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## Tatyana Sharygina: Those investors who love adrenaline remain in Russia

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Making life better Tatyana Sharygina: "Our business is unpredictable, and the last two years have confirmed this. Situation..."

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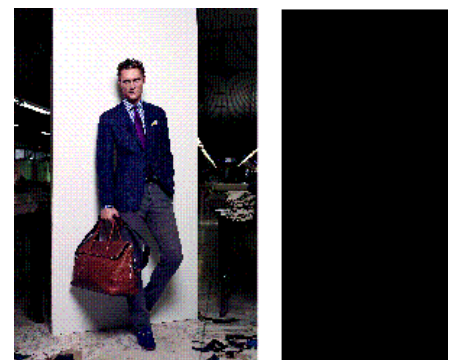
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### Make life better

*Tatyana Sharygina: "Our business is unpredictable, and the last two years confirm this. The situation is scary, but what to do? I'm an optimist"*

**Over the six years of operation in Russia, a group of Danish companies Idavang A / S invested more than 4 billion rubles in two pig farms in the Leningrad and Pskov regions. In the near future - to build a new production in the Luga region of the Leningrad region, and in the future - two more. In**



**an interview with the Business Management magazine, Idavang Agro CEO Tatyana Sharygina told how to build a successful agricultural business from scratch, what attracts the Russian market to foreign shareholders, and what state support the farmers need to replace imports.**



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***- It was a busy year for the industry: first, import of pork from Europe was banned due to the threat of the spread of the African swine fever virus, and then they completely imposed sanctions on the import of food from Europe and the USA. How did this affect pig production?***

- I would call this year the year of deceived hopes. After the embargo on pork imports from Europe, pork prices went up - they grew by about 10%, and in the summer, after the imposition of sanctions, they jumped another 20%. It seemed to us that we would finally live well. We really lived well, but not for long. Since the beginning of August, prices began to fall and now have fallen to a catastrophic level. At the beginning of the year, a kilogram of live weight of pork cost 78–80 rubles, at the same price we sell it now. Despite the fact that the cost of production is now about 60 rubles per kilogram of live weight. It is interesting that the consumer does not see how prices fall - on the shelves they only grow.

***- What is the reason for the fall in prices?***

- This is difficult to explain, I personally think that smuggled pork has appeared. Officially, no one really talks about this, but this is the only possible option. The Rosselkhoznadzor is increasingly reporting that products at the border have been detained due to suspicious documents. Most likely, deliveries from Europe go through the Kaliningrad region, in transit through Kazakhstan and Belarus. More and more Chinese pork began to arrive in our seaport.

If this goes on, then we will return to the same situation as after joining the WTO, when Russian manufacturers worked on the brink of survival.

***- How did the jumps in the exchange rate affect production?***

- Of course, the cost of production is growing. We do not have large loans in euros, but for euros we buy premixes (vitamin and mineral supplements for animal feed), spare parts for machinery, as it is imported. Even construction work depends on the euro. I am afraid that by the end of the year we will eat the income of the summer months and go to zero. And in the future we will find ourselves, I repeat, in the same situation as after joining the WTO. On the other hand, as a rule, by the New Year, food prices are rising. And, perhaps, everything is not as pessimistic as it seems.

***- By the way, how did you survive entry into the WTO?***

- It's hard. The weakest enterprises could not stand it and went bankrupt. In 2013, we did not suffer losses only due to subsidies. Then, product prices fell to the cost level. There was no longer a question of development, the question of survival arose. We were forced to cut down on training programs that we never saved. Yes there! It got to the point that they stopped buying sweets in the office. It sounds funny, but it saved absolutely everything. Plus, a sharp jump in grain prices due to drought was added. Then state subsidies to increase the cost of feed saved us - we received about 90 million rubles.

