

An overview of the Russian vegetable growing sector

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Industry Profile

By greenhouse area, Russia is far behind the developed EU countries, Japan and Turkey. Spain has the largest concentration of greenhouses in Europe. Japan stands the second, and Turkey is the third in this ranking. The total greenhouse area in Russia is only 1800 ha.

Table 1. Total Greenhouse Area by Country

Country	Total Greenhouse Area
Spain	52 000 ha
Japan	42 000 ha
Turkey	35 000 ha
Italy	20 000 ha
Netherlands	10 000 ha
France	8 000 ha
Poland	7 000 ha
Russia	1800 ha

Source: Association "Teplitsy Rossii" (Greenhouses of Russia)

The food ban introduced by Russia as a countermeasure to western sanctions in 2014 attracted many new investors to this sector. Investors with different backgrounds (agriculture, food retail, construction) came into the vegetable growing sector and started investing into greenhouses. Over the last four years, the total greenhouse area in the country has increased by 850 ha.

Table 2. Total Greenhouse Area by Year

Year	Greenhouse area
2014	188 ha
2015	206 ha
2016	110 ha
2017*	350 ha

*Forecast for 2017

Source: Association "Teplitsy Rossii" (Greenhouses of Russia)

Total area of greenhouses rebuilt in 2015: 50 ha

Total area of greenhouses installed and commissioned in 2015: 206 ha

Greenhouse area to be put in operation in 2017: 350 ha

Greenhouse area to be further developed by 2020: 2 000 ha

North-West Russia still lacks greenhouses – 150-180 ha.

Federal districts developing vegetable growing:

- Central Federal District
- Southern Federal District
- Volga Federal District
- North-Caucasus Federal District.

TOP-5 greenhouse vegetables producing regions (thousand tons):

- Krasnodar krai (market leader) – 88
- Republic of Bashkiria – 66,5
- Karachay-Cherkessia – 45,8
- Stavropol krai – 42,4
- Republic of Tatarstan – 37,7



The Belgorod region is planning to create a greenhouse cluster by 2020. At the moment, the total area under greenhouses is 55 ha. According to the regional development program, the concentration area of greenhouses should grow to 500 ha by 2020. In 2017, two investment projects are due to be finished. The total area of new greenhouses will be 30 ha.

RENOVA has recently announced their plans to invest in greenhouse farming in Russia. The company is planning to build greenhouse complexes in four Russian regions: Sverdlovsk region, republic of Chuvashia, Perm krai and republic of Komi. The management of Renova have already signed agreements of intent with the four governors. The total designed area of greenhouses will be 100 ha. The total investment is 25 billion roubles. The annual designed capacity is 75 000 tons of cucumbers and tomatoes.

(Link: <http://www.agroinvestor.ru/companies/news/26213-viktor-vekselberg-postroit-teplitsy-v-chetyrekh-regionakh/>)

ECO-CULTURE is the biggest greenhouse grower in Russia. The company is based in Stavropol krai, has packaging lines, a distribution centre in Stavropol and a distribution centre in Moscow region. The total greenhouse area is 52 ha. Eco-Culture is planning to build greenhouses in Tula region, Voronezh region and Moscow region.

Eco-Culture is planning to come to North-West Russia. The company is going to take over OOO "KRUGLY GOD", the third biggest grower in Leningrad region. The bid worth 2,5 billion roubles is about to be closed.

(Link: https://www.dp.ru/a/2017/03/20/Kruglogodichnij_aktiv)

In general, Russian greenhouse vegetable market is characterized by asset consolidation in the hands of big investors. Big players have more resources and possibilities to compete in such a capital-intensive sector.

Greenhouse vegetable production in 2016

The domestic production of fresh greenhouse vegetables does not satisfy the domestic demand.

Share of domestic vegetables: approximately 47%

Total greenhouse vegetable production in 2016: 800 000 tons

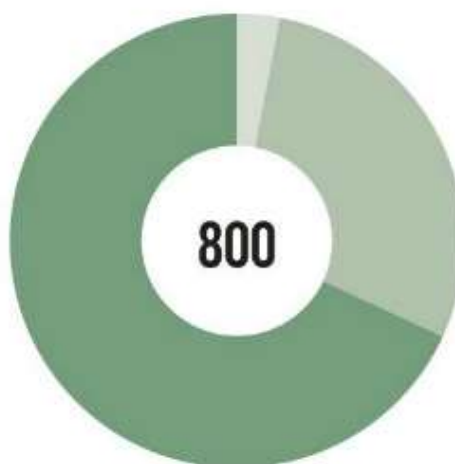
Leading vegetable: cucumber (70%)

ПРОИЗВОДСТВО ТЕПЛИЧНЫХ ОВОЩЕЙ*

■ огурцы ■ томаты
■ прочие овощи

* тыс. т, оценка,
в 2016 году

ИСТОЧНИК:
«ТЕПЛИЦЫ РОССИИ»



