

Bonduelle to expand processing in Russia

29-Jul-2003 - Last updated on 19-Jul-2008 at 10:06 GMT

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Funded with the help of a €15 million equity investment from the European Bank for Reconstruction and Development (**EBRD**) and the company's own resources, the €41 million plant will be completed in two phases and eventually produce 60,000 tonnes of fresh packaged vegetables a year - mainly local crops of sweet-corn and peas. The first investment of €23 million is estimated to produce 25,000 tonnes annually, followed by a second investment in 2008 of €18 million.

The EBRD's involvement, which accounts for a 35 per cent stake in the company, will offer political support for long-term investment by an international investor in the Russian primary agriculture sector. To date this proposition has so far attracted little foreign investment, which is why the bank stepped in.

Jean Lemierre, President of the EBRD, said the success of the contemplated project lies in Bonduelle's development of local farming processes for the cultivation of peas and sweet-corn - and now in the transfer of the company's existing experience to Russia. Over recent years market tests in Russia using imports from existing plants have shown there is a strong demand for these products, the bank claims. With this new plant, Lemierre added, Bonduelle will bolster its own activities in the country while also strengthening the local economy by outsourcing part of the production of raw materials to local farmers and suppliers.

Bonduelle, a French company quoted on the French Bourse, is currently the largest producer of canned, frozen and fresh-packaged vegetables in Europe. It began its operations in central and eastern Europe with the acquisition of plants in Hungary (1992) and Poland (1994). With exports to Russia beginning shortly thereafter, Bonduelle is today a leading brand name in Russia, synonymous with canned sweet-corn, a product that was not widely consumed in Russia before its entry into the market. The Krasnodar region is considered one of the most fertile and suitable areas for the cultivation of sweet corn and peas.

Christophe Bonduelle, Chairman of the Supervisory Board of Bonduelle, said the EBRD financing is an important element of his company's efforts to solidify its position as one of the largest producers of canned vegetables in Russia. He said the Bank's partnership offers Bonduelle comfort towards certain political risks of operating in Russia's primary agriculture sector. The partnership may also open doors to further investment opportunities between the EBRD and Bonduelle, he added.

The EBRD is currently one of the largest private-sector investors in Russia, and the Bonduelle project is part of the EBRD's ongoing commitment to the region. The transaction offers an important demonstration effect for agriculture investments in at least two regards - by introducing a new crop and production activity, and by cultivating land through long-term lease agreements with local kolkhozes (collective farms). The bank has now signed 186 investments in the agribusiness sector totalling more than €3 billion.

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