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Panel session:

Russia - Today and Tomorrow

RUSSIAN AGRICULTURE POST-CRISIS

JUNE 18, 2010 — 18:00-19:30, Pavilion 4, Conference Hall 4.2

St. Petersburg, Russia

2010

Description:

1) The export infrastructure for grain and other Russian agricultural produce. Its state, development prospects, the problems and how to resolve them. Formation of new supply flows for foodstuffs in the world. Logistics optimization in consideration of the possibilities of the Russian freight transportation infrastructure.

2) Development of breeding/selection and genetic centers for crops and stud stock breeding. Opportunities for modernizing the branch and the prospects for raising foreign investments.

Moderator:

Dr. Vladimir Kvint, Member of the Bretton Woods Committee and of the Russian Academy of Sciences (Lifetime Foreign Member)

Key note:

Viktor Zubkov, First Deputy Prime Minister of the Russian Federation

Panelists:

Yelena Skrynnik, Minister of Agriculture of the Russian Federation

Arno van de Laar, Regional Director Central and Eastern Europe, TOPIGS International

Sergei Levin, CEO, United Grain Company OJSC

Katiuska King Mantilla, Coordinating Minister for Economic Policy of the Republic of Ecuador

Noriaki Sakamoto, Member of the Management Board, CIS Managing Director, Mitsui & Co., Ltd

Luigi Pio Scordamaglia, Managing Director, Inalca JBS S.p.A.

Eugenia Serova, Senior Advisor, International Centre for Investment UN FAO

Pavel Skurikhin, President, The National Union of Grain Producers

Sergei Yushin, Head of the Executive Committee, National Meat Association

Discussants:

Oleg Betin, Governor of the Tambov Region

Dmitry Rylko, General Director, Institute for Agricultural Market Studies

Katherine Sierra, Vice President for Sustainable Development, World Bank

Transcript:

Y. Skrynnik:

The country's bioclimatic potential makes it possible to increase the production volume and not only ensure quality production for the Russian Federation, but also its export. This is a new source of growth for the industry. Understanding the prospects for domestic agriculture, the state has provided serious support for the development of the industry, and agribusiness is a priority area for the development of the Russian economy. Since 2006, during the period of the national project and the state program, the industry grew by 21%, the production of meat increased by 29%, and grain by 24%. Exports of domestic production reached USD 5 billion. This was possible due to effective state support of agribusiness, in particular due to customs tariff regulation measures, first of all subsidies for the interest rates on investment credits. Favorable conditions were also created for attracting private capital into the industry. Each ruble of state support for agribusiness raised RUB 10 of investments. The total investment portfolio comes to more than 1 trillion RUB, and this will ensure stable growth rates and the modernization of agribusiness for 5 years. It will also guarantee the necessary economic and technological breakthrough for the further stable development of domestic agribusiness. The effectiveness of the large Russian companies working in the industry is an indicator of the growing investment appeal, as well as the fact that transnational companies such as Danone, Cargill, Nestle, and Unilever have come to Russia. Most important, these companies are increasing production volumes and creating new jobs. The strategic goal for the development of the industry is to increase the competitiveness of domestic production while maintaining an acceptable level of profitability for our agricultural organizations. This is particularly important as price trends on the world market for the main types of agricultural products such as grain, dairy products and sugar deteriorate. We have adopted a core document, the Food Security Doctrine, which is a part of our National Security Strategy. The doctrine was created on the basis of the UN FAO recommendations and it determines the long-term policy for the development of agribusiness in our country. Its chief priority is import substitution in the main agricultural product markets with the accompanying state support of domestic production.

Allow me to briefly touch upon how the state carries out this policy in the meat, dairy products, sugar, and grain markets, and also to tell you a little bit about short-term plans.

On the third slide we presented information on the meat market. As a result of the growth of the industry and the adoption of effective measures for customs tariff regulation, in 2009 imports decreased by 30% and came to 2.5 million tons. The trend towards import substitution has taken place due to the significant growth in poultry production (+ 15%) and pork production (+ 9%), as well as the outstanding growth rates in the development of beef production in a number of regions of the country. I would like to especially note the leading regions, where production volumes significantly exceed domestic consumption. First of all is the Belgorod Region, which increased fourfold, and the Lipetsk Region, which increased 1.7 times. This has allowed the regions not only to completely provide for their internal needs, but also to substitute imports in other neighboring regions. It is planned that production will grow by more than 25% by 2012, or more than 1.5 million tons. Implementation of the programs for the development of animal husbandry, adopted by the Agriculture Ministry, will facilitate the program for the development of pork production and beef cattle raising, as well as the program for the development of poultry production. As a result, we forecast a decrease in imports to 18% by 2012, which is almost half the level of 2008.

Regarding the dairy products market, see slide number 4. In 2009, the production of dairy products came to 32 million 600 thousand tons, while consumption was 39 million 500 thousand tons. Domestic production satisfied 83% of dairy product needs. Further growth of production volumes will be obtained by carrying out a comprehensive set of measures: implementation of an industry-wide program for the development of dairy cattle raising, the development of pilot family farms — this program is working actively in the Tambov Region with Oleg Ivanovich Betin — as well as subsidized interest rates. According to the ministry's estimates, this will make it possible to increase the production volume to 33 million tons by 2012 and to decrease the volume of imports to 16.6%. In several regions, production volume significantly exceeds consumption: among these are the Republic of Mordovia (by 1.8 times), the Altai Territory, and the Vologda Region. In practice there has been a specialization of regions in dairy cattle raising, and the task of import replacement in the milk and milk products markets will be decided on the basis of these regions.

Regarding the sugar market — slide number 5. As the results of implementation of the industry-wide program for the development of the sugar beet sub-industry, by 2012 the share of sugar beet in the volume of production will increase by 13% and reach 69%. The program provides not only for the development of the raw materials components of sugar production, but also for the construction and modernization of processing plants and the development of seed production.

Now regarding the measures for the development of the domestic production and export of grain. Effective state support measures within the priority national project for the development of agribusiness and state programs made it possible for us to cover 100% of domestic needs. Russian grain is a strategic export product, and in the international arena this positions Russia as one of the guarantors of global food security. The average annual harvest of grain during the past 3 years has approached 100 million tons, which makes it possible to export more than 20 million of those. In connection with this, the ministry is developing programs to develop the infrastructure and logistics support for the food markets. In order to maintain balance in the Russian grain market, we will alter the allocation of land under cultivation in favor of feed crops, and this year changes occurred on 22% of the land. We will also increase the volume of domestic consumption, particularly in livestock production. Thus, in the area of grain production the ministry's efforts were directed first of all at stimulating the use of innovative technology, support for the modernization of infrastructure, expanding exports and the development of processing, and increasing the quality of high value-added domestic products. As for the results of the implementation of the comprehensive set of measures for the development of the agricultural industry up to 2012, we are completing the stage of import substitution in the individual areas of poultry, grain, potatoes, and vegetable oil, as well as the saturation of the internal market with domestic products. In connection with this, the trajectory for future development of the industry is being determined. It is evident that further production growth will be related to an increase in the internal volume of consumption and the entry of domestic agricultural goods into the world market. This relates first of all to grain and processed grain products, where we occupy a stable position, as well as to poultry and pork. Taking into account the natural resources and bioclimatic potential of the country, the supply of food to the world market may become one of the key items of Russian exports. This will be determined first of all by productivity and a many fold decrease in cost per unit of production, which requires new investments in the modernization of production and in increasing worker productivity. Moreover the key tasks for the ministry are providing for the profitability of agricultural production and the attractiveness of the industry for investment. I think that we will be able to complete this task through our common efforts. The agricultural policy conducted by the Russian Federation has opened up broad opportunities for Russian and foreign investors to develop businesses in the agricultural industry. I am sure that today's discussion will provide additional impetus for the implementation of new ambitious plans. Thank you very much.

