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Gardini looks to fresh horizons

William Dawkins examines an expanding food processing alliance

MR RAUL Gardini, former chief of Italy's Ferruzzi agro-industrial and chemicals group is branching out on his own, and adding to the pace of Italian expansion into the world food processing business.

It was early December when Mr Gardini and his French business associate Mr Jean-Marc Vernes, paid FFr1.65bn ($318m) for a large slice of France's commodities industry.

They went on to attract help from an international consortium of some of the biggest players in the world sugar, grain and starch industries, creating a large and potentially very influential alliance, with tentacles in the US, across Europe and in the territories of the former Soviet Union.

The deal gave Mr Gardini and his allies majority control of Cacao Barry, the world's largest cocoa bean processor, and Sogéviandes and Vital, France's largest meat trader and processor, plus a stake in their former owner, loss-making Sucres et Denrées (Sucden), France's top commodity dealer.

It makes Mr Gardini a potential competitor to Béghin Say, the French sugar group chaired by Mr Vernes, which is controlled by Ferruzzi. Mr Gardini said he would try to avoid competing against Eridiana, Ferruzzi's sugar division, "but if we can't avoid it, we can't," he added.

Mr Gardini, chairman of Gardini e Associati (GEA), the holding group which controls the former Sucden companies, will spend much of this month visiting managers before settling on firm plans.

The establishment of food processing businesses in eastern Europe, where demand can only grow and where "the exporter must become an investor", may become a priority, said Mr Gardini. "One can set up in a market that needs imports, but if possible, one must also get established in the country. Currently, neither Cacao Barry nor Sogéviandes are in the countries of eastern Europe. We will have to reflect on this," he said.

He wants wider co-operation with his partners, Archer Daniel Midland (ADM), the large US grain processing company, Tate & Lyle of the UK and CIP, the Luxembourg-based holding group which controls extensive European starch interests. Each have a 5 per cent stake in GEA. Tate & Lyle admitted just after the deal that GEA was more interesting as a "convenient vehicle" for pooling the partners' world contacts and industry insights, than as an investment in the Sucden businesses.

It is too early to go into details. "The knowledge that each partner has of international affairs could lead to joint projects. Our territory is the experience that each one of us has. Rather than fighting between us on certain projects, we will be able to realise them together," said Mr Gardini.

He dismissed any suggestion that his new partners would hold the whip hand over GEA, by virtue of their market power and the close links that exist between them.

"This is a natural and simple association between people from the same profession," insisted Mr Gardini, pointing out they have all agreed that he should be "president director general of the group in the French sense of the term", meaning that he has wider powers than an Anglo-Saxon chairman or chief executive. He added that it was he who asked them if they would like to join, rather than the other way round.

Raul Gardini: a natural and simple association

Mr Gardini said he had an "intellectual affinity" with Mr Dwayne Andreas, the 73-year-old head of ADM, who has extensive and very highly placed contacts in the former Soviet Union.

Mr Pierre Callebaut, chairman of CIP and Mr Neil Shaw, chairman of Tate & Lyle are "old acquaintances," added Mr Gardini, though senior French sugar industry executives said they thought the Englishman and Mr Gardini were fierce competitors.

The close ties between Mr Gardini's new allies are not surprising, given the clubbish traditions of the world sugar industry. ADM, for example, is Tate & Lyle's largest single shareholder, while CIP's Mr Callebaut has been on the UK company's board since 1988 and is said to be a close ally of Mr Andreas. Tate & Lyle and CIP jointly own CST, a leading European starch and sweetener group.

Mr Gardini, Mr Jean-Marc Vernes and the Société Centrale d'Investissement (SCI), a French investment company which they jointly control, have 85 per cent of GEA between them, with the rest in the hands of their allies. "We have not thrown out the idea of having other associates so long as there are no conflicts of interests. This will permit us to enlarge our horizons," said Mr Gardini.

The progress of the alliance will be watched with the keenest interest by the French commodities industry.

Rival food industry executives do not believe that Mr Gardini's arrival can be seen as a guarantee of survival for the troubled Sucden, which has made heavy job cuts and raised a FFr1.1bn bridging loan from its banks since losing FFr476m in 1990.

The French government seems to have taken on the role of defender of Sucden's fortunes, after its controversial decision in November to allot to Sucden and Interagra, another French food group, a $405m, food-for-oil barter deal with the Soviet Union.

This move raised a chorus of protest from French commodity group competitors, which claimed they were not asked to tender for this important contract.

However, the arrival of Mr Gardini does give Sogéviandes and Cacao Barry an ambitious and cash-rich parent, in place of a deeply indebted one.