

Solutions for agribusiness

Russian agribusiness today

Agribusiness is an area of growing interest to many investors. The state actively supports this sector of the economy: a state program of agricultural development has been developed that includes subsidies for domestic production, the income tax is down to zero.

However, despite these recent initiatives, agriculture has yet to reach its full potential. The sector is inefficient and the economic recession is hampering development. A shortage of finance threatens production volumes and raises the specter of bankruptcy. Owners and chief executives of agricultural companies are faced with numerous problems, and need to make and implement long-term decisions relating to technology, optimization of business processes, increased social responsibilities and compliance with legislative changes.

Agribusiness is our specialty

BEFL stays fully up to speed with all trends and tendencies that have an impact on our Clients' businesses. Our specialists can help you find solutions to acute problems and suggest valuable recommendations to help you address serious issues. The ultimate objective of all our activities is to increase the value of our Clients' businesses through knowledge of business opportunities, risk reduction and realization of strategic plans.

BEFL specialists offer the following solutions to agricultural companies, investors and business owners:

Sector trends and key challenges	Consequences for companies and investors	What BEFL can do for you
Attracting investors		
The global trend of a rise in the cost of food products; food shortages worldwide	Increase in investment in agribusiness by financial investors	<ul style="list-style-type: none"> • We can help investors develop an investment strategy, selecting target businesses • We can establish a fundraising process both for particular investment projects and to implement strategic business development programs • We can execute financial, tax and legal due diligence • We can audit the financial statements of agricultural companies, preparing these in accordance with IFRS for presentation to potential investors
The creation of a market for agricultural land; significantly lower land prices in Russia than in other countries	The possibility for investors to purchase land at attractive prices	<ul style="list-style-type: none"> • We can assist in organizing and managing the process of land purchase • We can ensure verification of rights to agricultural land, estimate risks and work out risk-reduction programs • We can prepare information on local/regional particularities in agricultural land sales
State support of the sector	The state subsidizes interest on credit, purchase of plant protection products, and insurance costs; 0% - corporate income tax	<ul style="list-style-type: none"> • We can recommend a financial structure for a holding company, and assist in choosing profit centers • We can advise on the drafting and presentation of documents for obtaining state subsidies/grants
Finances		
Unstable situation in financial markets	<p>Restrictions in obtaining debt financing</p> <p>Lack of compliance with bank requirements for credit</p>	<ul style="list-style-type: none"> • We can evaluate the financial condition of a company or a holding, review the working capital and reveal cash flow reserves • We can take part in negotiations with banks, and prepare the grounds for obtaining a loan • We can appraise land, buildings, and agricultural equipment for pledging to banks • We can appraise assets and liabilities in order to prepare financial statements in accordance with IFRS
Liquidity crisis	The company is unable to pay its creditors	<ul style="list-style-type: none"> • We can devise a scheme to restructure the company (group or holding company), ensuring legal support in the relevant procedures for its implementation • We can advise on the issues relating to selling particular business units • We can devise crisis management programs, financial plans and external management strategies. • In cases of bankruptcy we can protect the interests of creditors and shareholders
Corporate management and legal issues		
Inefficient corporate management (particularly in the case of remote branches)	Loss of manageability Shareholders and management have no timely objective information on the business	<ul style="list-style-type: none"> • We can plan and assist in implementing corporate standards and policy, increasing information transparency by serving as your corporate secretary, establishing a system of electronic document flow, regulations and control over decision-making • We can assist in project management, administering long-term and complex investment projects

Sector trends and key challenges	Consequences for companies and investors	What BEFL can do for you
Management activities do not reflect the interests of shareholders	Loss of assets, groundless claims of particular creditors, shareholders	<ul style="list-style-type: none"> • We can use our expertise to investigate management activities • We can assist in increasing the efficiency of internal control systems and preventing fraud
Restrictions in Russian legislation in relation to foreign investment	Increase of legal risks	<ul style="list-style-type: none"> • We can consult on establishing a legitimate structure for the agricultural business, taking into account the interests of investors • We can review the requirements of Russian legislation relating to foreign investments in agribusiness
Complexity; procedural timeframe for purchasing rights to agricultural land and infrastructure	Loss of core assets Decrease in capitalization	<ul style="list-style-type: none"> • We can execute the legal expertise of rights to land, buildings and appraise the identified risks, devising strategies to minimize them • We can help you create a database of plots of land and related transactions to increase the manageability and transparency of your business • We administer projects on purchasing land shares ('pais')