V. Kvint:

Thank you, Yelena Borisovna. Both Viktor Alexeevich and Yelena Borisovna have dedicated their presentations to issues of the strategic development of Russian agribusiness and the practical steps for implementing it. Now we should begin a discussion of individual segments of the industry. A little more than a year ago, in March of 2009, first at the initiative of President Dmitry Medvedev, and then later under a decree issued by him, the United Grain Company was created. In this short time, less than a year, the Company has occupied the second place in the country in grain exports. It moved into second place in May. In connection with this, it is very important to learn about the areas for the development of grain infrastructure oriented towards grain exports, and about the development of regional grain flows. It is very important to understand how changes in freight transportation will occur from the point of view of the huge new grain export volumes. In connection with this we have Sergei Lvovich Levin on the panel, and he will tell us about his work as the General Director.

S. Levin:

Thank you very much. Victor Alexeevich, Yelena Borisovna, esteemed colleagues: in recent years, Russia has steadily increased the production and export of grain, especially wheat. In 2008, the country achieved a record export volume, more than 23 million tons of grain for a total of USD 4.6 billion. According to experts, the mass production of wheat for food is the natural specialization of Russia in the distribution of world labor. The export potential of Russian grain is estimated to be USD 10–12 billion. However, the record harvests and export volumes of Russian grain do not only indicate Russia's success, but also reveal the limitations on further development of the industry. One of the main obstacles to increasing the production of grain is the outdated infrastructure of the grain market, which does not meet contemporary requirements. The lack of modern grain elevators and port terminals is evident. Internal logistics are not sufficient for the increased volumes of transport. The infrastructure costs are incomparably high, reducing the competitiveness of Russian grain on the world market, which restrains the development of grain production. In order to realize the potential of Russian grain exports, immediate decisions are needed for solving two main tasks: the development of export-oriented grain logistic corridors, and modernizing and increasing infrastructure capacity.

On the second slide you can see the main target indicators that must be reached by 2015. Increasing the capacity of export-oriented grain infrastructure, including port terminals up to 35–40 million tons a year. Launching the operation of a network of key cargo formation elevators with a transshipment volume of up to 8 million tons a year. Increase the volume of grain by rail using regularly scheduled trains up to 8–9 million tons a year. Lowering the infrastructure burden on each exported ton of grain by RUB 500–600 through growth in the effectiveness of infrastructure and the development of competition in the market of infrastructure services. In order to grow grain export volumes, it is first of all necessary to develop seaport capacities, to increase their capacity in the Azov–Black Sea basin to 10–12 million tons, and in the Baltic basin to 3 million tons.

The main projects for the development of seaport grain transshipment in the Azov–Black Sea basin are the modernization of the existing Novorossiysk Grain Product Plant, which will give the terminal the capacity to accept regularly scheduled railway trains and increase its capacity to 5 million tons a year; the construction of a new highly effective deep water terminal with a capacity of up to 8–9 million tons of transshipment a year, most likely in the port of Taman. The construction of a network of river grain terminals on the Volga and the Don with a transshipment volume of up to 3 million tons a year. Another important area for the development of the export transshipment of grain, which is necessary for the entry of Siberian grain into world markets, are the ports of the Far East. The existing capabilities for the shipment of Siberian grain directly and in containers are limited and ineffective. In order to increase the volume of Siberian grain exports, and Siberian grain is the highest quality grain in Russia, it is necessary to construct a full-fledged deep water grain terminal.

The United Grain Company carried out an analysis of the conditions for locating terminals in the ports of the Far East, and the companies Base Element, SAKHO (the Siberian Agrarian Holding Company), Itochu and Mitsui are developing projects for the construction of terminals in the ports of Vanino and Nakhodka-East. In order to realize its grain export potential, Russia also needs to develop transshipment through the ports of the Baltic Sea, for which purpose, together with the company Ust-Luga, we are developing a project for the construction of a terminal in the port of Ust-Luga. The total estimated volume of investments necessary for the construction of port capacity in these three areas is around RUB 22 billion. Carrying out these investment projects will create the conditions necessary for increasing the export of grain and the development of new export delivery markets, and this will open new markets for the sale of Russian grain in the Asia-Pacific region and in South America. In order to strengthen the position of Russian grain, it is advisable to develop projects for the construction of port terminals on the territory of the countries which are the main consumers of Russian grain, such as Egypt and Saudi Arabia, and other large potential markets such as Indonesia. At the same time, if we are to secure the competitiveness of Russian grain, it is not sufficient to simply build or increase the capacity of port terminals — a thorough modernization of the internal grain market infrastructure is necessary as well as the creation of highly effective export-oriented logistics corridors and clusters. Estimates show that in order to ensure effective cargo processing in the ports, no less than 60% of the export transshipment of grain must be carried out from key cargo build-up elevators, which will provide for the concentration and preparation of export consignments and the shipment of grain to the ports on regularly scheduled trains. The construction of networks of key elevators and binding them into a single network with the port terminals on the basis of modern technologies for regularly scheduled shipments with traffic control of the cargo movement will provide for an increase in the capacity of the ports by 40%.

Thus, a network of key elevators is needed. First of all as one of the conditions for the effectiveness of port capacity, and secondly as the foundation for optimal transportation and warehouse logistics in the country. Estimates show that to secure effective export transshipment it is necessary to create a network of 20–25 specialized key elevators with a total transshipment capacity of no less than 8 million tons a year. The estimated investment volume for this project comes to around 24 billion. Besides, in order to achieve maximum infrastructure use effectiveness, it is equally necessary to increase the volume of regularly scheduled rail road shipments of grain to the seaports. Considering that which has been stated, and also for the purposes of developing competition on the rail road grain transportation market, it seems that it is necessary to create an independent grain transportation company with a fleet of up to 5 thousand modern grain cars and a grain shipment volume on export routes of up to 8 tons a year. The main tasks will be the development of competition and a reduction of the cost of railway transportation, the implementation of effective modern routing and traffic control technologies, and the formation of unified through tariffs for the transportation of grain from the field and onto ships. We estimate the volume of investments for creating the company to be RUB 6 billion. According to estimates, the modernization of the grain infrastructure and increasing competition in the infrastructure services market will make it possible to lower the infrastructure burden on each ton of exported grain by RUB 500–600, or USD 20 per ton of grain, which will significantly increase the competitiveness of Russian grain on the world market. In order to fully realize Russia's export potential, it is necessary to form a long-term order for the production of grain which meets the needs of the end consumers on the basis of export quality standards. This will lead to development of regional specialization in the crops being grown which takes into account their bioclimatic potential and access to transport, which my colleague Pavel Skurikhin will speak of in more detail. The need for the significant infrastructure modernization is a large-scale challenge and creates significant attractive investment opportunities in the industry. Russian and foreign investors have shown active interest in the projects for the development of grain market infrastructure, especially projects for the construction of sea terminals and key line elevators. An analysis of the risks and conditions for carrying them out effectively shows the necessity of developing infrastructure on the basis of state and private partnership. Our company was created last year by decree of the President for the purpose of developing the elevator, transport and port infrastructure, and shares in 30 elevators and port terminals were contributed to our charter capital as the basis for the further development of infrastructure. The Ministry of Agriculture of Russia is currently developing the state program for the development of infrastructure in the agricultural and grain market, including using the potential of the United Grain Company. The Government of Russia has already adopted a decision on subsidizing a portion of the interest on bank credits raised for the construction and reconstruction of elevators. For our part, we invite domestic and foreign investors to a wide-ranging dialogue, and we are ready to act in the role of coordinators of the infrastructure modernization work as well as in the role of a channel for the investments in this industry. Thank you very much.

