

(Europe) Miodrag Kostic - I received an offer of one billion dollars

Serbia is a small and very expensive country for *MK Commerce*'s plans. Namely, Miodrag Kostić, the majority owner of the mentioned company, decided to transfer his development strategy to Ukraine, and the decisive factor for that decision was the lease price of 25 dollars per hectare, as well as the fact that there are no restrictions on how much land will be leased.

Turned into numbers, it looks like this: \$ 15 million invested, 500 workers employed in nine months, annual turnover \$ 40 million.

Ukraine has 39 million hectares of arable land, with two meters of humus, Serbia about six million with humus of 70 centimeters.

By the end of this year, *MK Commerce* will have leased 100,000 hectares, where it will sow corn, sugar beet, soybeans, oilseed rape, everything that serves as a base for the production of renewable energy.

Kostic adjusted the company's business to world trends and therefore based his business strategy on two key points: the first refers to the global trend of environmental protection, and the second indicates that there is room for good and more than profitable business.

Are you not interested in building large agricultural complexes at home? Have you given up on Serbia in that sense?

Yes. *For a year and a half now*, *MK Komerc*'s strategic interest in agriculture is no longer Serbia, but Ukraine.

For what ?

We do not intend to participate in insane auctions of several million euros. Bid the lease price of 500 to 1,000 euros per hectare, or the purchase of five to nine thousand euros ?!

That money will not be paid out. This is about the principle - give me a loan to pay the first installment, and we'll see about the rest.

That will fail. But, that is why someone in the state and the government who supports and allows it would have to answer hard.

Lease in Ukraine?

We pay \$ 25 per acre. And a million hectares can be leased.

How much did you rent?

We currently have 35,000, and now, in the second round, we are taking another 30,000 acres. Our plan is to have an area of 100,000 hectares in 2007.

Is this the end of the lease?

No, that is the beginning of the concept of work, because we are currently building a silo worth 11 million dollars.

Are you counting on the lease of 200-300 thousand hectares?



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The concept you are talking about is related to ethanol production.

The essence of faster or slower development of future production of renewable energy sources is in controlling the costs of production of basic raw materials. The corn production control system, as the basic raw material, controls ethanol production.

Are you saying that you monitor production costs at all times ? We are trying to achieve world records in corn production per hectare or, better said, we are trying to find a balance between production costs and yields. Even today, it is possible to produce 25 tons of corn per hectare, but the question is how much it costs and how much it makes sense. **What do you say ?**

and the account ? The common denominator is the optimum profit per hectare in maize production. It can sometimes be three tons of corn if the investment is zero, but it can also be 12, 13, 15 tons. We want an average production of 10-12 tons per hectare, with the lowest costs. We also set a goal of \$ 50 per hectare. That is the future. Now the cost, depending on the property, the quality of the land, is around 80 to 100 dollars. **Does the world standard know that price?** In America, the cost is not below \$ 80. And on the best estates it is 110-120 dollars. There is a wide range of costs depending on the complex of the land and the quality of the land.



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	Kragujevac	12° do 25°
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	Uzice	11° do 25°
	Zajecar	14° do 25°

There is the advantage of a large estate of, for example, 30,000 hectares. My property is a world record with \$ 50 on 200 acres.

Which property is it ?

Agrouni from Indjija.

The one you bought for 100 euros per hectare?

I bought it two years ago, after two failed auctions, for 2.5 million euros. The company then had 540 workers and had 7,500 hectares of arable land at its disposal.

I invested 5.7 million euros, and three million euros were given for severance pay for workers who left the company. **Do you have to pay back**

so much investment in some way ? In the first year of work as part of *MK Commerce*, *Agrouni*

had 11 million euros in revenue. With 118 workers, 2,070 hectares were sown and an absolute record was achieved in the production of sugar beet in Serbia.

88 tons of sugar beet per hectare were produced on 20 hectares of the best land, and the Serbian average was 51 tons.

For *Agrounia*, I had a three-year investment plan of five million euros, and in the first year I spent 5.7 million, and I have not finished investing yet.

But that property is a good thing today. **Relatively**

good only for sugar beet ? No. Corn, oilseed rape and soybeans are also sown. That is why it is exemplary, because we want to push the maximum yields with the minimum costs. **Will you build an ethanol factory in Ukraine?**

I have an offer from the EU to build a factory worth 160 million euros. I can work in Serbia, where we have the best infrastructure, or in Ukraine.

I can do all three, but not at the same time. We are ready for the first step this year, because we are deep in the projects, just to decide where we will report them.

Your decision on the location of the future ethanol factory?

I am waiting and watching who will give me the best conditions. In Ukraine, I get free land, in Germany, a state subsidy - 30 percent of the investment price.

These funds are given non-refundable. That drives us to Europe. **There are certain standards for ethanol factories .**

When I talk about ethanol factory, I mean high world and European standards. It is about the production of about 200,000 tons of ethanol, and that is about 500,000 tons of corn a year.

About 330,000 tons of fodder should be made from those 500,000 tons of corn. That is why it is easy to start the production of ethanol, but the question is where will I go with 330,000 tons of fodder.

This is a bigger problem than where to build an ethanol factory?

That is the biggest problem at the moment.

Do you have standards that you can follow ?

The Americans have gone the furthest in that technology, and it is the company *IDM (EDM)* . They have developed a technology that encompasses everything that goes with ethanol.

And that is?

First of all, biodiesel is produced from the rest of the fodder, because corn has about 15 percent fat. Furthermore, the rest of the fodder is used to produce pet food, fish food, and from the rest the biodegradable material is obtained, which will be used in the Beijing industry.

