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Q&A: Farming Pioneer Babayev Milks at 520 Cows Per Hour

By Anatoly Medetsky

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Babayev has thrived on importing foreign best practices to Russian farms.

Naum Babayev remembers when canned meat was more sought after than money.

During the financial convulsion of 1998, Babayev realized that food was a good thing to have in a crisis. The meat was real, while money was a cruel joke.

Babayev is now at the cutting edge of Russian dairy farming. He extensively toured foreign farms to identify and co-opt best practices, but despite having a facility that has achieved milking speeds of 520 cows an hour, he has so far been unable to turn back the tide of dairy imports into Russia.

Naum Babayev

Education

1999 — Financial University, Moscow.
Majored in finance

Work experience

2012-present — founder and board chairman of turkey and dairy processing company Damate.
2006-present — founder and board chairman of Russian Milk Company, or Rusmolco.
1997-2006 — various positions at the Cherkizovo holding company, ranging from the group's poultry business to strategy. Helping with the group's IPO on the London Stock Exchange in 2006.

Favorite book: "Doctor Zhivago" by Boris Pasternak, other classics.

Reading now: "Cabbages and Kings," a collection of stories by O. Henry.

Movie pick: "The Diamond Arm" (1969), a Soviet comedy film directed by Leonid Gaidai, and other films starring Andrei Mironov; "The Godfather" (1972), directed by Francis Ford Coppola.

Favorite Moscow restaurant: Nedalny Vostok at 15, Tverskoi Bulvar, Bldg. 2. Gastronom at 36, bldg. 3. Second floor of shopping mall Sfera.

Weekend getaway destination: My house outside Moscow, with a banya and shashlyk.

Babayev's first model was Fair Oaks Farms in Indiana. Boasting incredible cow comfort and harvesting the freshest milk with the latest technology, Fair Oaks left Babayev smitten.

He borrowed the layout and concept of the farm, toured another 40 to make sure that no new innovation was passing him by and built a business of his own in Russia.

Quitting his cousin's poultry and pork producer, Cherkizovo, after its London share flotation, he set up Rusmolco in 2007. In 2012, he sold a majority stake to a major trader in agricultural commodities, Singapore-based Olam International.

Deploying another of his companies, milk producer and turkey farmer Damate, Babayev partnered with dairy giant Danone last year to build large farms in Siberia and Bashkortostan that will ensure the French company's local supply.

The Danone deal illustrates one of the paradoxes of Babayev's career — the continued underdevelopment of domestic dairy. Dairy imports to the Russia-led Customs Union surged by 18 percent in the first 11 months of last year, according to the union's governing body, the Eurasian Economic Commission.

In part, this is due to a lowering of tariff barriers after Russia's accession to the WTO in 2012. In part, it is because production costs in Russia are still too high to compete with producers overseas.

Babayev sat down with The Moscow Times to discuss the what he learned from U.S. farms, the tale of strikingly high competition to enroll in Indian colleges, and his love of Spain's soccer club Barcelona. The interview has been edited for length and clarity.

Q: How did your trips to U.S. farms affect your own business?

A: Russian agriculture has learned a lot from Western experience. I have traveled around half the world in the past 15 years to look at farming practices, beginning with poultry.

The main thing that makes Russia akin to the U.S. is large open spaces. The same goes for China and Latin America. But Europe is different, with its small-sized farms and expensive land.

I first visited a U.S. dairy farm — and any foreign dairy farm, for that matter — in 2008, when I went to Fair Oaks Farms about 100 kilometers from Chicago. I liked the farm's concept and layout, and I borrowed that from them when building the Narovchatskaya farm in the Penza region. I went back to Fair Oaks about three times.

Courtesy of Damate

The Narovchatskaya farm boasts a milking speed of 520 cows per hour.

The trips to that and other farms were organized by U.S., German, Swedish and other producers of equipment for dairy farms. With a team of professionals, we discussed why the space between columns was three meters in one place and six meters in another, or why the indentations in the flooring were criss-cross here and diamond-shaped there.

In building the Narovchatskaya farm from 2008 to 2010 — one of the country's largest — we were pioneers in the extent that we used Western technology. We imported a steel frame from Germany's MaraTEC and a rotary milking parlor from U.S.-based BouMatic. We milk 520 cows an hour, while in the U.S. the rate is 550 cows an hour. I think we will catch up within about six months.

Q: What did you learn from dealing with Singapore-based food supplier Olam International?

A: I was amazed to learn about the extreme competition to enter Indian colleges. This gave me a better idea about the power of competition.

The Olam team said there were 800 applicants for each scholarship at one college in Mumbai. How can you choose one person out of 800 people?

I once asked the director of one of Russia's state agricultural colleges to recommend some of his students with high-grades as potential future employees in my company. I offered to pay an allowance while they completed their studies. They could not find any. I asked him

how much competition there was to enroll in the college. He said they were barely able to fill their classes. They simply try to rope in students in order to secure government funding. Many people in Russia who have a degree are in fact not properly educated.

Q: What problems have you faced? How did you tackle them and what did you learn from them?

A: One of the most challenging times was the financial crisis of 1998, when the ruble lost 400 percent of its value.

I was the financial director of a meat processing plant that made canned meat in Veliky Novgorod. Canned meat was everything then; money was nothing, its value melting away by the day. Store owners brought us money in potato sacks. We would lock up the cans for the night and have senior managers, including myself, visit the warehouses and seal them in order to prevent anyone from stealing.

It was the first time I saw money being stored in potato sacks. People wanted to preserve their savings by buying something with a long shelf life. The situation lasted for a few months. The government had lost control and had no idea how to run things.

I learned that in a crisis food is a great product to have. People might stop buying cars and jewelry, but they will always need to eat.

Courtesy of Damate

Babayev, front, with the son of former FSB chief Nikolai Patrushev, left, admiring a turkey reared by Damate.

Q: What is your secret to successfully managing people?

A: I no longer hire people. But when I used to select people for my team, I was less interested in their professional skills and more interested in them as people. I talked with them about their life and their family. I need to know their goals and how they approach life. I also favor people with entrepreneurial experience, both successful and unsuccessful. And I try to motivate people — that is the key thing in management.

Q: Who or what inspires you?

A: My family. We engage in a lot of sports, like skiing, soccer and swimming. On Sundays we play football with friends, and quite a few people join in.

I also like to accomplish things, and when people give you credit for your effort.

Q: Is there anything you cannot do but would like to learn?

A: I would like to master English to the extent that I can crack jokes in English, not just talk about milk, which I am capable of doing now.

Q: What has recently made you feel surprised, happy or disappointed?

A: My third child, a girl, was born in March.

My eldest son, Alexander, who is 7 years old, won a chess competition at school and received a new belt in karate.

He also goes swimming and plays soccer. It is better that boys under 16 do not have too much free time on their hands, otherwise how will they spend it — roam the streets and mess around? A life filled with sports gives you discipline.

He and I went to Barcelona in October to watch a soccer match between Barcelona and Real Madrid. The entire stadium sang the Barcelona club anthem, and they won the game. When it comes to foreign clubs, I support Barcelona. Who doesn't? They play the game so beautifully. In Russia, I am a Lokomotiv Moscow fan.

Q: What advice would you offer a foreigner who wants to invest or expand in Russia?

A: If you play by the book, you will reduce your risk of doing business here to zero.

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