

Newsletter

Localization rules: Restricting foreign investments in seed farming areas

28 March 2023

Dear Sir or Madame,

On 1 September 2023, the legal framework for seed farming in Russia will take effect. At present, lawmakers are preparing highly controversial regulations, which essentially aim to limit foreign investments in the Russian seed farming sector.

The central idea is to implement a set of rules that require Russian companies involved in the production of agricultural plant seed varieties and hybrids to localize their activities ("**Localization Rules**").

Although the final version of the Localization Rules has not yet been approved, it is already possible to identify some **key provisions that are likely to be adopted**:

1. Russian companies owned by **foreign investors** are seen as the initial target of the Localization Rules. They will be obliged to set up JVs with Russian investors that control **at least 51%** of the company's shares to be able to continue seed farming in Russia.

NB! However, the wording is still unclear, and we cannot rule out the possibility that all Russian investors will have to stick to the Localization Rules as well.

2. The development and production of agricultural plant seed varieties and hybrids in Russia will be subject to additional localization requirements, including the **availability of land**

plots, local production and research facilities, among other things.

3. Each company involved in these activities will have to prepare its **own localization plan** that must be agreed with the Russian Ministry of Agriculture.

Carve-outs

- A **transition period** for foreign investors to comply with the new rules is being discussed.
- It might be possible to **hire Russian contractors** for localization work.
- Producers might also be able to **buy foreign raw materials** (germplasm) to create seed varieties and hybrids in Russia.

Conclusion

Even though there are still many unanswered questions in the existing draft of the Localization Rules, it is highly likely that access of foreign investors to the seed market in Russia will be limited in the near future.

If you have any questions, please, do not hesitate to contact us:



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