

Swiss Trader Ameropa Banks on Black Sea as Grain Exports to Grow

- 'We are not done yet in Romania and the surrounding countries'
- Margins under pressure as markets get transparent: CEO Kadanik

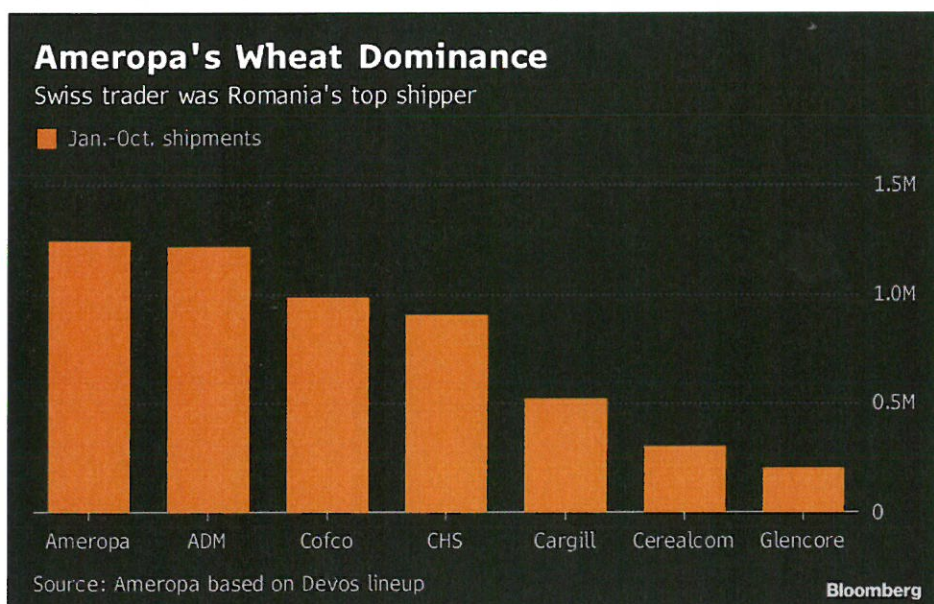
By Isis Almeida

(Bloomberg) -- As agricultural commodity traders boast about their worldwide assets and global presence, at least one company has decided it doesn't need to plant its flag all over the place.

Unlike major crop traders who have flocked to Russia and Ukraine, closely held Swiss grains trader Ameropa AG is targeting a much narrower region: Romania and neighboring countries. Already the top wheat exporter in Romania, the company is focused on investing where it's had success in the Black Sea region as exports are set to expand, according to Chief Executive Officer Jan Kadanik.

"We are not done yet in Romania and the surrounding countries," Kadanik said in a phone interview. "Rather than venturing somewhere else where we would be No. 23, I prefer to maintain and expand where we already have good scale."

The Black Sea region is considered the new bread basket, accounting for about 40 percent of global wheat trade, with easy routes to buyers in the Middle East and North Africa. Russia has now overtaken the U.S. as the world's top wheat exporter and Ukraine is also a grain powerhouse.



Production in Romania is also surging -- it's the second-biggest wheat supplier in response to tenders from Egypt, the world's largest buyer. Traders investing in Romania also have the benefit of its membership in the European Union as opposed to Russia and Ukraine.

While less well-known than rivals Archer-Daniels-Midland Co., Bunge Ltd., Cargill Inc. and Louis Dreyfus Co., Ameropa -- which turned 70 last year -- has been able to compete with the so-called ABCDs in some countries. It was the biggest shipper of wheat from the port of Constanta in Romania in the first 10 months of 2018, and the No. 3 for corn.

The company invested 42 million euros (then \$50 million) in a 200,000 metric-ton grain terminal at Constanta in 2017. The expanded site, which also stores sunflower seeds, now holds the port's biggest grain-storage capacity, overtaking rivals such as ADM and Cargill.

"Since we finalized it, it was never empty. It's looking much better than we expected and it will be surely paid back during my time," said Kadanik. "As we are not a global origination-inputs player, we don't have a rule book which we try to apply in every country we are present."

Fertilizer Business

Ameropa plans to focus its grains investments in port and inland assets and, for now, there are no other company acquisitions in sight, Kadanik said. Last year, the trader bought two Romanian firms

that sell agriculture products, like fertilizers, pesticides, and seeds, and also trade some grains. Kadanik said the company found fertilizer production harder than expected and, while it doesn't plan to exit the space, it won't expand or look for other production assets.

Like many of its rivals, it has seen industry margins shrink as more traders pop up and years of bumper crops depressed prices and curbed volatility. There's very little money in simply buying goods at ports in producing countries and delivering to buyers, Kadanik said, and margins will continue to come under pressure as markets become more transparent.

Kadanik says becoming Romania's No. 1 exporter isn't a target -- it wants to be the most profitable.

"If you are 1 meter 65 (5'4"), you don't really aspire to be a basketball player, you have to find a sport that suits you better," Kadanik said. "We are quite comfortable with the position we are in and I still prefer to be one of the larger players in one region rather than have our flag all over the globe and being an insignificant player in every region."

To contact the reporter on this story:
Isis Almeida in Chicago at ialmeida3@bloomberg.net

To contact the editors responsible for this story:
Tina Davis at tinadavis@bloomberg.net
Millie Munshi