317	423	254	242
Others	484	483	651	436	719

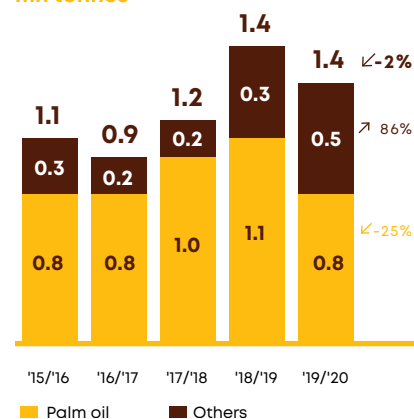


Source: APK-Inform, agribusiness consultant agency

IMPORTS

Imports of unrefined vegetable oil in the 2019/2020 season remained flat with the previous season – 1.4 million tonnes. However, the structure of imports changed – the share of palm oil dropped from 79 to 60% on the back of tougher control over the production of dairy products (mandatory labelling and higher VAT), as well as a recession of demand from HoReCa during the quarantine period, resulting in a decrease in palm oil supplies by 0.3 million tonnes (-25%). Indonesia is the major importer of palm oil in the 2019/2020 season, with a total of 0.7 million tonnes (-5%) of this product.

Unrefined vegetable oil imports, mn tonnes



Source: Federal State Statistics Service

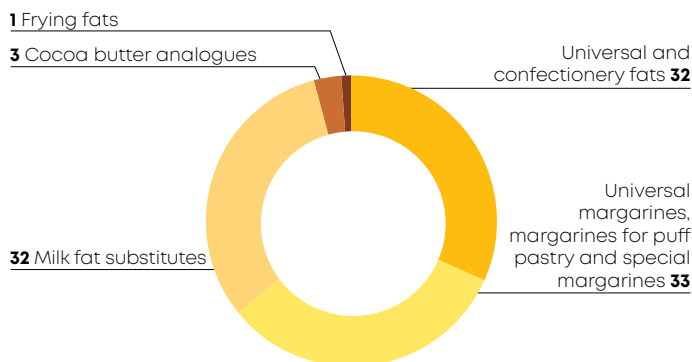
- Agriculture Business
- **Oil and Fats Business**
- Meat Business
- Sugar Business
- Dairy Products Business

INDUSTRIAL FATS

In 2020, Russia exported 95 thousand tonnes of industrial fats, which is up 30% (+22 thousand tonnes) year-on-year. Commonly exported products are milk fat substitutes (30 thousand tonnes, +10%) and universal margarines (25 thousand tonnes, -12%). The major part of industrial fats (42%) were sold to Uzbekistan (21 thousand tonnes), Ukraine (10 thousand tonnes), and Tajikistan (9 thousand tonnes).

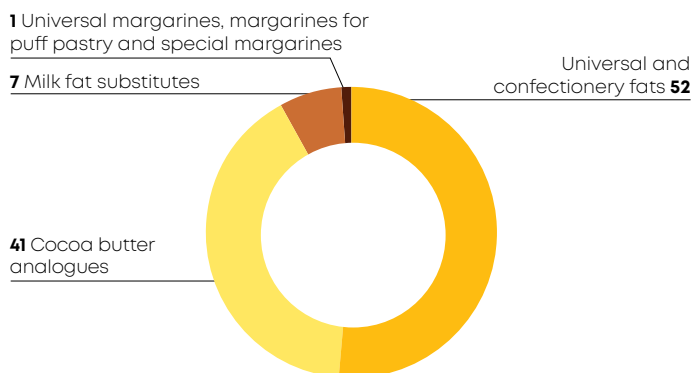
Imports of industrial fats posted a substantial reduction to 134 thousand tonnes (-23%), including 59 thousand tonnes (-23%) of universal fats and 54 thousand tonnes (-24%) of cocoa butter equivalents. Over half (66%) of the export volumes were received from Indonesia (44 thousand tonnes, -14%) and Malaysia (33 thousand tonnes, -20%). The imports were driven down by the growing domestic production, new types of products, and also the devaluation of the rouble.

