New Frontier FOUNDATION

Analytical Paper

# Food Security and Industrial Competitiveness

**Katherine C. Sredl**, PhD, Head of Research, NFF

**Kaja Burja**, Executive Assistant, NFF

## Executive Summary

The New Frontier Foundation uniquely defines food security as the ways that strategic autonomy and competitive industrial strategy measures at the state and supra state levels impact and are impacted by corporate actions in the agri-food sector, with implications for societal well-being in the form of food supply and sustainability. This framework aligns agri-food firms with competitiveness policy initiatives in the The Draghi report: A competitiveness strategy for Europe published 9 September 2024 and the Republic of Croatia National Plan for Industrial Development 2027-2034 (NPRI), scheduled to pass the Sabor in the fall of 2026. Agri-food firms that can demonstrate their contribution to competitiveness, strategic resilience and autonomy, manufacturing and processing modernization, technical innovation, decarbonization, and energy security may be positioned to benefit from emerging EU and Croatian industrial policy initiatives.

Although the agri-food sector is not explicitly prioritized as a strategic industrial sector in either the Draghi Report or NPRI, opportunity for the agri-food may lie in translating its activities into the language of industrial policy. For example, the NPRI points out that in 2024, the manufacture of food products accounted for 16.1% of the total gross value added (GVA) generated by Croatia's manufacturing industry, making it the largest individual contributor to manufacturing GVA[1]. Given NPRI's focus on competitiveness and export, agri-food firms that, for example, seek to develop the upstream and downstream value chains in agriculture, through technological innovation or decarbonization, could align with the competitiveness policy. We identify agri-food firms as including but not limited to: food processing, agricultural production, precision agriculture technology, logistics and supply chains, retail, and waste management. Some areas of alignment with policy include:

- Competitiveness: outcome-based investments that emphasize updating governance, modernizing processing capacity for export, training the workforce, reducing reliance on critical imports, smart farming, and climate resilience.
- Resilience and Security: expanding automation and digital technologies across the food security system, including regional supply chains, logistics, and infrastructure, improving autonomy and creating efficiencies in agricultural land holdings.

[1] Nacionalni plan za razvoj industrije Republike Hrvatske za razdoblje od 2027. do 2034. godine

FIGURE 1

**Food Security, Competitiveness, and Industrial Transformation in Croatia**

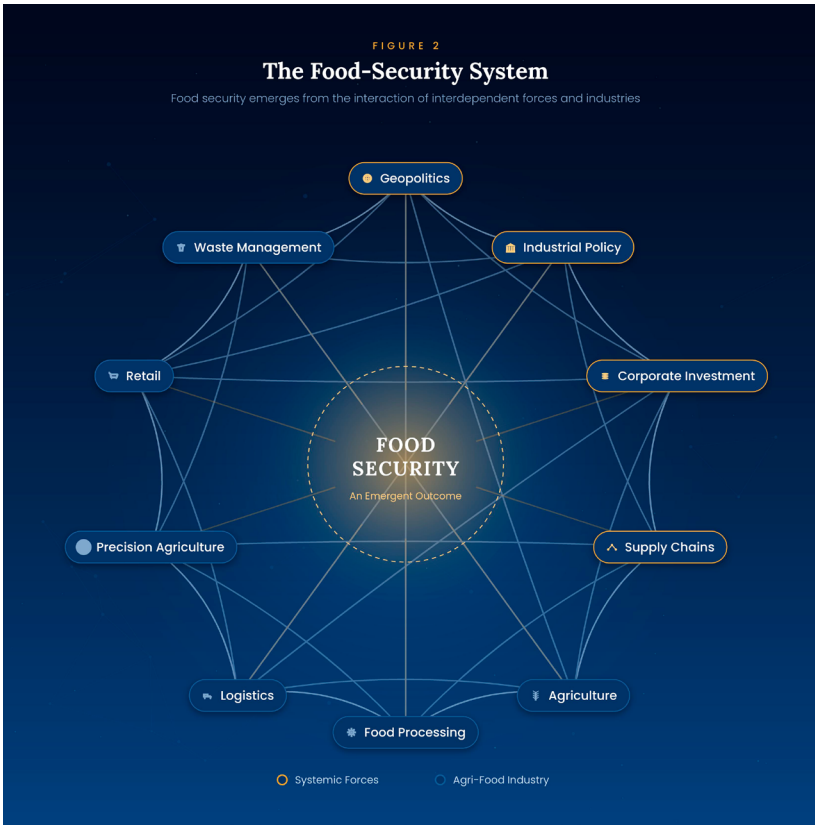
## The Draghi Report: the Future of European Industrial Competitiveness

