

Healthy Growth

As one of the largest agriculture industry holding companies in Russia and the CIS, Rusagro Group has seen astonishing growth in recent years as the company and country flourish.

Images courtesy of Rusagro Group

Rusagro Group has seen substantial growth over the past decade as the Russian market has rapidly expanded and diversified. The seeds of this successful group were first planted in 1995 when sugar import operations and, later, import and processing of raw sugarcane, were introduced in Russia. Today, Rusagro is one of the largest vertically integrated agriculture industry holding companies in Russia and the CIS.

Throughout its life cycle, Rusagro has evolved through several stages. In 2011, Rusagro completed the process of forming a unified corporate structure and the company Ros Agro PLC was created. The company successfully entered the IPO and placed global depository receipts (GDRs) on the London Stock Exchange, allowing

Rusagro to attract around \$300 million of additional funds for the implementation of their investment projects.

As the Russian market has opened up and evolved, so too has Rusagro, with the company developing a diverse range of business units and products. For the past five years, Rusagro has been led by CEO Maxim Basov, who joined the group in July 2009 as the general director of LLC Rusagro Group of Companies. Maxim was also appointed to the board of directors of Rusagro in February 2011.

Before joining Rusagro, Maxim held the position of General Director of Metalloinvest Group from 2006 to 2009. From 2004 to 2006, Maxim served as the first deputy chairman of the board of directors for Interpipe Limited. In

addition, since November 2007, he has served as a member of the board of directors for OJSC Sosnovskaya HPP.

Utilising this experience, Maxim has successfully steered Rusagro to new heights as he and his team capitalise on a vast array of new opportunities in the Russian market. He states, "Russia is a very big market for food. It's one of the biggest countries in the world. The Russian population has increased dramatically in the past five to 10 years so the food market in Russia has been expanding significantly.

"When Russia was the Soviet Union, the agriculture industry was very inefficient, even though the investments for development of agriculture have always been very good. The government has given a lot of support to the industry over the past 10 years. >

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We have a large and growing food market and, on the other hand, we have low competition, large impact, and a good opportunity to produce agricultural crops and process them.

“It wasn’t that difficult to understand that the investments in the food and agricultural processing industry in Russia would provide a big economic jump. In addition to big investment opportunities, we saw a trend of rising growth and wealth throughout the Russian population. We also saw a trend in the rise of technology and an increase in government support. These factors improved the investment opportunity which our company utilised.”

Identifying these trends and utilising them has aided Rusagro in its ambitious growth plans, which Maxim states was his core objective when he joined the company. “The main shareholder of the company founded Rusagro 15 years ago.

Then, five years ago, he came to the realisation that he was no longer fit for the job. He was a very great leader but the company became too much and he needed a person who could do his job better and who had more experience. He offered me a job and I took it. He’s the main shareholder and he plays a very important role in the growth of our organisation on the strategic issues. We are working as one team, together as chairman of the board and CEO.

“Our growth was very good. We used the opportunity that we identified and the company has been growing significantly. I think the company has grown around 10 times in the last five years. We’ve been growing in every direction, in organic growth, in existing divisions, and in new divisions. We plan to start two more divisions soon and we’re also cutting costs quite significantly.

“I think that’s why this year will be the best year in Rusagro’s history.

HPH
Omnikon



The company is very ambitious. We want to grow further. We think that we can increase the size of the company several times in the coming years.”

Maxim believes that Rusagro’s management structure and its talented employees will shape the company’s success in coming years. “I think that each business division is exceptional and the key to that success, which you’ll find across the business world in a lot of different companies, is their people.

“I think the main reason we’ve grown so quickly is because of our people and our top management team, particularly the partnership between the chairman and myself. Their ambition, results, and the quality of their decisions can shape the company. The key is the ambition and desire of the top management team to succeed.

“The quality of the wider team and the quality of the management processes that direct and oversee that wider team are also important. We developed a methodology that has a goal of building up our human organisational capital. It’s a difficult methodology with a lot of points but the key points are the people, the systems, and the management processes and structures. Basically, everything else is a function. If the team is good then we’ll continue to grow and beat our competitors.”

To remain competitive, Maxim says he and his team will continue to forge stable and strategic relationships with key suppliers. “It is quite difficult to find a reliable supplier, particularly in Russia, for several reasons. One of the reasons was that a global business was reluctant to move into the Russian market. As a result, many companies had to develop their own production in-house because they couldn’t find reliable partners for important materials. That situation became better over the years as Russia has become such a big market. We’re not India or China but the market has grown bigger because Russia has a very developed small to medium business landscape.

“A decade ago you couldn’t find a good supplier because the global companies weren’t present and the local companies were either non-existent or the quality of their services was too low. Today, we understand that if you want to be successful or produce a product that customers like and one that can compete in the modern market then you should have reliable, high-quality suppliers. You can’t control all the inputs and parts of the value chain so that’s why reliability is the most

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important factor, even more important than price.

“If you take away the local farmers who supply us with some basic inputs, especially for our vegetable oil and sugar businesses, our biggest suppliers are technology companies. The companies that provide us with the equipment and technologies in agriculture, processing, and engineering. I have direct strategic meetings and discussions with our key suppliers.”

As Rusagro and Russia continue to grow, Maxim says he’s looking for opportunities to collaborate and create. “Russia is a big, expanding market. Even though the economy at the moment is not growing as quickly as it was, thanks to sanctions, it’s my view that Russia will soon start to expand at its previous rates, much higher than today’s. The main reason for that is that Russia is a big, wealthy country with a lot of people and there are a lot of expanding industries.

“My view is that Russia is a big market and we’re a big company so we are welcoming all suppliers and potential investment partners to come and talk to us and create business together. We’re actually working on some interesting technological projects to produce pharmaceutical substances from live animals.



“We’d started discussions with some European technology leaders but then there were some political tensions and we’ve found some companies are no longer interested in investing or even selling technology to Russia. However, we’ll just find these technologies in Asia. For us, it’s no problem at all, but there are some European companies who are losing opportunities. In addition to the pharmaceutical substances, we’re also looking at biotechnology and some other interesting projects.”

The potential for growth in the Russian market and across Rusagro Group’s operations is substantial and it’s clear that both will continue to thrive as the agriculture industry expands. •