

Putin ally's bank becoming a powerful force in Russia's grains market

By: Anatoly Medetsky and Dina Khrennikova | Jul 09 2019 at 10:00 PM | [International Trade](#)

A sprawling Russian banking group run by an ally of President Vladimir Putin is fast becoming one of the most powerful forces in the country's grains market.

Since entering the grain export business last year, Andrey Kostin's government-backed VTB Group has loaded up on assets including port terminals, a rail-freight operator and a trader. Those investments could be worth about \$1.5 billion, according to filings and Bloomberg calculations based on VTB valuations.



The buying spree means that VTB handles a fifth of Russian grain exports, according to estimates by the Institute for Agricultural Market Studies.

The foray is allowing VTB to tap the whole supply chain in Russian grains and challenge top shippers like Trading House RIF and Cargill Inc. for the riches on offer in the industry. There's much to be won—booming output in recent years has made Russia the world's top wheat shipper, supplying nations as far away as Indonesia and Mexico. The country is eyeing new markets too.

"We are now allocating a great deal of resources for the development of this business," said Atanas Djumaliev, head of global commodities at VTB Capital in Moscow. "We are building a full vertically-integrated supply chain from farmers to end consumers around the world, including Africa, the Middle East, Asia and so on."

VTB, whose businesses span telecoms to real estate, plans to help Russia export more grains. Kostin, who has publicly defended Putin's track record and is under U.S. sanctions, has had success with other investments. VTB bought a stake in Burger King's Russian business in 2012, when the fast-food chain had just 38 locations in the country. Now, there are more than 600.

The company will trade grain from offices in Russia and Switzerland and plans to expand the team, said Djumaliev who spent more than a decade at Deutsche Bank AG and Goldman Sachs Group Inc. He's overseeing the move into grains for now, and the company is considering staffing options to run those operations under him.

VTB's venture into grains could help bring in more investment in Russia's industry, which may lead to bigger exports, according to Elena Svart, a senior manager at the agribusiness unit of consultant KPMG in Moscow.

"Such a serious investor as VTB will be able, if desired, to form consortia and attract both Russian and international funding," she said.

VTB isn't the first conglomerate to venture into Russian agriculture, with companies controlled by billionaires Vladimir Evtushenkov and Oleg Deripaska owning businesses in crop farming to grain trading. Still, competition is now heating up among the country's traders and shippers.

"VTB is a very strong financial player. They are capable of organizing competitive trading," said Andrey Dubovskov, chief of AFK Sistema, Evtushenkov's holding company that runs crop farms and a grain-export business. "Yet there's surely enough room for everyone."