

Deal Makes Rusmolco Industry Leader

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Rusmolco is planning a program with partner Olam International to expand its herds in stages to 50,000 head. **Vladimir Filonov**

Agricultural producer and trader Olam International of Singapore and Russia's Rusmolco announced an "unprecedented" investment deal Monday to make Rusmolco an international leader in dairy production.

Under the deal, Olam International will receive 75 percent of Rusmolco's charter capital. The first step in the partnership will be the investment of up to \$75 million in Rusmolco for a three-year development program. The program foresees Rusmolco increasing cultivated land from 52,000 hectares to 106,000 hectares, and increasing its herds from 7,200 to 20,000 head of cattle. Also, it plans to build four new milk-processing complexes in the Penza region.

The second stage planned is a three- to four-year program to increase Rusmolco cattle numbers to 50,000 head and the area of cultivated land to 130,000 hectares. Investments in the second stage will reach up to \$400 million and milk output will rise to 500,000 tons a year.

“In 2016 we plan to triple our production and join the top five biggest international companies. In our first step, we will not be looking at the processing industry but only at increasing overall production,” said Olam International chief executive Sunny Verghese.

The partners will also look into growing sugar beets and refining sugar, Verghese said.

“This agreement is an unprecedented investment in agricultural and dairy production,” said National Dairy Producers Union chairman Andrei Danilenko. “The plan is to make the Russian company an international leader in dairy production.”

He stressed that the deal differed from previous tie-ups between Danone and Unimilk and PepsiCo and Wimm Bill Dann, which he called “investments in the processing industry, in a ready business.”

Olam International is expected to keep Naum Babayev as chairman of the Rusmolco board of directors. In addition, five Olam International representatives will join the board, and Danilenko of the National Dairy Producers Union will join as an independent member.

“We see tremendous potential in our foreign partner. Olam International’s financial capability, a first-class management team and work experience in 65 international markets are the key to the successful development of our business. Together, we hope to be among the global leaders in this industry,” said Babayev, who is also the founder of Rusmolco.

Rusmolco combines nine dairy facilities located in the Penza region. At present its holdings consist of 133,000 hectares and 7,200 cows.

Milk was the best-performing major commodity last year, topping gains in crude oil, cattle and gold, as surging U.S. dairy exports sent prices to their biggest annual gain in four years. An expansion in populations and incomes is fueling demand for dairy, used in products from baby formula to sports drinks, Bloomberg reported.

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