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Jacques Crahay

Cosucra Groupe Warcoing

Founded in the mid-19th century, Cosucra spent the first 150 years of its existence as a sugar beet manufacturer in the Walloon town of Warcoing, where it is still based. Soon, the business was exporting from Belgium to France and Germany. However, it was in the early 1990s, when changes to the EU sugar market started to make business tricky, that it branched out into extracting proteins from vegetables for use as food ingredients. The move was a brilliant success. Today, the business is in the sixth generation of family management, and it has a turnover of about €80m.



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Jacques Crahay, CEO,
Cosucra Groupe Warcoing

One of the strongest signs that a family is committed to being in business is that it is not afraid to change direction when the market demands it. That was exactly what happened to the family behind Cosucra, the Belgian sugar beet firm that made a surprising, but successful, evolution that has allowed it to flourish despite a very difficult environment.



Cosucra spent the first 150 years of its existence as a sugar beet manufacturer.

The business was established as “Sucrierie de Warcoing” in 1852, and had been trading for over a century when Europe’s Common Market – the precursor to the EU – was established in 1968. This proved very profitable for sugar manufacturers, because prices were fixed. And for a number of years, Cosucra did very well.

Transforming agricultural products into food

However, the system also involved a quota. So the company’s growth was limited. The family also knew that the system could not last forever, and that when the market was opened up it would be bad for its business. And so, like a truly entrepreneurial family, it took action.

“My eldest brother decided that we should diversify, says the current CEO, fifth-generation Jacques Crahay. “In the mid

1980s, we started transforming agricultural products into food, beginning with chicory, whose root is full of carbohydrate called inulin.” The products that Cosucra so ingeniously extract from chicory can be added to other foodstuffs to raise the fiber content and to lower the sugar. They are popular in diet and fitness foods, for example.

“Either eat or be eaten.”

This was something that the business worked hard to perfect. “It took us about 10 years to get the right product and the right factories to do that,” says Crahay. But they succeeded, and went on to develop more products based on extracting starch and protein from peas.

These products were on the market and doing well by the mid-2000s. But the business was, as expected, coming under pressure from the changing regulatory environment. In 2006, the EU decided to lower quotas by 25%, and prices by the same amount. This signaled a gradual move to a free market for sugar.

Clearly, this created challenges for Cosucra and for the family. “Being a family business, we were not able to buy and grow by acquisition,” says Crahay. “It was a case of either eat or be eaten.” A series of mergers, acquisitions and divestments with other Belgian sugar makers and fructose manufacturers followed. However, the family’s preparations paid off.

“That was, of course, a big deal for the family business at the time,” Crahay remembers. “Eventually, one side of the family, about a third of the shareholders, followed the sugar business, which was merged with another company – another Belgian family business. So it is still family owned, just not by our family.” Crahay’s side took over the chicory and pea extracts business, later selling the former.

Clearly, as Crahay’s side of the family fought to keep the business going through difficult times, being family-owned must mean a lot. So what makes a family firm different to others? “Other businesses are made up of individuals who



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Jacques Crahay is a family member of the sixth generation.



Cosucra was founded in the mid-19th century in the Walloon town of Warcoing.



The company extracts proteins from vegetables for use as food ingredients.

are put together specifically to decide certain things, or to perform certain tasks. Each individual is free to leave at any time. A family is not like that. They can't leave the room, we stick together and we see the future together. There is not an individual perspective, but a group perspective."

Old generation and next generation

He adds: "It's the family members who design the firm's future. As a family, we have to figure out the future for the company. And that is probably the biggest difference between a family firm and other kinds of companies."

Of course, that means there can be tensions. "The old generation has a kind of legacy that it wants the business to be delivered to the next generation as it was," says Crahay. "The next generation is looking at the same time to the profitability of the company, asking what the business means to them, and what the company is doing in the world today. They want to try to get some kind of purpose from their activities in the family business."

To balance the competing interests, a modern governance structure is necessary. In 2004, Cosucra moved beyond a simple shareholders agreement to create a "foundation," consisting of

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all the family shareholders. This has since evolved into a family forum that comprises all the family shareholders and functions independently of the board. "It is a sort of forum of shareholders that can discuss matters freely and make long-term decisions about the business. Then, after, we have a formal general assembly where the representative shareholders meet and report the decisions," says Crahay.

With confidence into the future

This forum addresses questions about the business's values and protecting its heritage. It also tackles the practical matters that are important to all family businesses as they grow larger over the generations. It asks questions such as: what is the role of the shareholders who also have professional activity in the business? What should be the role of those who are not working in the business? Who decides what?

So what is the future for the business? As it does for many other businesses, the economic and regulatory environment looms large. "Europe has been depressed for many years, but there are other problems. For example, new EU regulations about health food and nutrition have made it very difficult to make new claims about nutrition and health. So it is now very difficult to communicate the value of the ingredients we are making," says Crahay.

But Cosucra is still confident. In 2013, it invested €30m to double its manufacturing output of pea products. The business operates in a "very narrow and specialized market," says Crahay, "But we see that there is a demand for vegetable protein that can replace animal protein, especially in meals that are prepared for diet food." The business is looking for new markets. It is "very active" in the US, as well as in Asian markets such as Malaysia, Korea and Taiwan, and is trying to break into China and India.

If this goes well, Crahay doesn't rule out the possibility of bringing a "newcomer" into the business to help fund growth. For now, though, the business remains 100% family owned, and Crahay is confident that the family will continue to be involved.



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Jacques Crahay

CEO

Company name: **Cosucra Groupe Warcoing**

Generation(s): **5th and 6th**

Founded: **1852 in Warcoing, Belgium**

Industry: **Food and beverage**

Employees (2014): **225**

Turnover (2014): **€80m**