Structure of industrial fats exports in 2020, %



Source: Federal Customs Service of Russia

Structure of industrial fats imports in 2020, %



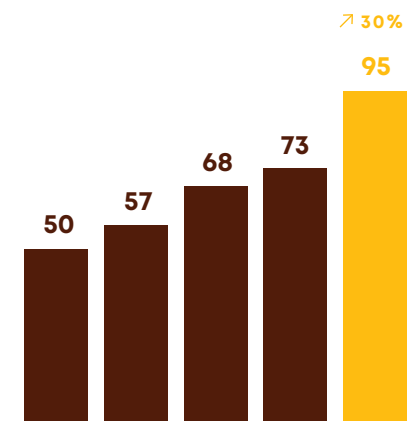
↑ 30%

95

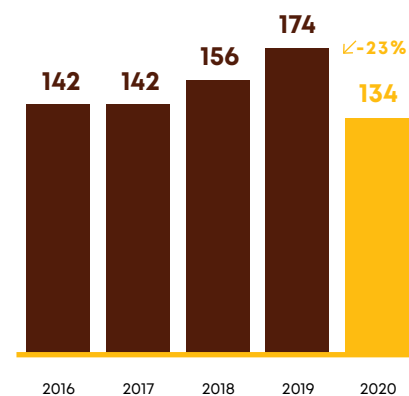
thousands of tonnes

Industrial fats export from Russia in 2020

Exports and imports of industrial fats in Russia, thousands of tonnes



Import and imports of industrial fats in Russia, thousands of tonnes



CONSUMER OIL AND FAT PRODUCTS

EXPORTS

In 2020, Russia exported 876 thousand tonnes of packaged oil and fat products (+17%, or 129 thousand tonnes vs 2019). Three quarters of this volume are covered by sales of bottled vegetable oil, the export demand for which pulled up the supplies by 22% – up to 656 thousand tonnes. Exports of consumer margarine and spreads, as well as mayonnaise and mayonnaise-based sauces also went up – these two product categories increased by 6 and 2% – to 129 and 91 thousand tonnes, respectively.

The major customers of Russian packaged and bottled oil and fat products are the CIS countries, such as Uzbekistan, Kazakhstan, Belarus, and Kyrgyzstan. In 2020, these countries imported 50% of the total volume, or 435 thousand tonnes (+9%). For instance, Uzbekistan is the largest buyer of Russian bottled oil; in 2020, it imported 185 thousand tonnes (+14%) of this product from Russia. Meanwhile, Kazakhstan purchased the largest portion of Russian mayonnaise and mayonnaise-based sauces, as well as margarines and spreads – 27 thousand tonnes (-2%) and 24 thousand tonnes (-1%), respectively.

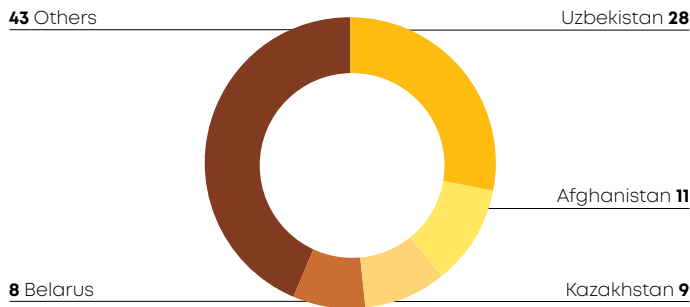
↑17%

876

ths tonnes

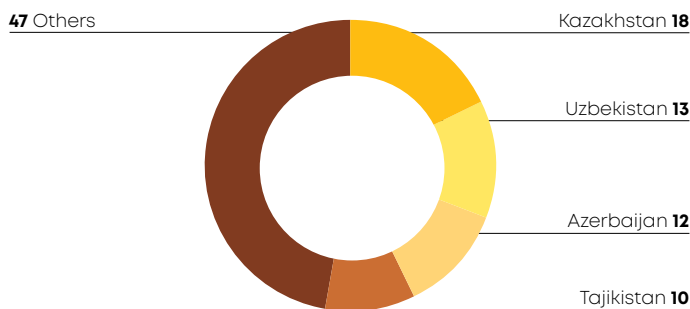
exports of bottled and packaged oil and fats products from Russia in 2020

