

Specialists from Italy's Packaging Valley wrap up new markets

By Peter Marsh

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In a factory near Bologna a giant machine seems to have gone berserk, spewing hundreds of teabags on to the floor as a team of engineers watches.

The 1m (\$1.5m) machine being put through its paces is one of about 120 of these monsters that Italy's IMA, the world's leading manufacturer of automated teabag making machines, is likely to produce this year.

"Out of the machines we are likely to make this year, 40-50 will be going to Russia," says Franco Menetti, marketing manager for teabag machines at IMA. "There's a lot of interest in tea drinking in Russia at the moment and this is helping us a lot."

Such pockets of high demand are helping to sustain many of the several hundred specialist machine makers in the region around Bologna amid fears of an economic slowdown spreading across the Atlantic from North America.

The Italian city is one of Europe's leading centres for engineering companies. It is particularly prominent in the field of packaging systems for sectors such as food, drink and pharmaceuticals - a strength that has led to the area in and around Bologna becoming known as "packaging valley".

Although many parts of the world economy appear to be in trouble, many of Bologna's equipment makers are optimistic they will be spared the worst of any problems. They believe the specialist nature of their output and their global reach, including their exposure to fast-growing markets such as Russia, India and China, will insulate them from any downturn.

Alberto Vacchi, chairman of IMA, is expecting sales of about 480m this year, mainly from the sale of machines for packaging pharmaceuticals and cosmetics. In the specialist field of teabag machines, IMA, which operates 17 plants around the world but has its biggest centre of production in Bologna, claims to account for 70 per cent of the world market.

"We see strong enough prospects globally to believe we can grow to revenues of 850m a year in the next five years, helped by acquisitions," says Mr Vacchi.

"Even in 2008, which I know a lot of people are saying will be difficult, we are seeing a good outlook, due to big opportunities in particular in South America, eastern Asia as well as Europe."

The mood is shared by Marco Casiraghi, chief executive of Coesia, a private company based in Bologna with sales of about 700m last year that makes machines to package cigarettes and sweets.

"This year I have no doubt we will make more money than last year," says Mr Casiraghi. "Machines such as the ones we make generally react to a slowing demand with a lag [due to orders for them being placed sometimes two years ahead of delivery]."

"But even so, I feel that in 2009 our prospects are good. If the economy slows, the weaker companies are pushed out, which means more chances for us."

Gino Cocchi, managing director of Carpigiani, a Bologna company that is the world's biggest manufacturer of ice cream production machines, is somewhat more cautious.

He says that in the past three months orders are up 5 to 6 per cent compared to the equivalent period last year, indicating few problems in terms of underlying demand. But he says the strength of the euro is hurting the company, particularly when selling in dollar-denominated regions.

"I worry also that because of the economic weakness that seems to be growing all the time, we will start to see some impact [of slowing orders] by the end of the year.

"It's hard to believe that we can carry on without being affected in some way."

Maurizio Marchesini is chief executive of family-run Marchesini, a packaging system maker for the drugs industry that had sales of 150m last year. Mr Marchesini forecasts that revenues will rise by about 12 per cent, while prospects for 2009 are "not bad".

While Mr Marchesini says he would be foolish not to have some worries about the overall economy, particularly in 2010, he feels reasonably confident that Marchesini's specialist technology will shield it against the worst of any problems.

He also points to growing demand for his machines in India - which is rapidly becoming a new centre for pharmaceuticals production, particularly in the field of generic drugs.

"Pharmaceutical companies are increasingly requiring customised machines that work in a special way to meet their increasingly complex demands, for instance to ensure that medicines are packed more quickly while ensuring the risks of contamination are as low as possible," he said.

"We are one of the very few companies in the world that have the expertise to cope with these demands, which, I feel, is going to help us cope with any difficulties over the next couple of years."