Financial statements, accounting and control

Poor-quality financial statements	False financial statements Unattractiveness of the business Legal responsibilities	<ul style="list-style-type: none"> • We can review the correctness and completeness of the formulation of your financial statements • We can provide professional assistance in preparing internal and external financial statements • We can help you make and implement decisions to outsource accounting
Poor discipline in registration of documents relating to the main business function; inefficiency in establishing and maintaining accounting procedures	Making incorrect management decisions Creating potential for abuse by individuals having access to the company's assets	<ul style="list-style-type: none"> • We can use our expertise to ensure the internal document flow of the company, devising a system and assisting in its implementation • We can identify major accounting problems, consulting on issues relating to methodology and establishment of agribusiness accounting • We can devise an integrated accounting policy for a group of companies • We can help manage the computerization of accounting processes
Problems relating to suppliers of raw materials (e.g. sugar beet, grain)	Shortages of raw materials Increases in price of finished goods Problems in reaching agreements with raw material suppliers	<ul style="list-style-type: none"> • We can provide professional assistance in the following areas: <ul style="list-style-type: none"> • Identification of 'specific' issues • Establishment of a control system • Analysis of supply agreements and establishment of a pricing policy • Overseeing the agreed document flow • Monitoring of prices and terms of agreement
Problems with pricing of agricultural land	Inadequate appraisal of the core asset in accounting; incorrect pricing of finished goods	<ul style="list-style-type: none"> • We can provide methodological assistance in establishing the accounting of expenses in long-term procedures for purchasing share land and the correct pricing of such land plots • We can assist in implementing IT decisions on land accounting, ownership rights, pricing of land plots and payments under loan agreements
Internal fraud	Loss of property Court cases	<ul style="list-style-type: none"> • We can estimate the fair value of land and leasehold • We can appraise the internal control system • We can organize an inventory of property • We can organize and perfect controlling procedures, determine the 'supervision points' • We can evaluate the efficiency of satellite monitoring as a means of control • We can form an informational and analytical system of continuous monitoring

Tax

Complexity of following the criteria set by the agricultural producer	Additional tax liabilities Loss of right to state support	<ul style="list-style-type: none"> • We can execute tax due diligence and propose methods of reducing tax risks • We can consult on issues of establishing separate accounting for VAT
Poor organization of tax accounting of main/principle taxes	Fines High tax risks Payment of extra taxes	<ul style="list-style-type: none"> • We can assist in establishing tax accounting on the company's profit tax • We can offer advice on tax calculation outsourcing

Personnel

Shortage of qualified managers	Business inefficiency	<ul style="list-style-type: none"> • We can provide professional assistance in recruiting / assessing potential employees (senior managers, chief accountants, financial services employees, lawyers) • We can assist in goal-setting for senior managers, defining employee functions, determining remuneration and benefit programs • We can prepare and provide training in finance, accounting and law • We can assist in duties transfer after replacing the chief executive, the financial director or the chief accountant
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Our clients

- An agricultural group comprising 38 legal entities and owning 290,000 ha of agricultural land.
- A holding company, the leading Russian sugar producer, owning 400,000 ha of agricultural land.
- A group of companies located in Central Russia, owning more than 40,000 ha of land. The combined crop yield of its fields is one of the highest in the region.
- A large, fast-growing agricultural group, combining more than 40 companies in five federal districts of the Russian Federation. The primary activity is production and sale of agricultural products: grain, sunflower seed, rapeseed and sugar beet for the livestock sector. The group controls some 280,000 ha of land.
- A group of companies, largely under foreign ownership, that includes more than 20 companies in four regions of Russia, and that owns over 100,000 ha of agricultural land. It is involved in agricultural production, supply and maintenance of agricultural equipment, supply of seeds, agritechnical consulting and production and sale of livestock.
- An agrarian holding company, principally owned by investors from CIS countries. Its plants process agricultural products. It has three grain silos and 60,000 ha of farmed land.
- Our professional expertise has helped investors purchase more than 2 mln ha of agricultural land over the recent years

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Corporate finance

- Mergers and acquisitions
- Financial restructuring and bankruptcy
- Working capital analysis
- Due diligence
- Business appraisal
- Fundraising

Accounting outsourcing

Audit and taxation

- Audit
- Financial statements in accordance with IFRS
- Financial statements, accounting and control
- Tax consultation

Consultancy services

- Legal services
- Appraisal of property
- Internal control system