INVESTMENT OPPORTUNITIES IN THE RUSSIAN FAR EAST

SECTOR: AGRICULTURE
GOVERNMENT SUPPORT OF INVESTORS IN THE FAR EAST OF THE RUSSIAN FEDERATION
“The Upswing of Siberia and the Far East is our national priority throughout the whole XXI century round.”

Vladimir Putin
President of the Russian Federation
WHAT RUSSIA OFFERS TO INVESTORS IN THE FAR EAST

- Low level of fiscal burden
- Simplified administrative procedures
- Low costs
  Efficiency of investors’ inputs
- Provision of infrastructure, labor resources, concessionary financing
VERTICALLY INTEGRATED SYSTEM OF GOVERNMENT SUPPORT FOR INVESTORS

THE GOVERNMENT OF THE RUSSIAN FEDERATION

MINISTRY FOR THE DEVELOPMENT OF THE RUSSIAN FAR EAST

Far East Development Fund
- SUPPORT AND ATTRACTION OF INVESTORS
- CO-FINANCING OF INVESTMENT PROJECTS

Far East Human Capital Agency
- ATTRACTION OF SKILLED WORKFORCE

Far East Development Corporation
- CONSTRUCTION OF INFRASTRUCTURE IN SEZ
FAR EAST INVESTMENT AND EXPORT AGENCY (FEIA)

FEIA’S BUSINESS MODEL

Investors

“One-stop shop” for investors

Investment Projects

Federal and regional authorities

Regional development institutions

Local business groups, banks and suppliers

HOW FEIA HELPS INVESTORS IN THE RUSSIAN FAR EAST

1. PROJECT SOURCING:
   - Greenfield and brownfield investment projects with local partners
   - Development of new investment projects

2. PROJECT FINANCING:
   - Far East Development Fund (low-cost, long-term)
   - State financing of infrastructure development (free of charge)

3. LAND ALLOCATION / ZONING / PERMITS
   - Finding agricultural land and industrial sites for investors
   - Control of zoning and receipt of permits

4. INFRASTRUCTURE SUPPORT:
   - Assisting in the development infrastructure facilities

5. EXEMPTION FROM TAXES, SPECIAL AGREEMENTS
   - The status of special economic zones for projects
   - Agreeing special conditions (as required)
ADVANCED SPECIAL ECONOMIC ZONES (AEZS) AND THE FREE PORT OF VLADIVOSTOK (FPV)

18 economic zones with ready-to-use infrastructure

- Free customs zone
- Simplified land acquisition procedure
- “Single window” approach
- Simplified regulation of business

21 districts with simplified administrative procedures

- Simplified customs control procedure
- 8-day electronic visa for foreign citizens
- Government financing of infrastructure construction
TAX PREFERENCES

For 10 years

- **Social Dues**: 30% for 10 years
- **Profits Tax**: 0% in the first 5 years, 10% in the next 5 years
- **Property Tax**: 0% in the first 5 years, 0.5% in the next 5 years
- **Mineral Extraction Tax**: 0% in the first 2 years, 1.6–7.2% in the next 8 years

*Note: By the example of the Mineral Extraction Tax on nickel*
INVESTMENT ATTRACTIVENESS OF THE AGRICULTURE SECTOR IN THE RUSSIAN FAR EAST
AGRICULTURE: INVESTMENT APPEAL OF THE FAR EAST

Dynamic sector of economy:
- >10% growth (CAGR) within the period from 2006 to 2016. Production volume - USD 3 bln (in 2016)

Availability of land resources:
- Potential: 8 mln hectares of cultivated areas, including 2.9 mln hectares of arable land
- Actual: 0.8 mln hectares are not cultivated and can be used by new investors

Geographic proximity to major markets of APAC countries:
- USD 280 bln – annual import of agricultural goods in Eastern and South-Eastern Asia (6% of import growth in 2010-2016)

Low level of self-sufficiency of the Far East in the food production:
- USD 3-5 bln – market size for new investors. Meat, milk, vegetables are the most sought-after goods.