The Draghi report on European Competitiveness emerged in response to escalating geopolitical and macroeconomic pressures on the European Union. It addresses a complex set of structural challenges, from those brought to light by the COVID-19 pandemic to the ripple effects of Russia's aggression in Ukraine and severe energy cost inflation to mounting climate imperatives. The report highlights a persistent innovation and productivity deficit relative to the United States and China, exacerbated by fragmented capital markets, excessive regulatory complexity, acute vulnerabilities in supply chains, demographic headwinds, and critical dependencies on external suppliers for key raw materials and advanced technologies. It represents one of the most significant attempts to redefine the relationship between economic policy, industrial strategy, and geopolitical security in the EU. In response, the EU and national governments have increasingly adapted their approaches through new competitiveness and industrial strategies. The Draghi report focuses on heavy-industry sectors like advanced manufacturing, energy, defense, digital infrastructure, critical technologies, and artificial intelligence. Although the report does not give specific recommendations to the agri-food sector, we identify a key implication for it: the redefinition of competitiveness as a matter of economic security, defense, and geopolitical resilience.

FIGURE 2

**The Food-Security System**

Food security emerges from the interaction of interdependent forces and industries



The report calls for building a significantly more competitive and resilient industrial climate in the EU through tactics such as: a coordinated industrial strategy that facilitates the mobilization of large-scale investment, supports industrial upgrading and climate resilience, elevates corporate governance and institutional stability, and strengthens the EU's strategic autonomy, in part by reinforcing its supply chains.

## EU Commissioner for Agriculture and Food: Linking Food and Security Policy

In his remarks at the 62nd Munich Security Conference panel on Food Weaponization in February 2026, European Commissioner for Agriculture and Food Christophe Hansen made direct links between security, policy, and the agri-food system, in the backdrop of Russia's war of aggression against Ukraine: "Integrating food systems into hybrid warfare means manipulating facts and narratives – all in an attempt to sow division and to undermine our strongest weapon: our unity. It is interrupting trade flows of inputs like fertilisers, or the exports like cereals, wanting to make us very vulnerable."[2] Hansen's further comments "Our historical dependence on Russian nitrogen fertilisers is being replaced by alternatives, creating opportunities for new partnerships and home-grown circular solutions" could be understood as suggesting that EU member states should develop supply-chain and raw materials autonomy to secure the food supply, further connecting the agri-food sector with security and autonomy policy.

Bridging food security and defense policy emphasizes the sensitivity of food and the environment to societal well-being and economic growth. The World Food Summit definition of food security, reaffirmed in 2009, focuses on societal well-being, "Food security exists when all people at all times have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life." We see the competitiveness of the agri-food sector as having a strategic role in generating outcomes that align with the World Food Summit view of food security.

## Common Agricultural Policy

The European Union Common Agricultural Policy (CAP) is a unified system of agricultural subsidies and programs managed collectively across Member States. The funding structure is dictated by CAP's two pillars:

- European Agricultural Guarantee Fund (EAGF): Provides direct income support to farmers and market stabilization measures (€291.1 billion).
- European Agricultural Fund for Rural Development (EAFRD): Co-finances regional rural development and environmental projects (€95.5 billion).

CAP Funding is a major part of the EU budget, backed by two primary funds for the 2023-2027 period. Under the CAP Strategic Plan, Croatia shifts funds internally between the two pillars within maximum allowable EU limits to better target regional value chains, but the systemic separation between the two remains strictly intact. The main goals of the CAP are:

- Food security: Ensures a stable and plentiful supply of safe, affordable food for EU citizens.
- Farmers' Livelihoods: Guarantees fair income support and a decent standard of living for agricultural workers.
- Environmental Care: Promotes sustainable farming, climate action, biodiversity, and green transition targets.
- Rural Vitality: invests in rural infrastructure, modernization, and generational renewal in farming communities.