V. Kvint:

Thank you very much, Sergei Lvovich. You know, it is difficult to find anyone in the business world who does not know or who has not at least heard of the company Mitsui. It is of course a conglomerate, but I saw that agribusiness accounts for 8% of the profit of this company. Mr. Noriaki Sakamoto, who is an avid supporter of the development of business relations with Russia, has worked in this company for a long time. He is here on our podium. We asked him to talk about what the company is doing in cooperation with Russia. The company is well-known in the world for the fact that it was one of the first that effectively implemented vertical integration in the field of agriculture, including cultivation, processing, and distribution.

N. Sakamoto:

Your Excellency, Deputy Prime Minister, Mr. Zhukov, Your Excellency, Minister of Agriculture, Ms. Skrynnik, distinguished guests, ladies and gentlemen. I am Noriaki Sakamoto, Chairman of Mitstui & Co. in Moscow.

First, I would like to thank Your Excellencies and the organizing committee for providing me with the opportunity to make a presentation during this esteemed economic forum in St. Petersburg. It is my great pleasure to be at such an honorable event today. Please allow me to start my presentation on contemporary agricultural market infrastructure development based on the past and current global experience of Mitsui.

In recent years, we would like to thank the Russian government for its leadership in effective and dynamic agricultural policies. Domestic grain production has been dramatically increased, up to around 100 million metric tons per annum and the export amount reaches to more than 20 million metric tons per annum along with it. Looking at the domestic market, the media has been successful in promoting the livestock industry and the demand for feed grains has grown steadily, and we understand that the inventory of grain has also been growing, up to around 30 million metric tons in Siberian regions.

Given such a situation, we believe that Russia still has a high potential to be a great grain exporter in the future and can make a big contribution to the stable supply of food in the world in future. Regarding the gateways for grain export these are clearly the Black Sea area and other port areas located in the southern part of Russia along with the Black Sea soil production areas.

There are some existing export terminals and other construction plants as well. However, the Russian Far East, possibly a gateway to Asia, are lacking, as there are not currently any grain export terminals. I would like to emphasize that East Asian countries such as Japan, China, Korea, Taiwan, Indonesia, Philippines, Thailand and Vietnam are very big grain importers. Annually, they are importing 3 million metric tons of barley, 20 million metric tons of wheat, 30 million metric tons of corn, 58 million metric tons of soybeans, and so on.

It is clear these countries have huge demands for grain imports. The Russian Far East is located near these countries and should have the advantage in low cost ocean transportation. In that sense, we strongly believe that the idea of a Far East grain corridor promoted by the Russian government, is the right direction and a promising strategy.

On the other hand, as you know, grain is a global commodity and maintaining the competitive edge in the international market is essential for export promotion. We believe that Russian grains already have the competitive edge on price as the original production area. But in order to be competitive in terms of export price, and in order to survive in the global market, it is essential to decrease domestic transportation costs through improvements in the infrastructure such as refining and upgrading the operation of grain hopper wagons.

Considering the fair amount of time required for such improvements, we strongly believe and recommend that the government provide such support as subsidization for grain exports which should be the most practical way to secure an immediate effect. For this purpose, the existence and utilization of a grain tunnel in the Far East area is definitely essential.

In promoting grain exports, it is important to pay much attention to stability and sales, and the characteristics of each region’s demand in order to export grain stably, and not only to maximize the function of the grain export terminal itself. It is also important to monitor swings in marketing activity so that the terminal’s operational efficiency would be maximized by booking physical transactions for future shipments properly in advance.

To such an end, exporters should have a good and wide range of access to the grain suppliers in the production area, as should the buyers who actually buy and consume the grains. We have mutually traded approximately 10 million metric tons per annum of grain in the Far East area, based on our wide range of access to customers. In the USA and Brazil, we are also engaged in the grain export business, and also in China where the grain demand has been dramatically growing, and also in Japan. We are further expanding access to customers and improving quality control through our continuous effort to enhance our value chain in the feed and livestock industries.

Today, I am pleased to inform all of you that Mitsui has just started exporting Russian grains to Far East Asia.

Ladies and gentlemen, before applauding my presentation, we at Mitsui assure you that the importance of Russian grain imports and exports shall increase globally, especially regarding Asian countries. Also we sincerely wish to make a contribution to expanding the export of Russian grain to East Asian countries together with Russian partners.

As part of the process, we are strongly committed to participating in a grain export terminal in the Russian Far East, including a joint investment with the Russian government, Russian governmental sectors, and Russian private sectors for an export facility there. We strongly believe and we assure you that with our networks and the expertise established over the previous 100 years, the region can support a stable and continuous increase in exports of Russian grains in the future.

Ladies and gentlemen, my presentation has just concluded. Thank you very much for your precious time and your patience.

V. Kvint:

Thank you, Mr. Sakamoto. I should say that Mr. Sakamoto and the next speaker, Arno van De Laar, flew in specially right before our session to share their ideas about participation in the international integration of Russian agricultural production. Mr. van De Laar was not invited accidentally. His company is one of the largest in the world, and certainly one of the European leaders in the area of swine herd breeding, selection and especially in regional ranching. I spoke with him before the session, and he is a great supporter of developing business relationships with Russia. Please, Arno.

A. van De Laar:

Thank you Chairman. I would like to thank the organization for the opportunity to present something, to talk with the group and with the people about the development of the pig industry in Russia.

Surely, a few words about our company, TOPIGS International. We are leaders in pig genetics worldwide. We work with 550 employees and we are active in more than 50 countries in the world. So globally, we are active in pig genetics all over the world. Yearly, we produce more than 1.1 million gilt equivalents, 6 million doses of semen, and in total 65 million pigs are produced in the world with TOPIGS genetics on a yearly basis. We have got the biggest breeding database in the world. We have more than 20 million pigs in this database and this is one of the key factors for why you can get strong genetic improvement. Therefore, you need high numbers of animals in your selection computer.

Market leaders in the Netherlands, we have more than 85% of the market. A market leader in Europe, we are number two in the world, and we want to be one of the biggest in the world in technical support and production.

What are the needs for the pig industry in the future? When you look at the development of the pig industry, we see more profitization of the pig industry. We see bigger integrators growing all over the world and these will be your competitors; companies who have a low cost price and thus, a low cost of production. Low cost of production will be necessary for the future to be successful in your pig industry. Feed efficiency, healthy pigs, low losses. But also, a very efficient pig production with a high number of weaned piglets per sow per year, but more important, a high weight per sow per year, so this makes your cost price.

Then of course, there must be good meat and quality carcasses. When you want to go into the future, in exports into the pig industry, then of course quality is a very important item in the production chain; a high growth rate and easy handling, because I always say that animals have to be like machines. They have to produce without any problems and with low labor needs.

When you look at the different countries in the world, you see that there are different production levels in the world. Your competitors are in this case, the production levels of the Dutch and the Danes. The Dutch sell the most pigs per sow per year according to English research. But also research from Denmark is showing that the Dutch and the Danes are the most productive producers of pigs in the world. Also, you could see the development over the years. It is not what you produce a day; it is what you produce in five years time. As the production goes up, the cost price has to go down to be able to compete with your future competitors.

One of our actions here in the Russian market was to connect Russian partners with the worldwide nucleus of TOPIGS in the Netherlands. What we see here is that the Russian partner farms are connected and bred with the selection traits from our total global breeding system. So all over the world, all farms are connected and via this, we have got more than 250,000 sows in this database which can help the Russians also to be as productive as possible.

When you go back, you see that the Netherlands has got about 25 sold pigs in 2007. At this moment, these levels are on average, about 26 ½ pigs per sow sold. At this moment in Russia, we have got partner farms that already are in the top 25 of worldwide production. We have got partner farms here in Russia who produce 29 pigs sold, from a certain line — 28 pigs, so it is possible when you have got the right genetics, the right technology and also the right management. So management and also training and knowledge is a very important part for the development of your future industry.