**- Did not think to switch to domestic equipment and products?**

- We try, but, as a rule, quality suffers. If we talk about premixes that we constantly use, then we consider the proposals of Russian companies. Feeding animals is the basis of our success, it is a mathematically verified process. In order for production to be highly efficient, 30 sowing piglets per year are needed per sow. To provide these piglets with the necessary weight gain, you need to know exactly what to feed them. We prepare the feed ourselves, but the quality of the components is very important. If we buy an unsuccessful batch of premixes, then the animals will either not grow as expected, or they will have health problems. Unfortunately, the quality of domestic premixes is unstable. It happens that the first batch comes in beautiful, and the second and third are no longer that. So we have not yet switched to Russian products. Quality is more important than price.

*We have not yet switched to domestic products for fattening. But if the euro continues to grow, and the price of pork does not change, life will force us to reconsider*

**- How do your Danish shareholders react to political and economic events in Russia? Are they not afraid to work in the current unstable conditions?**

- Oh, now they call me in a panic and shout: "You said that the euro will be 50 by the end of the year ?!" I answer: "Sorry, I was mistaken." In fact, they spend a lot of time in Russia and understand what is happening here, much better than the average European. At least they don't think that Russia is a country of monsters, where bears in earflaps with "Kalashnikovs" at the ready and balalaika run around the streets. Our Danish shareholders are very hopeful that the situation will normalize. By the way, they took the annexation of Crimea calmly, but the events in the east of Ukraine worry them.

Of course, sanctions are a big inconvenience and an obstacle. But our shareholders have nowhere to go. By the way, I never understood why foreigners are forbidden to own agricultural land in our country. I completely agree that agricultural land should be used only for its intended purpose, and for non-use it should be removed. But where did we get the ban on selling it to foreigners? What, they wrapped it with a roll and take it away? According to statistics, 1-2% of the arable land owned by foreign companies is used most efficiently.

***- Was it difficult for the Danes to adapt to the Russian realities of doing business?***

- In Russia there is more unpredictability than in Europe. We have many expats, but for a long time only those who love adrenaline remain. At the same time, they see huge potential in Russia. For example, in Germany it is simply impossible to open a pig farm - there everything has been mastered and divided for a long time on the market. But in Russia there is room to grow and develop, there are still fields that are not plowed.

Much depends on the person, on how we manage to build relations with the authorities. In Europe, everything is more predictable and regulated. Although in Russia there is enough bureaucracy, and in the most ridiculous forms.

I sign a huge amount of papers every day. Every two weeks for the registration of the next batch of premises, I must submit to the customs a notarized copy of the charter of the company. What for? Where do they put all these incredible piles of paper? Why can't you send them electronically? In this case, I must personally sign on each leaflet that the copy is correct. Do they really seriously believe that every time I read and compare them? The number of papers that we produce is endless.

***“But have the pig farms already paid off?”***

- Only in Russia they believe that if you invest money, you need to return it within two years, and have a profitability of 50%. But Danish farmers are sure that 8 years of payback and a 10% profitability is great. In the Leningrad region, investments paid off. Here we bought the existing production, but by that time there had been no pigs there for 4 years. In general, in April 2008 the deal was closed, and in June the first pigs already drove there. Not a month has passed since we did not build or remodel something. Last year we completed the replacement of roofs, built a granary and now we are building a second one. Now my dream is to sheathe all buildings with wall panels. Firstly, significant heat savings, and secondly, beautiful. The biggest problem we encountered is the lack of land in the Tosno district.

In the Pskov region, the pig farm was created from scratch in 2013, we built exactly what we wanted there. We started with the fact that in 2008 we leased

3,500 hectares of agricultural land and cultivated grain. My shareholders, choosing a place for the complex, walked around the open field and reasoned: there will be pigsties, here - lagoons, there - something else ... But I grabbed my head: where is the water, where is the electricity, how will we pull up the engineering? Three years have passed, and the complex works great.

It was never intended that we stop at two pig farms. In the foreseeable future, we will build another one in the Luga district of the Leningrad region, and we are still thinking about two. Our goal is 500,000 pigs per year.

**- Turnovers still allow you to invest?**

- It is necessary to develop, because any company either develops or dies. But we will not build a new farm unless we receive subsidized loans. Now the interest rate on the loan is 14%, of which 8.25% is subsidized by the state. And still, this is many times more than in European banks, where it is at the level of 1.5–2%. But in the current conditions, taking loans in euros is easier to shoot yourself.