Source: Association "Teplitsy Rossii" (Greenhouses of Russia)

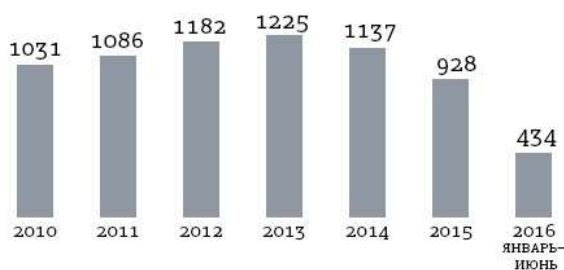
Champignon mushroom growing is a new popular trend in Russian agriculture.

Imported greenhouse vegetables

The share of imported greenhouse vegetables declined considerably after the introduction of the food ban in August 2014. In 2013, 1225 thousand tons of greenhouse vegetables were imported into Russia, while in 2015 only 928 thousand tons was imported.

Share of imported greenhouse vegetables over the period 2010-2015, thousand tons

Объем импорта тепличных овощей в 2015 г., тыс. т



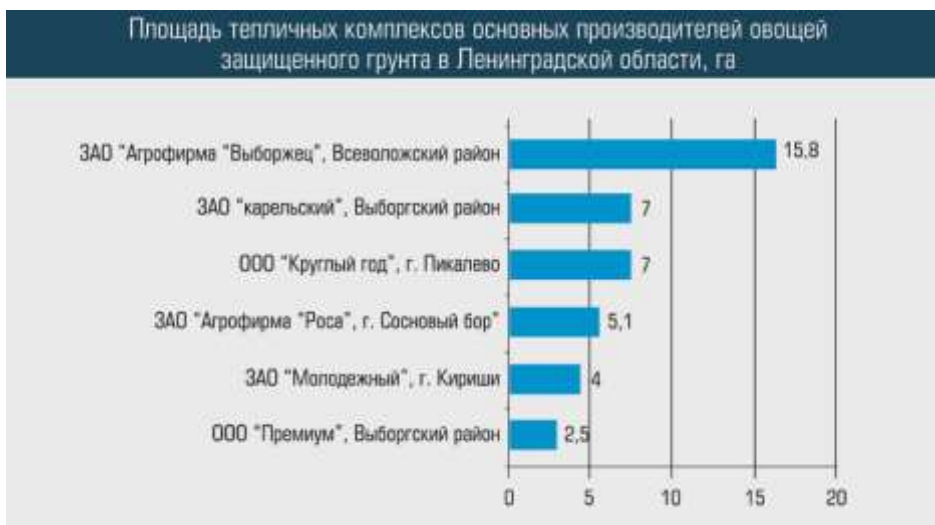
Structure of imported greenhouse vegetables in 2015:

Vegetable	Volume imported into Russia
Tomato	655 000 tons
Cucumber	143 000 tons
Paprika	125 000 tons
Eggplant	24 000 tons
Lettuce	5 000 tons

Leading producers of greenhouse vegetables in Leningrad region

Leading greenhouse growers by greenhouse area (hectares):

- ZAO Vyborzhec (market leader) - 15,8
- ZAO Karelsky - 7
- OOO Krugly God - 7
- ZAO Rosa - 5,1
- ZAO Molodezhny - 4
- OOO Premium - 2,5



Source: Delovoy Petersburg, Issue No. 056, dd. 9 April 2015

Year	Vegetables production in Leningrad region
2013	26 400 tons
2014	21 700 tons
2015	23 500 tons

Year	Vegetables consumption in St. Petersburg and Leningrad region
2013	140 000 tons
2014	180 000 tons
2015	227 000 tons

ZAO VYBORZHEC is planning to invest 2,2 billion roubles in their greenhouses. The company wants to build a new power station and greenhouses on the territory of 5 ha. The investment project will enable the company to increase their greens production by 2000 tons and tomato production by 1000 tons.

(Link: http://www.rbc.ru/spb_sz/09/03/2017/58c162459a79471227e6e897)

Main problems in vegetable growing sector

Experts point out that Russian growers face many challenges including, but not limited to:

- Shortage of greenhouse capacity
- High energy costs
- Shortage of distribution centres and storage facilities
- High interest rates for growers
- Bad selection and seed breeding (share of imported seeds ranges from 20 to 80%).

Sources

1. Association "Greenhouses of Russia" <http://rusteplica.ru/>
2. Agricultural platform "Agroinvestor" (www.argoinvestor.ru)
3. Expert North-West Russia <http://expert.ru/> (magazine)
4. Information and Marketing Agency RBC www.rbc.ru
5. Delovoy Petersburg <https://www.dp.ru/> (news-paper)