What we see is the genetic trend that is shown here, every year we breed 2/10 of a piglet per litter extra and this will also be the case in the future. Also, your competitor countries will use these kinds of genetics to be successful in their production, so this will also be your challenge; to have the best production levels in your companies. At that moment, you can compete and also, your own cost will go down. Your own efficiency will go up. Your own production will be better.

As you see in selected traits, so you will see a higher growth rate. Every year, 10 grams extra will be grown just by genetic selection. The meat percentage, also leaner pigs, are very important as is the feed conversion. Feed conversion is at cost and then we are back to price. Lowering the feed conversion every year is very important also to supply the world in future with animal protein with a low carbon footprint. This is a very important item in future world development. What in our opinion is very important is of course, genetics, but also knowledge and training. Helping each other to use this knowledge in the world, will make you successful in your production.

This is also part of our activity at our partner farms where we can reach those high results in the Russian markets. I am sure that Russia has got very high potential because you have got the resources. The knowledge, the training and the management can be organized together. At that moment, your quality and your results, but also your effectiveness and your development will increase rapidly.

To give you a short example, only by using a terminal sire, in this case, a high genetic sire, the reproduction results went up 0.7 extra piglet born per liter, 150 grams of growth per day extra, a 0.5 kilogram better feed conversion on this farm, 5% less mortality. When you want to increase rapidly your effectiveness and your production results, these are the fast ways to go.

I have been asked to give a short presentation, so Chairman, I would like to stick with this, maybe questions later, then we can go on. Thank you.

V. Kvint:

Thank you, Mr. van De Laar. Your trip has not been in vain. We find this very interesting, these are amazing numbers, how this piglet can grow by 150 grams a day; but in Russia substantial, revolutionary changes have occurred in the area of grain production which turned Russia into an exporter. It would be interesting to hear if Russia expects a situation whereby we will become an exporter of meat products. For this purpose we invite to the podium a great expert in this area in order to hear his opinions, the head of the executive committee of the National Meat Association, Sergei Evgenievich Yushin.

S. Yushin:

Good evening. After Arno's emotional presentation, it would seem that one can stop talking about modernization. One can understand immediately how much is needed simply to raise pigs. It is important we begin to think about this, that this is not just a simple matter, you take one, feed it and eat it, but actually a very technological, in part innovative sphere which requires great scientific knowledge, high-class specialists, and good equipment and technology. Before saying a few words about the Russian meat industry within the country, and a little bit about what awaits us on the world market, I would like to share a small but interesting discovery with you. A few days ago, I went to the Google search engine, typed in "modernization of meat industry" in English, and I received 41,200 links in English. These are sites from dozens of countries: India was there, as was Canada and China. All of them speak of the modernization of the meat industry. When I typed in the same query in Russian, I was a little afraid that after such a result I would be deeply disappointed, however my query of the "модернизация мясной отрасли" (modernization of the meat industry) in Russian gave more than a half a million links. Such numbers both astounded me and made me happy. This means that our society, in our state, our institutions, and our businesses not only speak of, discuss, and think about the modernization of the meat industry, but they are also carrying it out. Otherwise, where would the half a million links come from? It is important that the innovative role of the agrarian sector in general, and the meat industry in particular, has now been raised to the attention of the highest political leadership, and it is important that our prime minister signed the corresponding Government resolution confirming this innovative, science-intensive and strategic structural role of the agrarian sector, including the agricultural industry and the financial memorandum of the Development Bank. In this way, our agriculture — and I am glad to say our meat producers also — can enjoy long-term and very cheap credits for large infrastructure projects, which are quite necessary for them.

In speaking about what is happening here, first of all Viktor Alekseevich and Yelena Borisovna spoke correctly when they said that the successes in the meat industry are significant, that they are very impressive. In the last 5 years, we have doubled the production of poultry meat, and increased the production of pork by 45%. Much more importantly, it is not only a growth in volume, we are in fact increasing the quality and the assortment of the products produced. This growth was primarily achieved through new projects, and partially through the modernization of facilities, but these numbers give one pause to think about what we can expect further, because the infrastructure must develop together with the production volumes. What would I like to note? That among others, foreign investors have also contributed to this growth. Frankly they do not yet occupy a very noticeable place — it is almost offensive how unnoticeable they are, since we know how much pork producers and poultry producers from many countries suffered during the financial crisis. Only in Russia did we continue our onward movement and secured good, high profitability rates as before. I just looked at the financial results of the activity of our leading companies: they doubled their net profit in meat production compared to 2008, before the crisis. This should be a very important signal for investors. I see the representatives from several countries, who are involved in production and invest in Russia, and I think that one must think about what a good market this is, that the conditions which have been created here are simply unique. I do not know a country in the world that supports such profitability today, specifically such support for meat animal production. I see here a representative of one of the large Canadian companies. He confirms this, nodding.

And now, as for our prospects. Viktor Alexeevich correctly said that there will be a population growth which will lead to serious challenges. I would simply like to announce several figures here so that we can perceive our capabilities more acutely. By 2025, the population will indeed grow to 8.3 billion, and the total need for food will grow from 2.5 billion tons in 2002, to 4 billion tons. For the majority of countries, the opportunities to increase production, including the production of meat, are extremely limited. Here we are of course speaking of the climate as well as animal and plant illnesses, the lack of water and land resources, and the negative perception of animal production today among certain public groups because all the problems of global warming are dumped upon it. Of course in a number of countries, protracted local conflicts and the lack of investment are the causes for limitation. Therefore, the situation with the future world meat supply raises many questions. But to take this past year: the price for beef in Brazil increased by 30%, and this was a serious shock to the world market. This was not the first year when Argentina restricted the export of meat. It is just for this reason that Russia is taking very correct steps, very substantial investments in meat production. The level of dependency which we found ourselves in just 5–7 years ago — 50%, and for some types up to 60% — was simply dangerous for social stability. Still, returning to the global market: by 2025, the demand for meat will grow by 110 million tons compared to 2005. Question: where will all this meat be obtained from? I have already said that the number of regions is extremely limited. Russia is one of the countries that can provide this additional volume. We must also understand that the consumption of meat is extremely uneven throughout the world. There are a large number of people in the world who do not receive enough protein — this is primarily in the poorest and developing countries. All the growth will come from them. For this reason, Russia also needs to turn its attention to these potential future markets — these are markets that will grow very seriously, both their population and their incomes. We see that even the average consumption per capita in the world is today almost two times lower than the standards recommended by medical experts. Russia continues to remain one of the key players supplying the market within our country even though we are a large-scale importer. We also influence global price trends, but here this is just the beginning. We do not think about this much, but we looked at the statistics. During the last three years, meat exports from Russia grew from 3 thousand tons to almost 10 thousand tons. For some these are very small numbers, but actually it is very important that today our businesses are actively looking at the markets around them. We study demand, we study future demand both for types of meat as well as for their assortment and packing, and I think that we will receive support from the state in developing this area.

Here are our potential export markets that we already supply to, as a rule this is Vietnam, China, and a little to the Middle East. But of course for the near future, the main markets will of course be the CIS countries. Certainly we will pay attention to the Middle East, Saudi Arabia, North Africa — these are the markets that the other world meat suppliers are also fighting over. Korea is also interesting for us — it buys certain types of pork that they do not have in sufficient quantity, along with Hong Kong and China. It may surprise you to hear, but some Brazilians came to our office recently and asked us to connect them with Russian pork producers. They wanted to buy their products for export to Southeast Asia. I do not think that Russian businesses need to give these tidbits to Brazilian suppliers. Of course in order for us to achieve actual modernization of production, much needs to be done. This is not just primary production — which Arno spoke of — feeding pigs or raising poultry or cattle. Actually the entire infrastructure chain, which is still in fairly bad condition, and of course there are excellent opportunities for investment with international investors with good experience, first of all in the construction of large slaughterhouses and meat packing plants, of which there are not just too few in Russia — there simply are none. It is too bad that I was not able to show you a simple example of the investments that are being done by Russian investors. We often think that robots exists only in automobile production and in computer production — this is not so. Today robots are an integral part of the meat industry. First of all, they provide for high-efficiency and low cost, but the main thing is hygiene and standardized production — this is the way of the future. I think that we need to pay serious attention to veterinary issues, because if we do not solve the problems with animal diseases which affect many countries (Japan is now concerned about foot and mouth disease), then we will not be able to enter foreign markets. We also need symmetrical trade. Today more than 2,000 EU companies are certified to supply finished meat products to Russia, and only two Russian producers are certified in the EU. I think we should also be doing this. Thank you.

