The Moscow Times
30 YEARS
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Russian Sugar Giant Posts Record Profit Despite Government Price Cap

Prime Minister Mikhail Mishustin last week accused businesses of profiteering from rising food prices.

May 18, 2021



The government has capped retail prices for sugar in a bid to stem inflation. **Moskva News Agency**

One of Russia's largest sugar producers has posted record high profits days after Prime Minister Mikhail Mishustin blasted corporate "greed" and "profiteering" for driving up food prices for Russian households.

Agricultural firm Rusagro made 11.2 billion rubles ($152 million) in earnings before interest, taxes, depreciation, and amortization (EBITDA) during the first three months of the year, according to company results published Monday — more than twice the level recorded during the same period last year and the highest first-quarter earnings in the company's 26-year history.

The record-high earnings surprised some analysts who were expecting weaker results due to

the impact of government-mandated price caps on sugar rolled out in December. Sugar prices have surged both in Russia and globally over the past 12 months, spooking the Kremlin, which has responded by forcing producers to cap prices and limit their exports.

Mishustin said last week that corporate greed was behind rising food prices, and threatened manufacturers with additional government measures if they did not take steps to tame rising prices. Economists say rising prices for staple goods on supermarket shelves are the result of global increases in the price of agricultural products.

Related article: Russia's Inflation Headache Intensifies as PM Blasts Corporate 'Greed' for Price Hikes

Despite Russia's cap on retail prices, Rusagro's profit margin surged from 15% during the same period last year to 22% in 2021. Rusagro is Russia's second-largest sugar manufacturer and also sells billions of rubles worth of meat and oil products — other food categories which policymakers have been singled out as seeing unacceptable price increases.

During the quarter, the company's profit margin on sugar came in at 27%. During a conference call with investors, Rusagro CEO Maxim Basov said that despite the cap on retail prices, he expects the company to be able to maintain a profit margin on its sugar sales of at least 20% for the rest of the year.

VTB Capital upgraded its outlook on Rusagro on the back of the strong results, saying it expects the firm to post record profits for the full year.

"It is highly likely that Rusagro's high product prices ... will continue until the end of the year, which means the company's profitability will remain strong in the next three quarters," Gazprombank analyst Marat Ibragimov said in a research note Tuesday.

Rusagro shares, listed on the London Stock Exchange, rose 3% after the results were published to their highest level since February 2017.

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