**- Agricultural producers often say that obtaining loans is very difficult. Is it so?**

- Let's call a spade a spade. Russian Agricultural Bank (RSHB) is a very centralized bank where all decisions are made in Moscow. I understand that at one time the Agricultural Bank issued a lot of bad loans and is now "blowing on the water", but what about the producers then? For example, last year the industry proved to be unprofitable, it was decided not to give loans to pig farmers. No, to say right away: we won't give you a loan, so endless requests for additional information begin to be sent to take time.

To resolve any issue, one must go to Moscow, where young people, as it seemed to me, are very far from agriculture. I proved to one of them that I needed another combine harvester. He says to me: "But we figured out that you need a plow because you have few plows, and you already have enough harvesters to clear the sowed fields." "What if it rains?" And why do we need plows if we have non-waste technology? " I ask. "But what, does the harvester not clean the rain?" And why do you need non-waste technology? " - the boy is surprised. Yes, the harvester does not clean the rain the next day, if the rain was heavy. A wasteless technology is when plowed once every five years, which greatly increases the layer of humus. We replace plowing with deep cultivation, for this we need harrows and cultivators. But the boy doesn't know all this,

By the way, RSHB for loans requires personal guarantee of the general director. Despite the categorical ban of the Board of Directors, I gave it to get a loan for the complex in the Pskov region. What was to be done? I believe in my company, trust our shareholders. And what will they take from me? I won't give my

grandchildren, and I don't have anything else valuable, except Japanese books and prints, so let them take them.

***- Is the personnel problem worth it?***

- Yes, like everywhere else. My Danish shareholders believe that in the 1920s, peasants were massacred as a class. That is why now there are so few professional farmers. A farmer is a diversified person who not only understands the processes in agriculture, but also loves the land and his work. This requires not only excellent education, but also intuition, readiness for hard, and in the season almost round-the-clock work. Now we need to restore the peasant culture in people. We are trying to attract youth, have developed our educational program for livestock operators. In Ostrov, they trained people for 9 months at a local college, and then hired them. For 6 years, we have developed a certain skeleton, there is no fluid. We try our best to support and encourage our employees. Every month we select the best, we reward. We stimulate to further work. In addition to regular internal corporate trainings, we send young specialists to seminars and conferences, exhibitions in Russia and Europe.

***- Where is it more comfortable to work - in the Pskov or in the Leningrad region?***

- In the Pskov region there is more land, and the Leningrad region provides good state support - there are more subsidies, very adequate officials in the committee on the agro-industrial complex. Now, if the subsidies of the Leningrad region and the land of Pskov ... But even in the Leningrad region we were able to buy 1800 hectares of land in the Luga region and rent another 1000 hectares. Now we grow grain there, although it is believed that the Leningrad Region is a zone of risky agriculture. It is a myth. In the same climatic conditions, Finland and Sweden perfectly grow cereals. You just need to understand what cultures to work with. We are still far from 100 centners per hectare, which are grown in Denmark, but 80 on separate fields are already obtained, so there is room to grow.

We provide ourselves with grain by 25-30%, it doesn't work anymore, we need to increase the sown area.

***- In general, has government policy in agriculture changed recently? Do import substitution policies and sanctions have a practical exhaust?***

- Does it exist, this state policy? I recall the immortal phrase of Viktor Chernomyrdin: I wanted the best, but it turned out as always. This year in Moscow was held the "Golden Autumn" - the annual agricultural fair, which attracts five thousand people from all over Russia. Usually we are greeted, awarded, hold a gorgeous concert in the Kremlin Palace. This year we were only shown the president on the screen with a greeting, and the Minister of Agriculture

did not say a word. But the Red Banner Peasant Choir named after Pyatnitsky sang. And an hour later the people began to disperse. Ok, there is no money in the budget, but why not go on stage and tell our producers how highly they are appreciated, not show the presentations of advanced farms, and not award the best in a festive atmosphere? This is not money - this is attitude. So maybe politics is,