V. Kvint:

Thank you, Sergei Evgenievich. Now I understand that the enthusiasm of the Russian meat industry originates not only in Holland but also in Russia. These are truly amazing achievements. Now we have on the podium a person who heads the largest beef producer in Italy, one of the largest companies in Europe in the area of meat production, Mr. Luigi Scordamaglia. The company is called Inalca. This company has taken real steps. They invested EUR 100 million in a logistics and production complex outside of Moscow, and are already manufacturing products which they sold for EUR 160 million last year. Please, Luigi.

L. P. Scordamaglia:

Thank you very much Mr. President. It is a very great pleasure and honor for me to be here today and have the opportunity to express my view in the context of this highly qualified forum. I would like to spend just a few words introducing you to the company Inalca and then I would like to comment and to share with you our experience as a foreign investor here in this country.

Inalca was founded in Italy in 1963 and today is one of the leading companies in the beef sector of Europe, with production and distribution facilities in Europe, Africa, Asia and Russia. We have today in Italy a base of production. We have the two largest and most modern slaughterhouses in Europe where we slaughter 3000 cattle every day. We operate all over the country where we try to apply the same model in the country where we are, with a vertically integrated model, and with total control of each step of production from farming, slaughtering, deboning and processing. We produce and commercialize 500,000 tons of beef per year, and we export to more than 50 countries serving all main international retailing chains, fast food restaurant chains and industry.

Regarding our experience in Russia, we started working in the Russian market back in the 1980s. For around 15 years, we have been one of the top European exporters to Russia. At the end of the 90s, we realized that the Russian market could no longer be considered just an export market. And so we decided that the time had come to invest in this country on the basis of a progressive development plan. Our first investment was the creation of our own system, or a logistics and distribution platform with a large cold storage unit in Moscow and then in St. Petersburg. Through there we distributed our own products in the beginning, and later a lot of other Italian and also Russian food products through the main commercial channel, all in the private sector, where we serve more than 1300 restaurants in Moscow and St. Petersburg every day.

The next step or the second step of our development was to build a large facility in Moscow which was inaugurated at the start of this year, with a total investment of EUR 100 million, with the addition of distribution activities, yet we also still tap meat processing activities. We produce hamburgers for McDonald’s restaurants in Russia and other fast food restaurants, plus a wide range of meat products for the catering and the retail industries. A major part of the raw material that we use there for our production consists of beef produced directly by Russian plants and valorized through our transformation processes.

We are now at the last step of our investment plan. We are moving towards primary production. Also, we have just branched into the Orenburg Region, together with our local partners who are already involved within cattle farming in building a new modern cattle slaughterhouse. This plant will be equipped with the best technology that exists in the world today. It will not be huge, but it will be proportionate to the supply of livestock that can be found in this area. We intend to make the sort of prototype that we want to recreate in different areas of this country where there is a concentration of cattle.

As Mr. Yushin said before, I think that the Russian beef sector has a really good growth potential but this potential can be realized only through the modernization of cattle farming, specialization towards meat production, and through the creation of a modern and efficient slaughtering and processing industry. This is very important because the beef sector is completely different from the pork and the poultry sector. It is not an industrial sector. You cannot reinvent it in a few years, you need hundreds of thousands of farmers that produce cattle. So you have to be assured through the valorization of the products, through the best channels towards remuneration for the farmer. I think we can say that we have really had a positive experience in our investment in this country and we want to continue. Analyzing this experience, I would like to share with you some important concepts regarding the relationship between the European and the Russian agro-industry.

First of all, I think that in the agro industrial sector, the European Union and Russia are absolutely not in competition. They are perfectly synergetic. They are perfectly complementary. I think that the economic and productive integration of European and Russian agro-industries is a natural development; it is unavoidable. We bring mutual benefits to both sides. Why complimentary? Why synergetic? On one side we have the new food industry with a high level of technology, unique food processing techniques and a very high degree of specialization in high quality food. But at the same time we have to recognize that the European Union in recent years has penalized its agricultural production, has underestimated the importance of food security and self sufficiency. As I experienced in many agricultural sectors, a shift from a situation of production supplies to one of deficit where the production is not able to cover consumption, as Mr. Yushin said. And the beef sector in Europe is the emblematic example. We passed from a surplus situation of 90 million tones and the position of net exporter, to a position as a net importer, and with a serious deficit in production.

On the other side, we have Russia. Russia, as we have seen today is a country characterized by an increase in availability of agriculture raw materials in both quantitative and qualitative terms. Raw materials today are exported without processing, but in the future, we will have more and more processing here. We have added value. We have seen the plan. We have seen the results. The classical example of this is in cereals; grains that now are exported. But it is clear that it will make always make more sense to transform high value animal protein directly here and this is how it started with the poultry and the pork sector. With the European agro-industrial sector, this could be a natural part of their role: productive integration of the Russian producer.

Very shortly, another point. Today we have seen it, but we have also experienced it — how important the goal of development in the agricultural sector is for the government. This is very important for the foreign investor.

Another point to mention is the possibility — the future possibility of exporting Russian agro-food. Beef for example, is of very strong interest. This is also true for the people and the companies that have invested here. Today we have an absolutely unbalanced situation. We have thousands of plants from Europe that can export here and we are exporting here. On the other hand, we have just a few plants in Russia that can export to Europe. We know very well the strict rules that have to be applied and respected in Russia. We know also the rules in Europe and there is no real difference. I hope that the mutually beneficial part of the discussion will be less politics and more pragmatic and practical concerns.

I think finally, that in the coming years, Europe and Russia will be facing extremely competitive international countries — with strong competition from countries like China and India. I think that probably, we will only be able to compete in the agro-industrial sector if we share our energy and we continue these synergic efforts. Thanks.

V. Kvint:

Thank you very much, Luigi. Thank you for your enthusiasm. We have heard about and discussed the problems of the grain industry in Russia, the export of grain and even, for the export of meat in the future. But these industries are directly connected, one cannot have the one without the other. The supply of meat production with feed is very important. At the beginning of this year, not long ago at all, a Grain Union was created in Russia. The president of the Russian Union of Grain Producers is my fellow Siberian, Pavel Valerievich Skurikhin. I think we will find it interesting to see how he views the outlook for the development of the feed base for Russian animal production.

P. Skurikhin:

Thank you for the introduction. Of course considering how much time was dedicated to animal production today, you can understand, esteemed colleagues, the significance that is given to this area today in our country. However I would like to start my presentation with a small quotation from a 2009 UN report. The report is called *The Situation in the Area of Food and Agriculture*, and this is what it says: "the expansion of the scale of hunger has today become a global phenomenon encompassing every region of the world without exception." The task which is posed by this consists of providing food security for these billion hungry people, and also in doubling food production in order to feed the growing population of the planet, which according to forecasts will number 9.9 billion people by 2050. Already today Russia is making its contribution towards resolving this global food problem. We export more than 20 million tons a year. Both the government and the president have assigned the task of increasing grain exports to 50 million tons a year. What do we need to do in order to fulfill this task? First of all, we need to overcome the existing systems which were formed earlier in the industry, as well as structural problems. First of all this is the insufficiently developed transportation and logistics network, the lack of long-term regular contracts, and the not very high quality of grain in the traditional grain exporting regions of

Russia. At the National Union of Producers, we consider it possible to start overcoming these problems using several methods. First we must attract foreign investments into agricultural production and create a modern elevator and warehouse infrastructure. Such projects are already starting up now. They are starting up in the south of Russia, in the Far East, and in Siberia. There are quite a number of foreign companies that are interested in investing in Russia's grain storage infrastructure, and also in farming projects. One can say that there is interest from Saudi Arabia, which is planning to completely abandon the production of grain on its own territory within the next two years. There is interest from Japan, with which Russian companies, in particular the company which I head, Siberian Agrarian Holding, have been conducting very concrete negotiations regarding the organization of similar joint ventures. Of course another promising area for joint investments is the creation of transport and logistics infrastructure in the area of the construction of facilities for grain storage. This is what is lacking in order to implement segregation, in order to implement the preparation of export consignments at the level that developed markets now practice.

