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INDEPENDENT NEWS FROM RUSSIA

5 Russian Food Producers Winning From Economic Crisis and Import Ban

By Howard Amos

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A woman stands near a counter as a street vendor sells food in a yard of an apartment building in Moscow, Jan. 26.

Recession, rising inflation and a currency collapse have combined with Western sanctions and the ongoing crisis in Ukraine to cast a pall of gloom over Russian business.

But economic quirks mean there are a few sectors that are defying the trend. This is nowhere more true than in Russia's food producing sector.

Producers of meat, fruit, vegetables, cereal crops, sugar and fish are reaping the rewards of a food import ban imposed by the Kremlin last August in response to Western sanctions over Ukraine and a wave of nationalism that puts an emphasis on choosing local produce over foreign imports.

They have also been aided by galloping food price inflation, which is climbing at its fastest

pace since 1999. Officials forecast that inflation will peak at over 15 percent this year, while the Economic Development Ministry predicts food prices could rise more than 23 percent by July.

Food producers are the top investment opportunity in Russia in 2015, Ivan Tchakarov, chief economist at Citibank in Moscow, told reporters in Moscow on Wednesday.

The Moscow Times picked five Russian food producers that have enjoyed a bumper year:

Cherkizovo

Share price increase on MICEX Index since Aug. 1: 36.7 percent

Revenue increase in 2014: 30 percent to 68.7 billion rubles ($1.1 billion)

Russian meat firm Cherkizovo has been one of the biggest winners from rising prices for meat products and fodder. The vertically integrated company, which produces more than 800,000 tons of meat products a year, paid out $1.5 billion in dividends in 2014, its first ever dividend payment. Announcing its annual results Thursday, Cherkizovo said that during the last three months of the year — after the food import ban — its net profit was 195 percent higher than the same period the year before. Cherkizovo's average sales price for pork grew 47 percent last year, the company said. Cherkizovo is 65 percent owned by tycoon Igor Babaev. His son, Sergei Mikhailov, is the chief executive.

Miratorg

Share price increase on MICEX Index since Aug. 1: No shares trading

Revenue increase in 2014: No available data

Owned by businessmen brothers Viktor and Alexander Linnik — who are reportedly worth $360 million — Miratorg is the biggest pork producer in Russia and employs 20,000 people. Last year the company began producing beef and has since become a key supplier for local McDonald's branches. In January, it received a $426 million loan from state development bank Vneshekonombank to develop beef production over the next 15 years. The holding has not released figures for 2014, but in 2013 its revenue was 53.7 billion rubles ($880,000).

Razgulay Group

Share price increase on MICEX Index since Aug. 1: 178 percent

Revenue increase in 2014: No available data

Stocks in agricultural holding Razgulay Group jumped almost 40 percent in the days after the Kremlin introduced a ban on food imports from the United States and the European Union, as investors gambled on the sugar and grain producer benefitting from reduced competition. The company, which has the largest network of grain elevators in Russia, cultivated more than 210,000 hectares of land in 2014 and grows cereal crops, sugar beet, rice and soya beans. It stands to benefit from a sharp rise in sugar prices (it controls 10 percent of the Russian sugar market), which have jumped more than 20 percent so far this year. But

the company is struggling with debts estimated at more than 30 billion rubles ($492 million).

Rusagro

Share price increase on London Stock Exchange since Aug. 1: Minus 7 percent

Revenue increase in 2014: 57 percent to 65.7 billion rubles ($1.1 billion)

Farming conglomerate Rusagro, which started out as a sugar producer in 1995, has said that it will record the biggest profits in its history in 2014. Now working in the agricultural, meat production, sugar and oil and fats sectors, Rusagro has said that revenues from its sugar business rose 32 percent in 2014 while revenues from its meat business rose 142 percent. Rusagro was founded by tycoon Vadim Moshkovich, who transferred ownership of the company to his family after becoming a senator in Russia's upper house of parliament in 2006. The company was one of 199 firms designated "strategic" last month by the government, making them eligible for state aid during the current economic crisis.

Russkoe More

Share price increase on MICEX Index since Aug. 1: 21.9 percent

Revenue increase in 2014: No available data

Co-owned by the son-in-law of Gennady Timchenko, a close associate of President Vladimir Putin, Russkoe More — or Russian Sea — looks set to win from the ban on imports of fish products from the United States and EU. The fish firm's shares skyrocketed on the news of the import ban — initially jumping over 70 percent, although they subsequently fell back. The company, which announced that it was re-naming itself as Russkaya Akvakultura in January, was set to pay its first ever dividend to investors last year on the back of record profits. Executives have said that they are focused on developing local fish production.

Contact the author at h.amos@imedia.ru

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