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## **Austria**

### **Agricultural Situation**

#### **Eastward Expansion of Austrian Food Industry**

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#### **Report Highlights:**

**Austrian food industry continues its eastward expansion. Recently, the country's large sugar and starch company, Agrana, acquired a corn starch company in Romania, where it has already four sugar factories.**

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## Eastward Expansion of Austrian Food Company

### Summary

Since 1990, Austrian food companies have aggressively expanded into the central European countries. In view of increased competition after Austria's EU accession and a generally more liberal trade regime, eastward expansion has provided a good chance for the small structured Austrian food industry to strengthen its market position. One of the strongest branches of the food industry is the sugar and starch industry, dominated by the company Agrana. Recently this firm purchased majority of shares in a starch factory in Romania, where it already has sugar factories. The recently acquired plant will produce starch and corn syrup. It is expected, that due to the growing Romanian paper and food industry, the demand of corn starch and syrup will increase. End summary

Eastward expansion of Austrian food industries in central Europe continues. In view of increased competition after Austria's EU accession and a generally more liberal trade regime, the acquisition of shares in Central European companies has provided a good chance for the small structured Austrian food industry to strengthen its market position. In addition, these markets have been far from saturated. However, the population's low purchasing power, which is only slowly improving, is still a problem.

Austria's economically strongest branch within the food sector is the sugar and starch industry which has the most daughter companies in the transition countries.

Recently, the Austrian sugar and starch company Agrana acquired 99.5% shares of the Romanian starch factory S.C."A.G.F.D.Tandarei" from private share holders. The purchasing price was not disclosed.

The factory, constructed in 1980, has a processing capacity of 80 MT corn per day. Agrana intends to expand the capacity to 100 MT corn per day. The factory will produce corn starch and starch syrup. There is a labor force of about 120. In addition to investments for capacity expansion, increased funds will flow into improved production, particularly the reduction of emissions.

Agrana's new factory is right beside its sugar factory (see below), which will provide a secure supply of raw material, ease management, and water purification.

The availability of raw material is regarded as being sufficient, although yields in Romanian agriculture are in general low. According to Agrana, each year 3 - 10 million MT of corn is harvested on three million hectares each year. In the area of Tanderei, which supplies the starch factory, 30,000 MT of corn is harvested.

It is expected, that due to the growing Romanian paper and food industry the requirement of corn starch and starch syrup will increase. At present, Agrana faces two main competitors in the starch sector with about the same processing capacities: Amylum in Turgu Secuiesc and Freres in Calafat.

With the new factory, Agrana has acquired a foot hold in the starch sector in Romania. It is expected that Agrana will be successful in the starch market as it already has proved in Hungary.

Beginning of 1998, Agrana purchased majority shares of 2 sugar factories in Romania in competition with the French company "Bazancourt". An important reason for the allocation of the factories to Agrana was, according to the Romanian privatization agency, Agrana's intention to carry out large investments. The entire purchase price including investments amounted to US dollar 12 million.

One factory, located in Urzinceni (60 km northeast of Bucharest) is a refinery which processes raw sugar imported mainly from South America. The second factory, located in Tanderei (140 km east of Bucharest), is fully equipped for beet processing and sugar refining. Each of them has about 400 employees and produced/or processed about 16,000 MT of sugar in 1998.

Due to the lack of liquidity among farmers and a consequently poor supply of inputs, Agrana pre-finances seeds and other inputs. Agrana already has been practicing this in Hungary to secure sufficient supply.

On June 1, 1998 Agrana bought the majority shares of a third sugar mill (S.C.Zaharul S.A.Buzau) in Romania for US dollar 9.2 million including investment commitments. As with the first two factories, the purchase contract was concluded with the Romanian agency "State Ownership Fund of Romania". S.C.Zaharul S.A.Buzau is located in Buzau, near Bucharest, employs 600 workers, has a 10% market share, and is one of the larger of Romania's sugar mills.

At the end of September 1998, Agrana purchased 77% of the sugar mill S.C.Danubiana S.A.Roman (400 km north of Bucharest) from the Romanian agency for US dollar 3.7 million. Again Agrana promised investments of US dollar 3 million. The factory, located north of Bucharest, has a capacity of 4,000 MT/day. S.C.Danubiana S.A.Roman is in addition a producer of chocolate, wafers, and other confectionary items. Furthermore, the firm, which occupies 1,100 workers, produces replacement parts for Romanian sugar mills. With the four factories, Agrana covers more than 30% of Romania's sugar market.