Export destinations of bottled vegetable oil in 2020, %



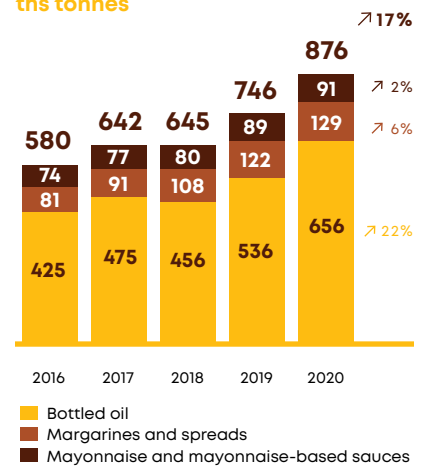
Source: Federal Customs Service of Russia, Eurasian Economic Community Customs Union, BusinessStat

Export destinations for consumer margarine and spread in 2020, %



Source: Federal Customs Service of Russia, Eurasian Economic Community Customs Union, BusinessStat

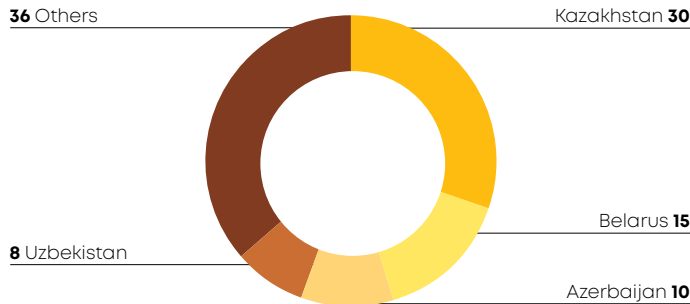
Oil and fat products exports, ths tonnes



Source: Federal Customs Service of Russia, Eurasian Economic Community Customs Union, BusinessStat

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

Export destinations of mayonnaise and mayonnaise-based sauces in 2020, %



Source: Federal Customs Service of Russia, Eurasian Economic Community Customs Union, BusinessStat

↑2%

91

ths tonnes

exports of mayonnaise and mayonnaise-based sauces from Russia in 2020

IMPORTS

In 2020, the imports of oil and fat products dropped by 5% to 36 thousand tonnes. At the same time, the growing demand for healthy food products boosted the imports of bottled oil and made them grow by 11%; (96%) of this volume falls on olive oil supplied from Spain (42%), Italy (42%) and Greece (8%). The devaluation of the rouble dragged down the purchases of imported consumer margarine and spreads, as well as mayonnaises. The volume of imports of these two product categories decreased by 25 and 28%, respectively, amounting to a total of 12 thousand tonnes.

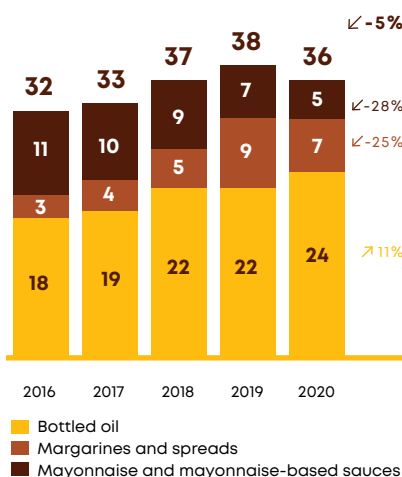
↘-5%

36

ths tonnes

imports of bottled and packaged oil and fat products into Russia in 2020

Imports of oil and fat products, ths tonnes



Source: Federal Customs Service of Russia, Eurasian Economic Community Customs Union, BusinessStat

PRICES

UNREFINED SUNFLOWER OIL

In 2020, the average annual price for unrefined sunflower oil in Russia amounted to RUB 55.6 thousand per tonne, excl. of VAT, which is 40% above the 2019 level. In response to the rising world prices amid expectations of a lower sunflower seeds crop in Russia and Ukraine and a weak rouble, the price increased from RUB 41.7 to 77.6 thousand per tonne from January to December. The price behaviour in late 2020 was also influenced by the cutback in world production of sunflower oil against the increased demand from India and China and the change in customs duties. For example, Indonesia increased the export duty on palm oil, Turkey lowered import duties on sunflower oil, and Russia imposed export duties on sunflower, starting from 2021.