The second area which I would like to talk about is concluding long-term contracts with Russian grain producers for the supply of grain. In our view, such long-term contracts can make it possible to forecast and project in advance the quality of the grain needed by foreign consumers. This is necessary for Russian grain producers to be ready from the start for the requirements presented to them by target markets to which there is direct logistic accessibility and which have financially reliable demand. Examples of such contracts may be those areas of joint work which Mr. Sakamoto-san referred to in his presentation. These are long-term contracts which reduce the dependence of Russian grain producers upon annual fluctuations of world price trends, and enable them to plan their production for several years in advance. In order to proceed with signing such long-term contracts, in order to deliver the production of joint ventures between Russian grain producers and foreign partners to target markets, it is necessary to harmonize the quality standards, which are currently, shall we say, rather unique to Russia, and do not correspond to the quality standards which are used in the target markets. Of course there are more than a few grain quality systems in the world, so it makes little sense to renounce the quality standards which we now use that were developed over years and decades, and which our laboratory analysts at elevators know how to use. But renouncing mandatory standardization exclusively according to Russian quality standards and giving Russian grain producers the right to apply those standards which they have an interest in — it seems to me that the time for this has come. Because today whole regions, the Far East region, the Siberian region, in the southern region, are less oriented towards production for domestic consumption and are more oriented towards production for export. As they say, "when in Rome do as the Romans do," so we should go to these markets with the standards which local consumers expect of us. The National Union of Grain Producers was actually established in order to conduct this work, in order to plan the quality, volumes, and to plan where we will sell this grain. Its main goal is the formation of stable profitability in grain production, and the funds which it prepares to use are first of all for the coordination of the production on a Russia-wide scale. This is a very difficult goal, not a simple one, and it is comprehensive, but I hope that with the support of the Government of Russia and with the support of the Ministry of Agriculture of Russia which was also shown when the Union was being established, we will manage to achieve this goal. In conclusion, I would like to finish with a quote from a great political figure. The quote is as follows: "Not our wealth makes us a great nation, but how we use it". Today Russia has unique reserves of arable land, unique reserves of freshwater, energy resources and mineral resources, and I am confident that Russia will be made even more great by how we are able to manage these resources. Thank you.

V. Kvint:
Thank you very much, Pavel Valerievich. Thank you for your enthusiasm. You know not long ago, from here, from St. Petersburg, a direct transportation corridor to the Republic of Ecuador was opened. This will lead to the prices for goods arriving from the countries of Latin America decreasing substantially. Besides which new opportunities for Russian exports will open up. It is a great honor for us that a very interesting person with an almost Russian name, Katiuska Mantilla, is participating in our discussion today. She is the Minister and Coordinator of the Economic Policy for the Republic of Ecuador. Please, Madam Minister.

K. Mantilla:
Thank you for the introduction. I will speak in English. I want first to introduce my country because maybe some of you do not know Ecuador. Ecuador is a small country located in South America. It is located between Peru and Columbia. Also we have access to the Pacific Ocean. We have four regions. We have the Coast. We have the Andean side where we have the mountains. We have the Amazonian side where the Galapagos Islands are located, and this diversity provides us with many altitudinal levels that make us a rich country in terms of environments. This also allows us to be rich in agricultural production. I must say that Ecuador is very beautiful also.

In terms of politics, what has been happening in the last few years, is that we have approved a new constitution and we have many development plans for the next four years in Ecuador. This gives us also a long term production strategy, and a strategy to insert Ecuador into the global network with new partners. This is why we have effectively introduced these gateways to Russia.

Russia is a partner for us — and a very important one, because we are close to the United States. But for us it is very important to diversify our international relations.

That is why we want to reinforce the commercial relationship with Russia that began in 1963. And as the chairman said, this year, these pathways have introduced means to facilitate the relationship of commerce between Ecuador, and also between Latin America, and Russia.

We have, in terms of commerce, complementarities. But specifically, we have interests, we make good use of our resources. We think that in Ecuador, we are a primary exporter of products. We export oil, we export bananas, we export shrimp, but we want to improve our production and to add value. That is why we want to become a service-oriented economy using biotechnology and profiting from tourism. That is why we are taking advantage of our landscape and our amazing natural environment.

For this, of course, we need to have and to make a strategic investment in sectors such as telecommunications, transportation, energy and the oil industry; and we have an interest in portfolios for these projects. But in terms of what these talks say about agriculture, Ecuador understands agriculture, we understand sovereignty. And what does it mean? It means that the production must respond to consumption. But in terms of taking into account health and taking into account the ways that people consume, we are thinking and we are diversifying our relationships and our products. That is the reason for my speech and I want to thank the chairman and ministry for this invitation. Thank you.

V. Kvint:

Thank you very much, Madam Minister, it was very interesting and very unusual for us to hear about the new prospects related to Ecuador. Now I will give the floor to a representative of a unique international organization, the UN Food and Agriculture Organization, FAO, to the main adviser of the director of the investment centre at the FAO, Evgeniya Viktorovna Serova. Please.

