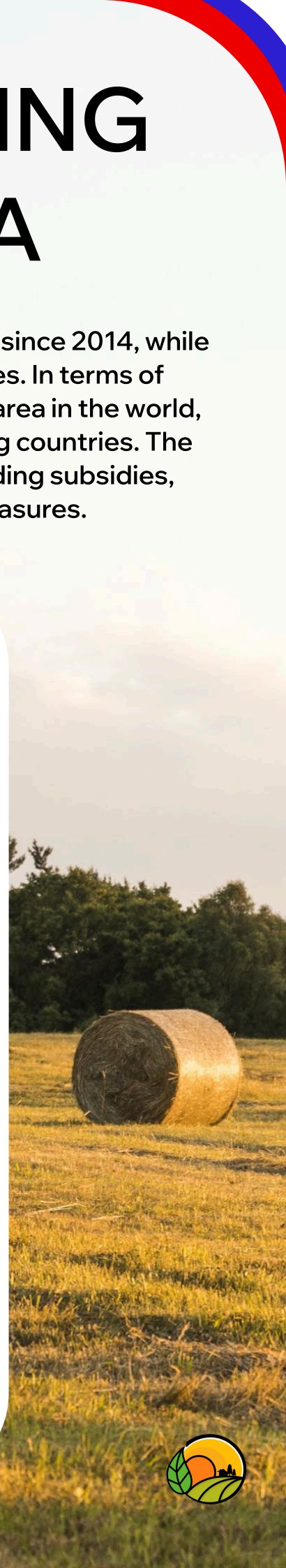


GUIDE ON STARTING A FARM IN RUSSIA

The Russian agricultural sector has actively been developing since 2014, while maintaining a huge potential for growth in the coming decades. In terms of agricultural production, Russia, having the biggest farmland area in the world, is ranked in 5th-6th place among global agricultural producing countries. The Russian government is strongly supporting farmers by providing subsidies, grants, subventions, preferential loans and other support measures.

- 01** Russia has 13 million hectares (32 million acres) of fallow (underdeveloped) farmland and the Russian government has initiated a program through which a farmer can lease anywhere from 50 to 100 hectares of fallow land, depending on the region in Russia. After 3-5 years of working on this land, it can be purchased for its cadastral value. Moreover, a farmer can obtain subsidies for working on this type of land.
- 02** Grants, subsidies and equipment programs are available for farmers to start and grow their business.
- 03** The price of farmland is significantly more affordable than in the Western countries, which makes investments into such land and a farming business more profitable.
- 04** Farming and especially growing organic products are becoming a rising trend and are gaining popularity among customers.
- 05** Many farming sectors and regions are still underdeveloped which provides massive opportunities for Western farmers to succeed in Russia.
- 06** Taxes are low on land (0.1-0.2%) and farming (6%).
- 07** Russia does not consider farmers a threat to the environment and is not promoting the ESA Green Agenda.
- 08** Russia respects and supports traditional values and large families.



Farming practices: Russia vs the West

In western countries, unlike in Russia, it is the norm for farmers to build their homes on their agricultural land. This practice has only recently become popular in Russia. Customarily it is more common that a farmer lives within the boundaries of the nearest settlement. Due to the existing norms of Russian legislation, the legal structuring of the ownership of farms and agricultural land by foreign farmers is not an easy task.

The following are the main problems faced by foreign farmers. In accordance with Article 3 of Federal Law No. 101-FZ of July 24, 2002 "On the Turnover of Agricultural Land", foreign citizens and Russian legal entities in which a foreign national has ownership of more than 50% can only lease farmland in Russia and not purchase it. Leasing is permissible for up to 49 years. The right to own farmlands by a foreign citizen is granted automatically once the foreign citizens acquires Russian citizenship.



According to the current Russian migration legislation, the period to obtain Russian citizenship by foreign citizens moving to Russia, who are not compatriots, can reach 7-8 years. For many foreign citizens, using leased land to run a farming business seems to be a risky approach to running a farming business. Western farmers almost always significantly invest in the farmland by building a house, barns, etc. on the land, therefore it is essential that their property rights are secured not just by a lease agreement.

! Another important matter to consider is that building a house on farmland is only allowed for a special registered entity – Peasant farmer enterprise (PFE). Foreign citizens are allowed to register PFE but are not allowed to own agricultural land.

Legal structures for foreign farmers

There are several ways to legally structure land ownership for foreign farmers:

1 To ensure that a foreign citizen can purchase agricultural land, the following scheme is used: a foreign citizen registers a limited liability company (hereinafter referred to as LLC) in Russia, where he is the sole owner. Further, LLC "A" registers a subsidiary LLC "B", which, in turn, purchases farmland. The actual beneficial owner is a foreign national. In this case, the requirements established by Article 3 of Federal Law No. 101-FZ, which prohibits foreign citizens from owning agricultural land, are being circumvented. In practice, when registering ownership of land, State land register authority does not verify the final beneficial owner of LLC "A". This practice actually contradicts Article 3 of Federal Law No. 101-FZ and, according to Article 166 of the Civil Code of the Russian Federation, such purchase could be deemed null and void by a court order. There are currently no such cases, but we would not recommend structuring land ownership in such a way.