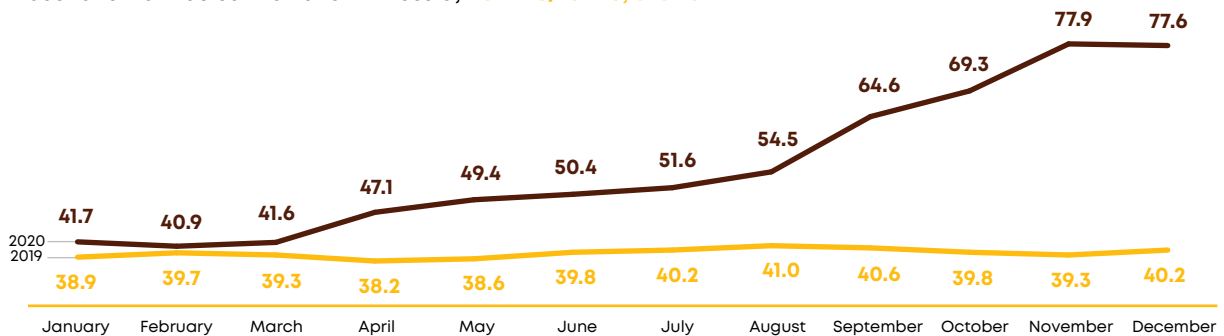
↑40%

55.6

RUB ths/t, excl. of VAT

Annual average unrefined sunflower oil price in 2020

Prices for unrefined sunflower oil in Russia, RUB ths/tonne, excl. of VAT

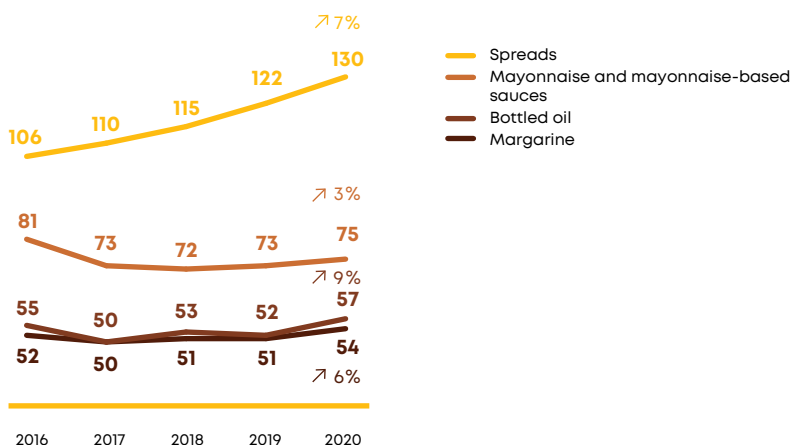


Source: APK-Inform, agribusiness consultant agency

CONSUMER OIL AND FAT PRODUCTS

Higher inflation and vegetable oil prices in 2020 fuelled the producer prices for the main categories of fat and oil products. Thus, prices for bottled sunflower oil rose by 9% – to RUB 57.1 per kg, excl. of VAT, and spreads and margarines – by 7 and 6%, respectively. The price of mayonnaise increased by only 3% and amounted to RUB 75.2 per kg.

Average prices for consumer fat and oil products in Russia, RUB/kg excl. of VAT



Source: BusinesStat

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

OUTLOOK FOR 2021

APK-Inform Agency predicts that, based on a 14% reduction in the sunflower seed crop in Russia in 2020, the production of sunflower oil in the 2020/2021 season may decrease by 14% season-on-season – to 5.0 million tonnes. So, given the production of 2.0 million tonnes of oil in September-December 2020, it is expected that 3.0 million tonnes will be produced in January-August 2021, which is down 22% period-on-period. Thirty per cent export duties on sunflower (but not less than EUR 165 per tonne), which were imposed in December 2020, will contain the exports of raw materials from Russia and help to keep the plants utilised.

Global demand for Russian sunflower oil, in particular from China, may be spurred up by unfavourable agrometeorological conditions, which will have a detrimental effect on the production of main oil crops in the world. The La Niña natural phenomenon is expected to last until mid-2021 and bring drought to the US South and South America. Industrial fats production may be affected by the expected decline in palm oil output due to heavy rainfall in Southeast Asia, which impairs the quality of palm fruit. Quarantine measures that trim sales to the HoReCa channel will also have bearing on the market of consumer fat and oil products.