

Bridge to the East



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Eastern Europe is where the action is for Dutch distributor Barentz, which is poised to benefit from the region's excellent growth prospects

ELAINE BURRIDGE/LONDON

THE RECESSION is presenting Dutch specialty chemical distributor Barentz with more opportunities than threats.

Although the firm has slightly delayed its expansion program, it is still increasing its presence in Central and Eastern Europe.

"I would expect that in three years from now we will have offices in Ukraine and Belarus," says CEO Hidde van der Wal.

Barentz already operates in Russia and Latvia, and wants to expand to the former CIS countries, where it sees strong growth prospects.

The privately owned company has also been eyeing the former Yugoslavia and opened an office in Belgrade, Serbia, last March. As well as the local market, Barentz DOO Beograd will serve the other former Yugoslav states of Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, and Slovenia.

Van der Wal says: "The time is right, now, to move in as the medium-term outlook in these countries is excellent. We will serve all markets, but traditionally when we move in to a new country, food is our first focus area."

Barentz supplies the food, animal nutrition, pharmaceutical, cosmetic and chemical industries in 28 European countries, either through its own companies or joint ventures.

It has achieved growth of 15% year on year for the past five years, with turnover in 2008 reaching €545m (\$717m).

Van der Wal says his strategy is to focus on Europe and follow its principals and their customers as they move east. "We choose not to go to other parts of the world where we cannot find synergies."



Van der Wal

He sees his company as a bridge. "Eastern Europe is always looking for new models and new products from the West. It is extremely important to involve our principals at the very onset and that allows us to grow faster," says Van der Wal.

He adds that logical next steps are to look at countries bordering Turkey and the Maghreb countries where Barentz is already active.

Barentz' principal suppliers include US producer Eastman Chemical and France's Roquette, which have been partners since its inception 55 years ago. Others are Japan's Ajinomoto, US producers Ashland Aqualon Functional Ingredients, International

Flavors & Fragrances, Solae, and Novolyte Technologies, the ingredients division of the UK's Associated British Foods, and France's Rhodia and SEPPIC, as well as Barentz's own specialty producing companies, such as Vitablend.

Some of Barentz's acquisitions have been driven by its desire to own the technology it offers its customers, such as the purchase of Netherlands-based MDB Twello in 2007, and the majority stake it took in compatriot firm Vitablend last year.

Van der Wal says that Barentz can supply its customers with complete concepts in its centers of excellence. These four centers in the Netherlands (two dedicated to food, one for nutrition, and one for pharma) comprise laboratories, pilot plants and manufacturing facilities where it can produce tailored solutions for clients, often produced, of course, with ingredients from its principal suppliers.

The company is talking to a third party to set up a fifth center of excellence in the Netherlands which will be geared to chemical applications. This facility should be operational in 2010. Van der Wal stresses that Barentz's future will be predominantly based on organic growth. "We don't acquire to grow, we only acquire to get synergies and to strengthen our network," he emphasizes.

He believes that Barentz's private ownership and fierce independence is a big differentiator against its competitors. He says: "We are not plagued by the cash need of venture capital companies or the stock exchange. Because of our long-term outlook, we can and we dare to invest in markets with our partners to build a long-term and sustainable relationship which is profitable for both."

Although the firm is focused solely on Europe, it does source from China, where it works with 10 "very carefully chosen" producers, and India. But Van der Wal says that at the moment, he has no plans to set up in Asia. "There is not much synergy between our established European distribution network and another part of the world," he says.

Times may be tough, but for Van der Wal, this is where he likes to be. "We like to deal with very difficult and complex products where we need to give high-level advice to the customer," he says.

He believes a number of competitors will not survive the crisis, opening up more possibilities for Barentz's principals and network to grow. ■

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