3 In some Russian regions local authorities establish a state-owned enterprise which belongs to the local Agricultural or Land Ministry whose goal is to utilize unused land or property. The benefits of such an entity are that it can obtain farmland for an indefinite period free of charge and without a tender or having to go through a municipal auction. Foreign farmers can enter into an investment agreement with a state-owned enterprise, which defines the terms and procedure for investment, the amount of contributions from the parties, as well as the terms and procedure for the purchase of agricultural land after a foreign citizen receives citizenship of the Russian Federation. The advantage to this option is that instead of a Russian partner the foreign farmer has the government as a partner which gives him more security on his investment.

2 A foreign farmer registers an LLC in Russia, but to have the possibility of purchasing agricultural land, his share of participation in the LLC must be less than 50%. In some regions of Russia, to receive state support measures, the share of participation of a foreign citizen in such an LLC cannot exceed 25%. Accordingly, a foreign farmer needs a Russian "partner." Most foreign farmers are not interested in having a Russian partner. One of the options is the nominal participation of a Russian citizen in the share of the LLC. At the same time, the current Russian legislation allows for the legal protection of the rights of a foreign minority owner through the development of a shareholder's agreement, by including specialized provisions in the charter of an LLC and signing an option agreement at a public notary to buy out shares at a predetermined price when said foreign farmer obtains Russian citizenship. To receive support measures, this LLC must obtain the status of an agricultural producer. This means that 70% of the income of the LLC should come from selling farm products. The disadvantage of this option is the need for a Russian participant in the LLC.

4 According to Article 3 of Federal Law No. 74-FZ of June 11, 2003 "On Peasant Farmer Enterprise" (PFE), foreign citizens have the right to establish a PFE. The significant advantages of farming as a PFE are as follows: the possibility of building a house on the farmland and the leasing of municipal farmland without a tender or auction unlike the LLC with the preferential right to buy out the land.

Overview of the government support measures for farmers

Government support measures can be granted to either farms registered as an LLC or PFE.



Main areas of government support include:

1. Ensuring the production of agricultural products, as well as products of its primary and subsequent processing Crop production:

- Subsidies per 1 hectare of acreage
- Subsidies per 1 ton of manufactured and sold products
- Support for elite seed production
- Support for breeding livestock

- Reimbursement of energy costs
- Crop insurance animal husbandry:
- Subsidies to support dairy production
- Subsidies for livestock development

2. Animal and aquaculture insurance Processing of agricultural products:

Subsidies for 1 ton of processed milk for dairy products

Subsidies to consumer cooperative organizations for the purchase of products from citizens leading private farms

3. Development of investment in agriculture including reimbursement of direct costs incurred for the creation of agricultural facilities (Capex):

- Dairy complexes (farms) – up to 92% (50%) of costs
- Meat complexes (farms) in sheep breeding – 25% of costs
- Breeding-genetic and seed breeding centers – 25-50%
- Flax (hemp) processing plants – 30% of costs
- Enterprises producing powdered dairy products for baby food – 25% of costs
- Storage facilities for vegetables, potatoes, fruits – 25% of costs
- Deep grain processing enterprises – 20% of costs

- Enterprise's processing oilseeds, processing and preserving fish, crustaceans and shellfish – 25% of costs
- Reproducers of the first and second order in poultry farming – 25% of costs
- Marking equipment – 50% (70%) of the cost.
- Reimbursement of the costs of planting and caring for perennial fruit and berry plantations - from 30% of the cost
- Subsidies for the purchase of agricultural machinery and equipment - up to 50% (75%) of costs
- Development of agricultural land reclamation - up to 50% of the cost of building irrigation systems, revitalizing of fallow farmland up to 70% for fundamental land improvement

4. Short-term and investment loans at a preferential rate determined based on the calculation of the Central Bank's rate

5. Government grants:

- **Agro-startup** – from 5 to 7 million rubles, up to 90% of the cost of implementing a project to create and develop a peasant (farmer) farm.
- **For the development of a family farm** – up to 30 million rubles, up to 60% of the cost of the project (operating for more than 12 months).
- **Agro-progress** - up to 30 million rubles, up to 25% of the project costs, subject to attracting an investment loan in the amount of at least 70% of the costs (except for farms, sole proprietors and private farms, operating for more than 24 months).
- **For the development of the material and technical base of an agricultural consumer cooperative** – up to 70 million rubles, up to 60% of the costs (operating for more than 12 months); – up to 10 million rubles, up to 80% of the costs (operating for less than 12 months).
- **Agrotourism development** – from 3 to 10 million rubles, depending on the share of own funds (from 10 to 25%). The maximum duration of the project is 5 years, and the disbursement of grant funds is 18 months from the date of receipt of funds.

Promising farming sectors in Russia

1. Grain Production (Wheat, Barley, Corn):

Why: Russia is already a major global grain exporter, and demand continues to rise. Growing populations in Asia and Africa, coupled with increasing demand for animal feed, create a strong market.