E. Serova:

Thank you Mr. Kvint, esteemed Ministers and colleagues. I think it is a tough burden to appear tenth during a one and a half hour session, and I will try to be as brief as possible, not burdening you with complex problems. I would like to return to what Madam Minister Nabiullina said today when opening our forum regarding the consequences of the crisis for the coming of Russia, and in this specific case for the crisis of agriculture in Russia. I think that it is no secret for those present in this room that already before the financial crisis there occurred a crisis which was even more terrible for the sector, and this was the food crisis. In 2006-2008, there was a sharp rise in food prices which buried the hopes of the world community for cutting the number of the hungry in half by 2015. The trend was acute, and in this picture you can see that the ranks of the hungry grew. Today every sixth person on the planet is hungry. By 2050, according to the estimates of the FAO, the demand for food will rise by 70% due to a number of factors; for grain this is 1 billion tons, and for meat 300 million tons, which will be distributed differently among the countries, as you see. A crisis is always a sort of purification, and if we do not perceive a crisis as a lesson, then the crisis took place in vain. We have taken the following lessons from the current financial and the previous food crisis. First of all, that the world agricultural and food system which has developed up until now is not ready to deal with contemporary challenges. The entire world community understands this today, the world community was concerned about building a new system; in my view it is just beginning to come together, it is even difficult to imagine what it would be like, this world food system. It is clear that price volatility has risen sharply, it is represented here below by the multicolored graph on the slide; these are price changes for various different types of food. Volatility has grown sharply, this is terrible for agriculture, because it is difficult for both producers and politicians to adapt to such volatility. It is clear that despite the growing price volatility, prices will remain high. If I may say, cheap food has ended, there will be no cheap food any more due to many factors, the majority of which are well known. The most important and unpleasant thing that was revealed in this crisis was that it was not food that there was a shortage of: with good prices food can be produced rather quickly. The main thing is that there is a shortage of income in the poorest countries and in the poorest classes of the population, who cannot buy this food. It was the deepest delusion for many years that if we produce more then we will feed everyone. Income is needed which will make it possible for the poor to buy this food. Again this is a very unpleasant lesson from this crisis — that the growth in prices led to the growth of investments. But not investments where they are needed. The investments went to those countries where food production was already present. First of all there are the countries which can grow this food. It was astounding that when prices began to decrease, they begin to decrease on average throughout the world, but in the hungriest countries, the closest of which to us are Kyrgyzstan and Tajikistan, the prices continue to rise. It is terrible that today we are truly encountering a crisis. As was already spoken of today at the plenary session this morning, trade protectionism has risen, world trade is contracting sharply, countries are trying to provide for themselves. Everyone was scared by the crisis, everyone wants to produce for themselves, and this will lead to a sharp decrease in efficiency. All economists recognize this. Nobody knows what to do about this. Now briefly, five items about the unique role of Russia in all this. First of all is the fact that Russia, one must note to be fair, together with Kazakhstan and Ukraine, is the only region in the world where one can quickly increase the tillable area with minimal ecological costs, which is in general what has happened. When production was needed, Russia, Ukraine and Kazakhstan quickly increased it, but then they encountered the lack of a market. The yield of grain in Russia and Canada is compared on the graph, just as an example. Of course our greatest reserve is increasing the productivity of agriculture. Sometimes this is more expensive, sometimes it takes longer, sometimes it is not always ecologically comfortable, shall we say, but nevertheless we can also increase production, and the 70% gap between the growth in demand in the growth in supply. Despite the fact that science is very under-financed in Russia (the booklets distributed by Sberbank showed quite well that science is under-financed, and even more so agrarian science), nevertheless Russia still has scientific potential. Madam Minister, the Russian Minister presented a unique initiative at the FAO conference last year. Russia proposed using the Vavilov generic collection to increase world food security — after all we are in St. Petersburg. This is Russia's unique initiative, and it is not the only one, we can participate in the potential, not only by inviting Dutch geneticists. Pardon but we have our own potential, with all due respect. Russia's geopolitical position is unique. Without even speaking of the proximity to those markets where demand is growing that Mr. Yushin spoke of, we have a unique geopolitical position. We have maintained our traditional connections with the CIS, among which are many food consumers. The last unique situation is that Russia is the only country among the CIS countries which positions itself as a donor. All the other countries receive assistance from the world market. Russia has declared itself to be a donor. There are three small items, if our moderator does not shoot me down - they are all written down. Well what is to be done to realize this potential? Because Russia is not only a country of opportunities — Russia is very often a country of lost opportunities. What needs to be done in order not to miss these opportunities that I spoke of? The first and most important thing is that we need to take a more active part in building a new agricultural and food system. We are still behind in this, we still work poorly with the FAO, we work poorly with the special commission on food security, more accurately we simply have no presence there. This system may be built without us, and then we will again be receivers, we will take, and we will again go into someone else's garden... “carrying coals to Newcastle”. Here I would like to give only small commentary. Up to now our participation has been in building peace... our donation to agriculture is expressed in the fact that we would like to provide food aid in kind. This is antiquated practice on the world market. The world community has understood that this must not be done and that it is not necessary. We need... there is no time to talk about it, but we have the opportunity to participate by other means.

V. Kvint:

Thank you, Evgeniya Viktorovna, that was interesting. We have a unique region in Russia, the Tambov Region, where after 10 years of investments in agriculture, agribusiness has grown eight times over. A "Green Valley" was created and is still being created there, and here with us today is the head of the administration of the Tambov Region, the Governor, Oleg Ivanovich Betin. Please, Oleg Ivanovich.

O. Betin:

Thank you, Mr. Kvint. Esteemed Viktor Alekseevich, Yelena Borisovna, colleagues, ladies and gentlemen, the leitmotif of our forum today is of course the strategy for modernization and innovation, and those who spoke today spoke of this first of all. The question is: what to do strategically, what mechanisms to have today for reaching these goals? They may be very different in different places. Of course, our president has formulated three priority areas: intelligent education, intelligent scientific developments and intelligent investments. In principle we have all the elements, but the results are not always those which we had counted on. We want more, but this does not work out for us. This is apparently connected to the fact that we do not have enough tools to coordinate our efforts. In the session just before this, Delovaya Rossiya said that according to their analytical estimates, a degradation of innovative mechanisms has occurred in recent years. In another section today they said that today there is the political will, meaning Skolkovo, but once again there are no concrete mechanisms. Today at the session they spoke optimistically about specific approaches. I would also like to speak a bit about this strategy, which we are required to do if we want the economy of the agrarian sector to develop stably and at the rate needed.

Intelligent education... today if we take education and specialized agrarian education — this is a departure from practice, from needs, and there are no goals which have been set. I will say that we worked on this problem for a long time quite seriously. Viktor Alekseevich, Yelena Borisovna and her colleague have supported us quite enthusiastically in practice. The heart of the matter is the following: we need to transition from separate elements of professional and general education towards the creation of an educational centre for the comprehensive development of rural areas. The industry-focused approach, the territorial, and the humanitarian spheres should be united, since the agricultural system is a unified complex where people work and live amidst their culture, their traditions. We should restore this. When we started to analyze this, it turned out that young men are sitting together in one institute of higher education, girls in another, and they cannot meet in order to establish a family and then move on to work in a rural area. We have broken the bonds that bound us together for years. Yelena Borisovna, I would like to say that last week there was a commission with the Ministry of Education, and they supported these approaches. When they arrived, they were skeptically inclined, but they left, they shared these views completely. Now we only have to go through the next stage and adopt the corresponding decision of your Ministry, because we consider that the ministry related to the industry should be responsible for determining the development strategy of these approaches.

Second. This education should not just be an applied bachelors degree, but should be related both to science and practice, therefore a master's degree from this united centre must be focused on integration with the institutes of the Academy of Agricultural Sciences which are currently in place in the regions, with the industry-related institutes, and of course with small businesses. A business incubator is already in place there, 15 companies are already working, and these areas will develop. Moreover there are various tendencies: some say that there are operations with significant experience today both in scientific and research institutes and in institutions of higher learning that must be removed, liquidated. We consider that this is incorrect. We should develop our own entrepreneurs using our own base. A scientific and educational centre must provide the personnel for the region's development strategy. This strategy was supported by the Government's Commission on the Agro-Industrial Complex. I would like to say that we do not support the centre preparing people for a specific trend, but rather for those development needs which are determined today by the strategy, taking into account the capabilities, including demographic ones, which exist today.

The second area is smart scientific development. How can one implement these developments, if they are already available, in practice? This is a very big problem. Agrotechnopark. Yes, perhaps this is not the newest form, and by itself it does not have a great impact, just as with science, which today is not directed at modernization, one must recognize this quite frankly: this is not the first year we have been working on this. I would like to say that the agrotechnopark together with the personnel centre should have a great impact. The Ministry of Communication, and the Interagency Commission have today adopted such a decision, and we have created the entire legislative base which is required for it to function. Of course the directors of the Science City, its recognition, was a catalyst for bringing the implementation of these developments and practice. The main topic chosen was healthy nutrition. Not just selling quality products from the field to the store, but from breeding through to the culture of consumption. We now have a selection of developments from the Science City, we are growing promising new breeds and stock with properties which have been assigned, which are not only ecologically pure, but also functional, which have a preventative health effect. In short we are healing people, as this was done in the old days, but now on the basis of scientific approaches.