Along with this, we also have a lot of inspection bodies, the main task of which, it seems to me, is to find some kind of violation, often formal, and take a fine, the size of which has increased significantly. Rumor has it that inspections will be more frequent, and they will fine us 400,000 rubles each time. The Committee for State Control of Nature Management and Environmental Safety is trying to fine us 150,000 rubles due to the lack of a passport for fresh manure, although we still have a bunch of other papers for manure. The problem is that there is no regulation at the legislative level, how to treat manure as waste or as fertilizer? If this is raw material for fertilizer, then a passport for it is not needed. But the bottom line is that the presence or absence of a piece of paper does not affect the environmental situation, therefore, it's a shame to pay a fine, and even so big. Recently, we began to challenge fines in court. On the other hand, the Committee on the AIC of the Leningrad Region always supports us and helps us in everything.

**- What do you think about the market prospects in the current conditions?**

- Our business is unpredictable, and the last two years confirm this. The situation is scary, but what to do? I am an optimist in life. Do what you must, and be what happens. It is clear that meat should be as close to the consumer as possible. So, I think, production can still grow by 30%. While the market is far from saturation, and there is enough space for many players. And only those who produce with the lowest cost and maximum quality will survive even further. We will look for new ways of development, produce premium pigs - with lean meat, environmentally friendly.

**- How to reduce production costs, while grain prices and electricity tariffs are rising?**

- We need to produce our own grain in order to reduce the cost of feed, to improve genetics in order to preserve all offspring - and this is up to 18 live-born piglets per sow. We constantly reduce the consumption of electricity, diesel fuel, put energy-saving lamps everywhere, save water. We manage to spend no more even against the background of rising tariffs. I also think that it is very important to help each other and be as open as possible with my colleagues. For example, to share equipment that is not enough. In Tosno district, we rent land from our neighbors, and in return we give them grain. We constantly exchange experience, consult when choosing agricultural equipment, new drugs, share

information about suppliers, staff. If we do not help each other, then we will not survive.

**- How did you come to agriculture?**

- By chance. I am a specialist in structural and applied linguistics, a candidate of philological sciences. She worked in a Danish business center, helped Danish businessmen find partners in Russia, draw up documents. I really liked my work, I was at many enterprises, met various interesting people. But at a Christmas reception in 2006, she argued with the Danish consul that honest business could be done in Russia. Well, he says, then you'll take the next project and do it yourself. And now, six months later, she comes to me and laughs. He says: here, three Danish farmers want to buy a pig farm - go! I thought I would work with them for half a year, help start a business. But dragged on for 8 years. It was ridiculous to recall how they were looking for a farm. We arrived at the first pig farm, and there is a man in a quilted jacket and with a "white tongue" in his mouth, dirty pigs in the dark.

*Agriculture is terribly addictive, and we must not focus on sanctions, but develop effective production*

Agriculture is terribly addictive, and we must not focus on sanctions, but develop effective production.

And most importantly - I like the idea of making life around me better. The village of Nurma in the Tosno district in 2006 was absolutely depressing, and now it has already opened a second supermarket, there is not only a kindergarten with a swimming pool, but also an art school, a jazz ensemble. The village itself was transformed, new houses appeared. We not only pay a lot of taxes to the local budget, but also support social projects: we have built a playground, a hockey box, we never refuse to help. We rarely give money, but we always repair, change windows, doors, help buy something, spend a holiday, select a bus.

*George Shulepov*

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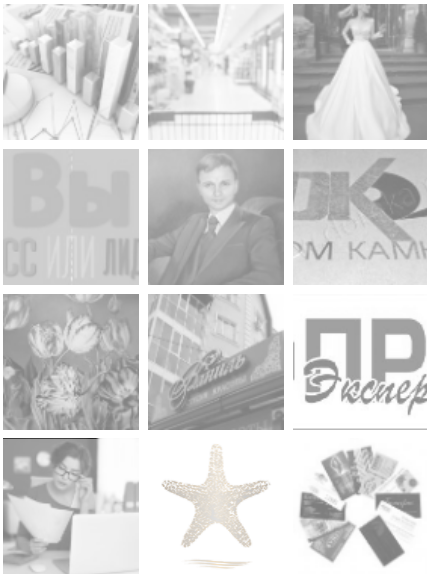
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