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Ivolga puts world's biggest farm up for sale

The world's biggest farm has put up the for-sale sign, after being hit by a collapse in grain prices during the world financial crisis, and then by the droughts and the fires that raged across its territories last summer.

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Ivolga controls 800,000 hectares of land in Kazakhstan and 700,000 in Russia, most of it wheat-growing land Photo: BLOOMBERG

By **Richard Orange**, in Almaty
 6:47PM GMT 13 Feb 2011

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Ivolga, a farming conglomerate which controls 1.5m hectares of land across Russia and Kazakhstan, is presently negotiating with Royal Bank of Scotland, which leads its creditors, to restructure a \$300m loan it arranged in 2007.

The company's immense holding, an area a third the size of Wales, easily outstrips that of El Tejar, the Argentine conglomerate which is the largest farm in the Western hemisphere, with 1.1m hectares under cultivation. Analysts estimate that a sale could value the farm at £500m-£1bn.

Ivolga last year asked a team of investment banks from Europe and Russia to try and find a buyer for a stake in the company, after deciding it needed a strategic partner to fund further development. Vasily Rozinov, the company's owner, is thought to be keen not to lose ultimate control of the company.

Dr Angus Selby, the principal in charge of agricultural investment at Altima Partners, the London-based hedge fund, said: "We considered taking a stake, but our view over all was that the risk of political risk and weather exposure in Kazakhstan was too much."

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Mr Rozinov began his business as the director of a Soviet state farm, or Sovkhoz. From 1992, he used his knowledge and contacts to build a grain trading business, expanding by leasing land and buying up assets, both in Kazakhstan's Kostanay region, and across the border in Russia.

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Ivolga now controls 800,000 hectares of land in Kazakhstan, and 700,000 in Russia, most of it wheat-growing land developed as part of the Soviet Union's 1950s Virgin Lands campaign, when vast areas of previously barren steppe were brought into production.

"They are the largest single entity in the world, but they have very low productivity," said Dr Selby. "They got caught by that perfect storm in 2008 and 2009. They bought all their fertilisers at the top of the market and then sold all that crop into a very deflated market and made massive losses."

RBS's Global Restructuring Group, is leading the ongoing restructuring of Ivolga's loan for the lending consortium of ING, Rabobank, Natixis, KBC, and Erste Bank. RBS inherited the loan from ABN Amro, the Dutch investment bank it bought in 2007.

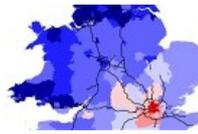
RBS and Ivolga both declined to comment on the process, which comes at a time of growing interest in agriculture as an investment class. Jim Rogers, the celebrated commodities investor, last month argued that farmers may end up better off than bankers.

"The City of London and Wall Street are not going to be great places to be in the next two or three decades," he told an investment conference in London. "It's going to be the people who produce real goods in charge - the farmers and the miners."

"Where agriculture is today is where hard commodities were in the 1990s," said Richard Ferguson, head of the Global Agriculture Unit at Renaissance Capital, one of the first to predict an agriculture boom. "What we're seeing is a fundamental shift in the business. As people move to the city, they move off the lands, and you get industrial farms which are well-capitalised."

He said Kazakhstan was uniquely placed to benefit. "You've got those very large entities which are bigger than most of their peers - some of them are over a million hectares, which barely exists anywhere else."

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