Opportunities: Optimizing yields through modern technology, expanding into new regions with suitable climates, and developing efficient logistics for export. Government support for grain production is generally high.

Regions: Southern Russia (Krasnodar, Rostov), Volga region, Central Black Earth region.

2. Oilseed Crops (Sunflower, Rapeseed, Soybeans):

Why: Demand for vegetable oils, animal feed, and biofuels is increasing both domestically and internationally. Russia has a competitive advantage due to its vast land resources.

Opportunities: Investing in processing infrastructure (oil extraction, refining), improving seed quality and yield, and expanding export markets.

Regions: Southern Russia, Volga region, Central Black Earth region.

3. Horticulture (Fruits, Vegetables, Berries):

Why: Russia has historically relied heavily on imports for fruits and vegetables. Government import substitute policies and growing consumer demand for fresh produce are driving growth in this sector.

Opportunities: Investing in modern greenhouse technology, developing efficient cold storage and distribution networks, and specializing in high-value crops like berries and specialty vegetables.

Regions: Southern Russia (particularly for fruits), regions near major cities (Moscow, St. Petersburg) for greenhouse vegetables.

4. Livestock Farming (Beef, Dairy, Poultry):

Why: Domestic demand for meat and dairy products is increasing, driven by rising incomes and urbanization. Government support for livestock farming is strong.

Opportunities: Modernizing farming operations, improving animal genetics and nutrition, and developing efficient processing and distribution chains.

Regions: Regions with access to grain and fodder resources, such as the Central Black Earth region, Volga region, and Southern Russia.

5. Aquaculture (Fish Farming):

Why: Growing global demand for seafood and declining wild fish stocks are creating opportunities for aquaculture. Russia has vast water resources suitable for fish farming.

Opportunities: Developing sustainable aquaculture practices, investing in modern fish farming technology, and expanding into new species.

Regions: Coastal regions (Black Sea, Caspian Sea, Far East) and inland regions with suitable water resources.

6. Organic Farming:

Why: Growing consumer demand for organic products in Russia and internationally. Russia has vast areas of land suitable for organic production.

Opportunities: Producing organic grains, vegetables, fruits, and livestock products for both domestic and export markets. Requires careful adherence to organic certification standards.

Regions: Any region with suitable land and access to organic certification.



Obviously to be a successful farmer in certain areas requires not only knowledge, experience and hard work but also investment capital. For foreign farmers we strongly believe that beef cattle could be one of the best investments, especially with such breeds as Black angus and Hereford because they can withstand cold weather. Fallow land, which is very affordable, can be used to raise them to maximize your investment.

Steps to start farming in Russia

Moving to another country is always a challenge, especially if you are a farmer. The benefits that Russia offers are worth it for your family's future generations. If you decided that you would like to explore such an opportunity, your focus should be on bringing investments to Russia. Bringing your livestock and/or equipment will cost you a fortune and can better be purchased in Russia using government subsidies.

An important decision you'll have to make is whether you want to buy an existing farm or pursue getting just the land and building your own. It is challenging to make such a choice without seeing everything with your own eyes however if you decide to give it a try, below are the next steps

- 1 Applying for a Russian visa at the Russian Consulate in the country of citizenship
- 2 Arrival in Russia, preparation of documents for applying for a 3-year temporary residence permit (TRP) in the region where you want to settle
- 3 Receipt of the TRP after 4 months from the date of submission of documents
- 4 Registration as an individual entrepreneur and the head of a peasant farmer enterprise
- 5 Determining the land for the needs of farming
- 6 Signing of a lease agreement on the land or purchasing the land through one of the legal structures described
- 7 Building a house and registration of ownership rights of the house

Russian citizenship

As mentioned before, a foreign farmer, unless having family ties with Russia, is entitled to apply for Russian citizenship after approximately 7-8 years following a move to Russia. One of the ways (although not guaranteed) is obtaining Russian citizenship based on a decision from the President of Russia. The Local Governor has the legal right to file a request with the President asking for citizenship to be granted to a foreign national residing in his region based on significant achievements accomplished by such foreign national. Foreign farmers who invest in local agriculture, help build local communities, promote farming and create a successful business, all have the right to count on local Governor's assistance.

We have also launched a government initiative to amend the citizenship law to introduce new grounds in obtaining Russian citizenship. In a case where a foreign farmer leases at least 100 hectares of fallow land and revitalizes it, such foreign farmer would have the right to obtain Russian citizenship. Russia has 13 million hectares of fallow land which must be revitalized by 2031, foreign farmers could play an important role in that process.

Stay connected and get support

Our team is here to assist you with navigating and making your move to Russia, securing legal matters and to help you grow a successful farm. We will keep you informed of news, insights, success stories of other foreign farmers, investment opportunities and much more.

You can learn more about farming in Russia on our YouTube and Telegram channels.

To book a consultation, please reach out to:
Timur Beslangurov at tbis@vfbs.ru
Telegram [@tbis1980](https://www.instagram.com/tbis1980)