Modern processing technologies. We renounced reconstituting the milk that is produced at our dairies. We agreed to only processing whole milk. Fresh milk in the stores is difficult — the shelf life is three days, but I will say that we will not divert from this path and we will only supply milk to stores. And we will only implement technology which will strengthen people's health. Storage and packing is a huge theme. We showed these models at the exhibition in Paris. I would like to say thank you for the good evaluation of our very own Ministry, but I like to say that we can go further. You may have heard that today we started the program "Mars - 500." The food products were made by our Science City, this centre. Imagine: food products should be ready to eat and not spoil for 500 days, two years. Yuri Mikhailovich Luzhkov, the Mayor of Moscow, visited us yesterday and could not believe it. I gave him a package as a gift: cabbage soup that should keep good for two years and not spoil. We hope that he will give them a try in two years. Finally, the crowning glory of all of these efforts should be the attainment of ecologically pure products, as the package declares. We are preparing around 250 thousand hectares of tillable land so that the raw materials will be regular agricultural products: strains of grains, sugar beets and everything else that comes from the land goes back into the land and does not leave any negative effects. All of this in total is the Green Valley, and is the future of humanity. We are open to cooperation. In order to bring this project to completion, Yelena Borisovna, Viktor Alekseevich, if simple political support of the project is necessary, then unlike Skolkovo, on a commercial basis, with a payback: there is no need to invest large government funds into it. In the session where Skolkovo was discussed, when everyone was given a chance to speak at the end, Mr. Vekselberg said: "I would like to wish great health to the Minister of Finances Mr. Kudrin." I would like to say that we need support in the form of credits. I would like to wish health to our dear local bank. That it might pay attention to this project, and that there be no delays with credits for those proposals that exist today. We are open to cooperation. The scale for the application of this project is huge. I would like for us to move from virtual ideas to real economics that would provide economic and social success. Thank you.

V. Kvint:

Thank you very much, Oleg Ivanovich. Very interesting. There were not many people who knew about the unique projects and such huge successes in the Green Valley of the Tambov Region. You know, we really have an excellent array of experts who are participating in the discussion, but it is difficult for anyone to compete with Katherine Sierra, Vice President for Sustainable Development of the World Bank. She has been working at the World Bank for 32 years. She has worked with the majority of industries in the world economy. Now we have a unique opportunity to hear Katherine Sierra. Please.

K. Sierra:

Thank you very much for those very kind words. I am very conscious of the late hour, so I will try to be very brief. Our colleague from the FAO has set the stage very well in terms of the food security issue for the poorest people in the world, so I will not repeat the background. Except to say that investments and agriculture productivity of the kinds that you have been discussing here in this panel are going to be critical for the ability to ensure that the poor of the world will have food at a reasonable price in the future.

We, at the World Bank, are doing our part to invest in agricultural productivity with the help of many partners over the last two years as part of the food crisis. We had USD 1.2 billion in immediate investment in seeds and other investments of productivity. We have doubled our lending to USD 6 billion a year to really lay a basis for long-term and medium-term investment in agriculture.

But today what I wanted to do was really to congratulate Russia because it is also entering into the public stage, not just doing the kind of investment for your own country that you have discussed in this panel, but also seeing how you can help others through both your actions as a donor, and also by sharing your own research and development and trying to infuse that going forward. We also know that you are very much a contributor through your exports to fight against world hunger. But I think this other area, which is Russia as a donor, will be increasingly important.

We saw that you, as part of the food crisis, immediately came to the rescue by putting USD 15 million in the food response program that we manage at the Bank, which had an immediate effect for the Kyrgyz Republic and to Dagestan. We know that you are a big investor in the World Food Program. You are working with the other G8 governments as part of the L'Aquila Accord. And that is, I think, having a good impact on the whole area of food security.

We, at the World Bank, are in discussions with Russia as we speak, as is our Agricultural Aid Cooperation Initiative where Russia would begin to enter into the global R&D network. If this initiative takes place with the consultative group on international agricultural research which I chair, we will be working with them with the broader World Bank to improve food security in the Eurasian region and globally to improve our environmental sustainability of agriculture production and build the capacity of the Russian Federation to provide agriculture services to other countries and respond to the food security crisis as well as to climate change.

One of the ideas is to create a Eurasian Center for food security. And we think that if this happens, this will make a very important contribution to the region going forward. So with this, I want to thank Russia for the work that we have done so far together and we very much look forward to continuing our cooperation. And I wish you all the best, thank you very much for inviting me. Thank you.

V. Kvint:

Thank you, Catherine — you are the first one to finish on time. We have gone far outside of the schedule, but nevertheless I would like to give the floor to the General Director of the Institute for Agro-Market Trends, Dmitry Nikolaevich Rylko. Please, Dmitry Nikolaevich.

D. Rylko:

Thanks, I first saw this situation in advance that we would not have any time, and so I limited myself to one slide and literally a couple of comments. I would ask you to note that we have become a part of the global food system, literally in the last few years the degree of intensity of our business relations with the world economy has grown sharply. One can see this quite well using the example of all the Russian markets, but I would like to use only one market as an illustration, the wheat market. Here are the purchase prices of wheat from the Krasnodar Territory. And here are the same prices for approximately the same type of wheat in the USA, in Illinois. As you can see we are competing with our colleagues in global agribusiness literally nose to nose. On the one hand, this is excellent, on the other hand one must pay a rather serious price for all of these benefits of globalization. This is connected with the increased volatility and unpredictability of our internal markets for goods. As soon as something happens — for better or for worse — we immediately feel this quite seriously. For this reason it seems to me that together with importing capital, which we have spoken of here more than once, and the technologies that we need, we need to seriously think about imports. We also need to think deeply and carefully about the adaptation of the set of instruments developed by global agribusiness in the area of the state regulation of agriculture. It seems to me that we are now ready for things such as active assistance to agricultural producers in stabilization. Not the stabilization of prices, it seems to me that we cannot handle prices, this task is too much for us. Instead, stabilizing income in order to increase the predictability of revenue in the future, this is a task which is achievable. In particular, it seems to me that we now need to think about a system of minimum purchase prices that would be set for the long-term by the state: if the prices on our domestic markets fall, then the states will then begin to take serious measures. In several industries we have become ready for compensation payments to domestic producers as the prices fall below this minimum level. Second is of course continuing the consistent work and increasing the level of protection for investors and agriculture in our country. As was already spoken of here, this means restarting agrarian insurance, this means mortgages. It is great that demand for Russian land is growing, but it is not so great that the prices for Russian land remain impermissibly low. This means mortgage legislation, this means attestation of storage facilities for grain and agricultural products. We have even seen a very interesting instrument from our BRIC colleagues in Brazil, a protected mortgage of a future harvest. This system has worked wonderfully well there for 15 years already. I think that if the Brazilians are already pumping USD 5 billion annually into protected mortgages of future harvests, then why shouldn't we look at such a mechanism, all the more so because it will not cost the state anything; the only thing necessary is legislative initiative and a comprehensible system of law enforcement. Thank you.

V. Kvint:

Thank you very much, thank you, very interesting. You know, when something great is being prepared, mistakes are always made, for example at the last minute we found out that Sam Allen, the chief executive officer of one of the largest companies in the world, John Deere, is present. I do not know if he is still here in the room... I would like to thank him just for showing interest in our session. There are several heads of large companies here, but unfortunately we have run beyond the schedule. What does this say? It speaks to the enormous interest, the global interest in the Russian agricultural industry. There are plenty of problems, and the successes are apparent, thanks to the leadership of Viktor Alekseevich and Yelena Borisovna. Russia has many problems in the agricultural industry, but these are the problems of growth. Earlier, when the agricultural industry was spoken of, it was always spoken of as a global industry. Now we are discussing how to grow further. I think that you should all be infected by the absolute optimism that we can experience. We should be optimistic about Russia's new role not only in the domestic provision of food, but also Russia's participation in global food supply, in the fight against hunger, against poverty, and in obtaining food security. Russia's role is new, it has its own niche, it may also compete with the leading countries, but it is indisputable that it is a new bridge from the developed countries to developing ones. I would like to especially thank Tatyana Borisovna Kulkina and Dmitrii Vladimirovich Yuriev for organizing our session. They helped me very much. Thank you very much. Thank you very much, Yelena Borisovna, for remaining with us from beginning to end, we enjoyed working with you, thank you for your leadership.