If this is done and proven, a complete replacement for oil will be obtained. It will mark the third millennium.

Are we too small in all this ?

We are small, but we can use all the advantages we have and thus catch up with the world. We do the opposite.

Because what America or Brazil is doing is possible only in large complexes of the country, for example in Vojvodina.

Let the small plots be engaged in the production of tomatoes, peppers, early vegetables, and let them supply Europe with healthy food.

Should the state have a role in all this?

That is the responsibility of the state. A peasant cannot invest large funds because he does not have them. The best greenhouse costs 500,000 euros per hectare, and with that amount you can cultivate 1,300 hectares of land.

It is possible to produce 1,200 tons of tomatoes per hectare of greenhouse (according to the Israeli method - bringing water drop by drop to each seedling).

The value of that tomato, wholesale, is around 400,000 euros, and retail around one million because you have it all year round.

The biggest problem here is finding labor, because 50 trucks are being filled from one hectare. That is why there is no logic or economic justification for government officials or individuals to go and talk - tycoons have taken the country.

Because, what we talked about is industry, and production on small farms is different. There is room for both. It is important that every inch of land is cultivated.

What strikes you the most is that they characterized you as a latifundist or a tycoon ?

Imposing the story of tycoons has created a bad climate, because in Serbia there is room for large, larger and largest (5-50 thousand hectares and more). Because, only the one who has 50,000 hectares can keep the institute and, by advancing technology, develop and grow, employing new people.



But, there are places in Serbia for medium and small producers. A man who has large estates essentially has various benchmarks, which will reduce costs; they will see that the price goes up, and that is passed on to the small ones.

Because, everyone wants to repeat it on their property, whether it is medium-sized or an agricultural farm. And so everyone in the chain raises the level of production. **The**

principle of concentric circles? It is similar to the concept of socialist production. It was a great concept. Nobody will say that today. It was conceived according to the principle - from the field to the table. **PKB, as a large combine, had an annual turnover of one billion dollars.** I don't know how today's Serbian officials imagined that they would have an annual turnover of one billion euros if they now dismantle those plants.

Are you interested in PKB?

No. We were interested in PIK Becej. Now I'd like to see how they sell it. Do they think that we are crazy - to buy PIK with 3,000 workers and give us 3,000 hectares of land, and I to go and bid 12,000 hectares with someone who has one tractor.

You claim the market?

No. After the campaign against the tycoons, both the former and the current government, I decided to give up the purchase of PIK Becej. We didn't even make an offer.

The law on agricultural land wanted to protect the peasant from the powerful and the great .

I wouldn't say that's what it's about. Because, those who are paid to protect the interests of the state do not do that. It is primarily political interests that decide.

They are spreading demagoguery by telling how tycoons have taken over the country. All tycoons have less than one percent of the country.

We should have at least 50,000 hectares to be the bearers of development, to be like PIK Vrbas, PIK Servo Mihalj, PKB.

It all failed because of these, because they don't understand anything. Instead of someone saving it, collecting it, selling it, paying for it at the market price. Nothing.

Are you angry ?

I often fly by helicopter and I know every inch of Vojvodina's land, every field. We are still in the 19th century, and you can only see from above who burned their property and who did not.

Despite that devastating fact, Serbia still has a chance, because it can increase its production by 50 percent, and relatively easily.

In the failed company *Agrounija* , we doubled our production in four and a half years, with four times fewer workers, thanks to investments. That's the only way to go.

Exit?

The only way to make production economical is to find a balance between the smallest, the smallest, the largest and the largest.

You cannot produce wheat on one hectare. There is a salary of 100 euros. Business failed. He earns more by washing the glass on the car.

Why do n't we have such a strategy?

Because the line minister is involved in politics. When their country and the Serbian peasant are their priorities, then we will have what we talked about.

But, the minister came out and said - that Kostić bought a hectare of land for 100 euros. First, I did not buy a hectare for 100 euros, because that is impossible.

Secondly, it was not me who bought it, but the company where I have the predominant influence, and thirdly, my company bought a company with 300 employees, and their families are about 1,200 people.

money, so I buy properties in Vojvodina and keep them steamed.

No, the land is cultivated, people work on it, earn money and earn well.

Did you understand agriculture as a place where you can earn well?

Currently, there is no management company in the world in agriculture, such as *MK komerc*. There are families in America who own up to five thousand hectares of land, but these are farms.

We are engaged in management in agriculture on ten thousand hectares.

I wouldn't say you're the only one?

As a private company we are. PKB still does that, PIK Servo Mihalj and PIK Becej used to do that.

Management in agriculture means that you have large investments, high yields, but also high costs.

This means introducing new technologies, new varieties. It was necessary to create experts who can think about how to organize production on 10,000 hectares, and they are young, they know new technologies, they know how to work with banks ... *MK komerc*

has it all . They will be able to transfer that knowledge to 100,000 hectares in Ukraine.

From Africa to South America

You got an offer to run a \$ 1 billion agricultural investment fund?

People from one of the largest investment banks in the world have recognized what we have been doing for the last year and a half, and we received an offer from them.

Large investment banks have already reserved large complexes of land (100,000 hectares can be bought for two million dollars), but what is it worth if there is no one to run them?

They are looking for management teams to run their properties. That is how the offer to be the ones who will lead the fund of almost a billion dollars followed.

The fund intends to invest all over the world, mostly in Africa and South America. So far, we have not given a final answer because we have our goals.

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MK Commerce doo Novi Sad Agrounija doo Indjija PIK-Bečej ad Bečej

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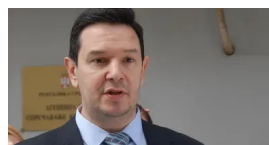
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