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Tycoons With Kremlin Ties Profit From Russia's Food Import Ban

By The Moscow Times

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The one-year Russian food import ban applies to all U.S. and EU- imported meat, fish, dairy, fruit and vegetables.

A group of businessmen with Kremlin connections are emerging as likely beneficiaries of the tit-for-tat sanctions in the escalating dispute between Russia and the West over Ukraine.

Earlier this month, Russia banned all U.S. and EU meat, fish, dairy, fruit and vegetables in retaliation for Western sanctions imposed on Moscow over its involvement in Ukraine.

That has sent some local food prices soaring in Russia and opened a gap in many markets.

A fish company co-owned by the son-in-law of a friend of President Vladimir Putin, a meat company with a well-connected founder, and another private meat producer enjoying state support are all seeing a spike in demand for their produce.

Though there seems to be no evidence to suggest that the bans were imposed with the aim

of helping any particular producers, or that any producers lobbied the government for the restrictions, the food tycoons look set for a windfall.

"Wholesale prices have already risen; they are already earning," Sergei Lisovsky, once himself a food magnate and now a Russian senator, said earlier this month.

Russian officials warned food producers against price rises, but days after the bans were imposed salmon was up 60 percent at over $22 per kilo in some shops.

According to distributors, beef and cheese prices will also rise by at least 30 percent as imports had been meeting 30-50 percent of local consumption.

Shares in fish firm Russkoe More, or Russian Sea, jumped 70 percent in the days after the ban.

Oil-to-banking tycoon Gennady Timchenko, a friend of President Vladimir Putin, bought a 30 percent stake in the firm in 2011, betting on rising demand for salmon.

The firm says it was the leading chilled red fish importer last year, with a 26 percent market share, with the fish coming from 18 countries including Norway. Norwegian fish imports have been included in the Russian ban.

After Washington first imposed sanctions in March, Timchenko sold his stake to son-in-law Gleb Frank.

"Timchenko has no influence over the firm any more. We have totally distanced ourselves from that business," a spokesman for Timchenko said.

Great Expectations

Meat firm Ros Agro also saw steep stock price gains.

Its CEO Maxim Basov said the company would benefit from the bans.

"Prices will at least not fall. We will have opportunities to increase production. Competition will fade, we will develop. We expect phenomenal results in all business segments," he said.

Ros Agro was founded by businessman Vadim Moshkovich, who transferred company ownership to his family after becoming a senator in 2006 as a member of the ruling United Russia party, which is chaired by Prime Minister Dmitry Medvedev.

When Ros Agro went public in 2011, it said in its prospectus that its business could suffer if Moshkovich, estimated to be worth $1.3 billion by Forbes Magazine, ceased to be its controlling shareholder or senator.

"Because Mr. Moshkovich has intimate knowledge of the workings of the local government, the Group is better able to reap the benefits of the government interest subsidies and other support programs offered," it said.

When asked whether it would like the government to provide more support to the industry to help make up for the banned imports, Ros Agro said, citing its CEO, that the import substitution would ultimately happen anyway, although such support would speed it up.

No Negatives

Privately held Miratorg, Russia's biggest pork producer, with annual sales of over $1.5 billion, has — unusually for an agricultural business — received big state loans.

Medvedev personally inspected one of its landmark projects, when it brought tens of thousands of Aberdeen Angus cows to the Bryansk region from the U.S. and Australia.

Miratorg is owned by businessmen Viktor and Alexander Linnik, who are worth $360 million, according to Russian Magazine CEO.

They stand to gain from import shortfalls caused by the bans.

"The situation (with sanctions) has once again demonstrated the need to develop our own production to guarantee reasonable prices for Russian consumers and food sovereignty from our partners in the World Trade Organization," the company said.

Senator Lisovsky, a television advertizing tycoon in the 1990s who helped President Boris Yeltsin win the elections, says bans will do Russia only good.

"Will Russia lose anything? I don't see any negatives," said Lisovsky, wearing a Tajik robe and offering reporters fruit and vegetables he said came from neighboring Tajikistan, Iran, Turkey and Uzbekistan.

Lisovsky knows a thing or two about the opportunities arising from sanctions. When, a decade ago, Russia banned U.S. poultry imports to retaliate against U.S. sanctions on Russian steel, he was fortunate to have invested heavily in chicken farms not long before.

Though Lisovsky has since sold that business, Russia, which previously relied heavily on U.S. poultry, became almost self-sufficient.

See also:

[Inflation Races as Russia's Food Bans Push Up Prices]

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