[2] https://ec.europa.eu/commission/presscorner/detail/en/speech_26_436

## CAP post-2027

The CAP 2028-2034 legislative proposal, also known as CAP post-2027, may strengthen the links between the agri-food sector, food policy, economic competitiveness and resilience policy, and security policy. CAP post-2027, although still under negotiation, would end the current two-pillar model. Under the proposed post-2027 CAP, agricultural policy would be integrated into an €865 billion National and Regional Partnership Fund, with at least €300 billion ring-fenced for farmer income and crisis support and additional funding potentially available for agriculture and rural development through broader national and regional investment plans.[3] CAP post-2027 could integrate CAP with the wider EU investment architecture. While CAP is not turning into industrial policy after 2027, it is potentially opening agricultural policy and funding towards a cross-sector policy architecture of competitiveness and security that meshes with the food security model we propose. For example, agri-food firms in Croatia that are able to frame investment as related to NPRI priorities such as increased sustainability and economic resilience through innovation and digitalisation may be well positioned within the emerging policy architecture.

## Republic of Croatia National Plan For Industrial Strategy 2027-2034 (NPRI)

The NPRI policy architecture uses the policy language of industrial resilience, economic security, climate change, technological automation, and strategic autonomy. For agri-food firms which can offer evidence that they align with this framing, the NPRI offers potential in the areas of food processing and advanced manufacturing, energy and decarbonization, and innovation and technology, including AI, automation, and digitization. The NPRI policy language implicitly connects to agri-food firms who can connect their growth to national security.

The NPRI suggests shifting the agri-food sector from low-value raw production to high-value, export-oriented supply chains, while keeping the potential for Croatia to maintain control of raw production. The shift creates autonomy from insecure supply chains and strengthens supply chains with Croatia's major EU trade partners who, for the most part, share NATO membership with Croatia. These countries are primarily Germany, Italy, Slovenia, and Hungary. [4]

Croatia remains relatively concentrated in the production and export of raw primary commodities. Croatia imports higher-value processed goods, contributing to a structural trade deficit in the agri-food sector. According to the International Trade Administration, the sector is deeply integrated into the European Single Market, but relies heavily on external partners for finished foods.[5] [6] The NPRI can be understood as shifting make a greater share of Croatia's agri-food resources into higher-value products before leaving the Croatian economy. The report offers data to explain the fit of this sector with competitiveness goals: "Croatia's food manufacturing sector also shows a relatively balanced relationship between value added per employee and total factor productivity (TFP). In some segments of the food industry, however, TFP exceeds the level suggested by value added per employee, indicating comparatively strong productivity performance beyond what is captured by labour-based measures alone."[7] Rather than treating agriculture solely as a source of raw commodities, this approach creates opportunities to connect primary production with advanced food processing, precision agriculture, logistics, energy efficiency, digital technologies, and circular economy.

Agri-food firms that frame themselves as enterprises that are key to export-oriented regional value chains and are undergoing modernization, automation, digitalization, or a transition to "clean energy," could be a good fit with the NPRI. Croatia's current trade dynamic creates both an economic and a security challenge. From an industrial com-

[3] https://agriculture.ec.europa.eu/common-agricultural-policy/cap-post-2027-next-eu-budget_en
[4] Nacionalni plan za razvoj industrije Republike Hrvatske za razdoblje od 2027. do 2034. godine.pdf
[5] https://www.oecd.org/en/publications/policies-for-the-future-of-farming-and-food-in-croatia_011c6272-en/full-report/assessment-and-recommendations_5c4631ba.html
[6] https://vijesti.hrt.hr/gospodarstvo/prehrambena-sigurnost-hrvatske-ovisi-o-europi-strucnjaci-upozoravaju-na-slabosti-sustava-12736989
[7] Nacionalni plan za razvoj industrije Republike Hrvatske za razdoblje od 2027. do 2034. godine.pdf

petitiveness perspective, exporting primary commodities while importing higher-value processed products means that a big share of the value generated through processing, technology, branding and distribution is captured elsewhere in the European value chain. From a food security perspective, depending on external processing and supply networks can increase Croatia's vulnerability in transportation, energy, and critical inputs.

This point is important because it links the agri-food sector to the NPRI's goals of strategic resilience through a secure industrial sector and logistics and supply chain network. It also reflects EU agricultural policy, which connects Russia's aggression against Ukraine and climate-related weather with food security and resilient food systems.[8]

Given that the National Plan follows the core economic principles at the center of the Draghi Report, competitiveness, innovation, and strategic autonomy for the EU, firms in Croatia's agri-food sector could be on the lookout for streamlined funding, funding for tech-driven, self-sufficient agricultural innovation, and support for high-value food production and processing, with a focus on circular waste management. "For the implementation of the Action Plan in the period from 2027 to 2030, ten measures are envisaged, covering a series of 55 projects and activities, with an estimated investment of approximately EUR 1.9 billion. The plan puts emphasis on digitalization, decarbonization, the introduction of hydrogen technologies and the development of the circular economy." [9]

We anticipate that decision-makers in Croatia's agri-food industry will benefit from taking a measurable, outcome-based approach when considering how to access public and European funding. Measurable contributions to long-term competitiveness, energy efficiency, technological modernization, digitization, sustainability, and integration into European supply networks will be key. Linking firm growth to national security and resilience through impacts to food security can also present an opportunity for the agri-food sector.

