

Press Release

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Russian agroindustry has shown the fastest growth among other industries in the country

Moscow, 7 November 2016 Deloitte CIS presents the findings of our second annual survey on the Current State and Outlook for the Agribusiness in Russia—2016.

The survey analyses the current state of the Russian agroindustry, assesses the government's efficiency in supporting the agroindustry and determines the key incentives and constraints on agribusiness development in Russia.

Rinat Khasanov, Agribusiness Leader, Deloitte CIS, stated, "This year has seen a deterioration of sentiment across agribusinesses evidenced by a less optimistic general view of the Russian agroindustry, as well as opinions on the current position of agribusinesses. The level of satisfaction with subsidising has suffered a significant decline, down by 14 percentage points. Nevertheless, there is a positive trend: the volume of agricultural exports is expected to increase in 2016, both in gross margin and in monetary terms. According to 1H16 data, the export revenues totaled approximately USD 5.5 bn indicating a 10 percent year-on-year increase."

Below you can find some highlights from the survey.

Overview of the key indicators in the Russian agroindustry

- Global processes have had a positive impact on how the Russian agroindustry is evolving: Russian agriculture has seen **the largest annual growth (18 percent)**, outranking the financial industry and coming in **eighth in terms of its GDP share**.
- **With a YoY sales increase of 57 percent** mainly driven by the depreciating rouble, the fishery segment is set apart from other segments in the Russian agroindustry.
- An impressive growth in exports comes from Ukraine, Tadjikistan and other Asian countries.
- **Exports to Asia** have increased due to a growth in sales of cattle/poultry by-products and offal products other than fish offals.

Current state of the Russian agroindustry:

- **Top three constraints for the Russian agroindustry:** shortcomings in government regulation, currency risk and insufficient government support.
- Among the key competitiveness drivers on the Russian agroindustrial market, this year experts place equally high **importance on logistics and the availability of financing sources (89 percent)**.
- Expert views have changed from 2015 when experts viewed **the optimisation of energy costs and the growth in global demand** as significant growth-driving factors. In 2016 they put an equal emphasis on the **availability of financing and the growth in domestic demand**.
- **Top three development strategies for agroindustrial companies:** cost cutting, entering new markets, raising external financing.

Financing and support for the Russian agroindustry:

- The **integral assessment of the government's efficiency in supporting and developing** the agroindustry is down by **4 percentage points to 43 percent**.
- **In 2016** the largest portion of companies that obtained subsidies are the companies that have expressed **negative views** of the state of the Russian agroindustry (**62.5 percent**).
- These companies show the highest increase in the degree of satisfaction (**up 35 percentage points**).
- In 2016 the demand for external financing is even higher than in 2015, with the overall demand index up **11 percentage points to 94 percent**.

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