State support:
- Federal and regional system of institutions for development and support of investors
- State and regional program to support agriculture
- Preferential business environment in the territories of ASEZ and FPV
- Funding of the Russian Far East Development Fund
- Government subsidy for the construction of infrastructure
### AGRICULTURE LAND AVAILABLE FOR INVESTORS (1/2)

#### Arable Land of the Russian Far East

<table>
<thead>
<tr>
<th>Region</th>
<th>Arable land: 2,766 th. ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amur and Primorskiy regions</td>
<td>2,734</td>
</tr>
<tr>
<td>Primorskiy Region</td>
<td>2,734</td>
</tr>
<tr>
<td>Amur Region</td>
<td>1,574</td>
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<tr>
<td>Other Regions</td>
<td>74</td>
</tr>
</tbody>
</table>

**Total:** 8,014 th. ha
AGRICULTURE: LAND AVAILABLE FOR INVESTORS (2/2)

REGIONAL STRUCTURE OF CROP PRODUCTION IN THE FAR EAST

<table>
<thead>
<tr>
<th>Year</th>
<th>Amur region</th>
<th>Primorskiy region</th>
<th>Jewish region</th>
<th>Khabarovsk region</th>
<th>Yakutia region</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,383</td>
<td>1,482</td>
<td>1,672</td>
<td>1,596</td>
<td>1,788</td>
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<tr>
<td>2011</td>
<td>1,482</td>
<td>1,314</td>
<td>1,476</td>
<td>1,424</td>
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<tr>
<td>2012</td>
<td>1,672</td>
<td>1,596</td>
<td>1,788</td>
<td>1,884</td>
<td>1,949</td>
</tr>
<tr>
<td>2013</td>
<td>1,596</td>
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</tr>
</tbody>
</table>

Potential*:
- Amur region
- Primorskiy region
- Jewish region
- Khabarovsk region
- Yakutia region
- Sakhalin region
- Kamchatka region
- Magadan region
- Chukotka region

COMMENTS

- Arable land in Far East: 2.9 mln ha. Actual crop operations cover 2.1 mln ha. 0.8 mln ha – potential for new investors but land requires melioration.
- During 2010-2017 CAGR of actual crop operations increased 6%.
- Amur region has the largest size of arable land (1.6 mln ha), in 2017 crop operations covered 1.3 mln ha. Primorskiy region is top-2 region in terms of arable land.
- Far East is a largest producer of Russia of soybeans. During 2010-2017 area of soybeans production doubled and amounted 1.4 Mt in 2017. Soybeans are mainly produced in Amur, Primorskiy and Jewish regions.
- Other key crops in Far East include wheat, perennial grass, potato, oat, corn, barley, vegetables, buckwheat and rice.

Note: * During Soviet times crop area in the Russian Far East amounted to 2.9 Mha.
AGRICULTURE: TARGET FOREIGN MARKETS

IMPORT DYNAMICS, $BN

China

Japan

South Korea

ASEAN

India

MAJOR IMPORT PRODUCTS, $BN

Oil seeds 38
Meat 10
Fats/oils 7
Fish 7
Fruits 6
Cereals 6
Beverages 5
Cer. Prep. 5
Dairy prod. 4
Feed 3

Fish 11
Meat 9
Meat pre. 6
Cereals 5
Oil seeds 5
Beverages 3
Fruits 3
Veg. prep. 3
Vegetables 3
Feed 2

Fish 4
Meat 4
Cereals 3
Feed 2
Fruits 2
Oil seeds 2
Sugars 1
Fats/oils 1
Veg. prep. 1
Beverages 1

Fish 10
Feed 10
Cereals 10
Fruits 7
Meat 7
Beverages 7
Sugars 6
Vegetables 5
Cocoa 0.2

Fats/oils 11
Vegetables 4
Fruits 3
Sugars 1
Coffee/tea 0.8
Beverages 0.6
Cereals 0.5
Feed 0.5
Oil seeds 0.4

2009 2013 2016
2009 2013 2016
2009 2013 2016
2009 2013 2016
2009 2013 2016
AGRICULTURE: LOCAL MARKET POTENTIAL OF THE FAR EAST

DYNAMICS OF “CROP PRODUCTION” SECTOR

CAGR 12%


CEREALS

Potato

15.3

12.8

2.4

2.6

RN

BN RUB

105

98

87

57

62

64

53

DYNAMICS OF “LIVESTOCK” SECTOR

CAGR 7%


Milk, kg

Livestock, kg

Eggs, pcs

210

87

67

20

297

190

PRODUCTION

CROP YIELD

Russia

Far East

Russia

Far East

Russia

Far East

Russia

Far East

Russia

Far East

COCR

TON/HA

1.5

1.2

1.8

1.8

2.6

2.4

1.5

1.2

1.8

1.8

COMMENTS

Agriculture is the most dynamically developing sector of the Russian Far East. >10% growth (CAGR) within the period from 2006 to 2016. The production volume is USD 3 bln (in 2016)

The possibility of increasing the yield of major crops through the use of modern technologies, development of infrastructure of agro-industrial complexes and observance of crop rotation

The Russian Far East is characterized by low self-sufficiency in key livestock products. To achieve all-Russian average level, it is required to produce 290 thous. tons of meat, 760 thous. tons of milk and 660 mln eggs in the Russian Far East. USD 3 bln – volume of local market for new investors