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Austria

Agricultural Situation

Austria's Largest Beverage Company Expands in Romania 2000

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Report Highlights:

Austria's largest brewery Brau Union recently purchased three more large breweries in Romania. After a consolidation period, the Austrian company, which owns already breweries in Romania and other central European countries, will expand further in these regions.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna[AU1], AU

Austria's Largest Beverage Company Expands in Romania

Summary

In August 2000, Austria's largest brewery company, already a considerable player in central European markets, bought three more breweries in Romania. With 36% of the total beer market, the Austrian firm is now the market leader in Romania. After a consolidation period, the company intends to expand further in Central Europe. The company's target is to become the second largest beer producer in this region. End summary.

On August 23, 2000, Austria's largest brewery company Brau Union, a subsidiary of the country's largest beverage concern BBAG, purchased three more breweries in Romania on condition that the national competition agency will approve it. The acquired companies are Bere Miercurea-Ciuc, Gravita International, and Haber International. Through this purchase, Brau Union's market share will rise to 36% of the total Romanian beer market, which will make Brau Union the market leader. These three large breweries are expected to produce about 2.4 million hectoliter (hl) beer with a turnover of AS 1.27 billion in 2000. The predominant beers are the national brands Silva, Ciuc, Goldenbrau, Gambrianus, Hargita, and Hartagena. In the future the Austrian brands Kaiser and Goesser will also be manufactured.

All three companies belonged to the British firm Brewery Holdings Limited (BHL), which acquired them three years ago. The price will be disclosed after the transaction is approved by the Romanian competition agency; expected in October/November. According to a BBAG spokesman, the price was high but corresponded to the growth potential of the market and the good condition of the plants.

In the next three years, improvements of about AS 350 million will be carried out mainly for capacity expansion. The current beer consumption of 11.3 million hl is expected to rise by 4% annually and by 2005 Romania should become the second largest beer consumer (replacing Czech Republic) in central Europe after Poland.

For some years, BBAG has held holding the majority shares of the Romanian breweries S.C. Arbema in Arad, S.C. Bere Craiova in Craiova, S.C. Malbera S.A. in Constanta, and S.C. Brau-Union Romania S.A. With the integration of the three new companies, BBAG expects cost savings of 3 - 5% of its turnover in Romania through combined raw material purchasing, marketing, and logistics. However, no major labor force reduction will be carried out.

BBAG's strategy is to be among the strongest beer producers in central Europe (Czech Republic, Poland, Slovakia, Hungary, and Romania) and Austria. With the last acquisition, BBAG ranges close behind Heineke, the number two after South African Breweries. The company's next target is to become eventually the second largest brewery in central Europe. No new purchases will be expected immediately; the focus will be directed to consolidation. According to Brau Union, beer consumption is rising in central Europe so demand shall continue to expand.