## Recent deals in Croatia that suggest future activity

Both the Mlinar and Podravka examples below suggest that the Draghi Report era might offer Croatian food companies opportunities for deals that finance regional expansion, thereby offering a mechanism for overcoming Croatia's domestic market scale constraint, which can limit the possibilities of generating the scale required for internationally competitive processing, automation, and branding.

### Podravka Agri d.o.o.

A food seasoning beloved by all, Vegeta is perhaps the most well-known brand of Croatia's agri-food sector, and a key brand in the portfolio of Podravka, a major Croatian food and pharmaceutical company, spanning food, agriculture, and pharmaceuticals across more than 60 global markets. In order to secure control over its supply chain through vertical integration and address global commodity price spikes, Podravka acquired six of Fortenova Group's agricultural subsidiaries in a deal valued at €331 million that closed on 31 January 2025.

The European Bank for Reconstruction and Development contributed €50 million and took a 15.01% minority stake, while Podravka, through commercial bank loans, contributed €283 million for the remaining majority share of Podravka Agri d.o.o., the Podravka subsidiary established to hold and manage the acquired companies, which included regional agri-food businesses Belje plus, PIK-Vinkovci plus, Vupic plus, Energija Gradec, Belja Agro-Vet plus, and Felix plus.

The deal offers an example of viewing food security as a national security issue. Fortenova held some of the oldest and most geographically vital agricultural assets in Croatia. Podravka kept these regional assets under domestic corporate control, avoiding the potential economic and security risks to Croatia associated with a foreign buyer, conglomerate,

[8] https://agriculture.ec.europa.eu/system/files/2024-01/csp-at-a-glance-croatia_en.pdf
[9] Ministry of Economy - First Meeting of the Industry Council Held: Dialogue is Key for a More Competitive and Stronger Croatian Industry

or private equity firm buying the land and determining raw material prices in the agri-food sector. The purchase also made Podravka the largest food processing and agricultural force in Southeastern Europe. [10]

This deal reflects the Draghi Report's emphasis on regional self-reliance and increased EU competitiveness, as the acquisition puts regional firms under Podravka and potentially consolidates supply, logistics, and supply chains. Moreover, the deal's blended public-private financial mechanism mobilizes capital for regional restructuring within a consolidated European supply network. Partnering with the EBRD allowed Podravka to bring global management best practices into the new entity, reflecting Draghi's vision of institutional and administrative modernization and enhanced corporate governance to attract foreign investment and eliminate structural constraints within Member States.

Through this deal, Podravka strengthens its vertical integration into agriculture and its access to soft commodities at a time of turbulence in the futures market. The deal, especially its consolidation of land holdings, can be seen as an example of linking the agri-food sector to national security and resilience.

## Mlinar Bakery Group

Mlinar is a Croatian baked-goods specialist and the Adria region's largest bakery company, operating across food production, frozen foods, consumer retail, and B2B markets. A Croatian legacy company founded in 1903, Mlinar developed into a major retail bakery franchise following its acquisition in 2009. Another acquisition in 2019, this time by MidEuropa, accelerated international expansion, including the 2020 acquisition of Hleb & Kifle, a popular bakery chain in Belgrade.

Since 2025, Zagreb-listed BOSQAR INVEST has held a 67% share of Mlinar, with a consortium of minority investors including MidEuropa, the EBRD, and the Panvita Group holding the remaining interest.[11]

The deal injected €80 million into Mlinar, funding strategic regional acquisitions, energy-efficiency upgrades, and inclusive workplace practices that focus on female migrant workers. Mlinar reported 12% year-on-year sales revenue growth in 2025 and in 2026 reported employing approximately 2,600 people and serving 36.9 million consumers annually across four markets, including its 329 stores and 14 franchise locations.[12]

Mlinar offers an example of a pathway through which Croatia's agri-food sector can participate in Europe's emerging competitiveness and industrial-policy architecture that complements the Podravka example. While Podravka pursued vertical integration upstream into agricultural production, Mlinar sought horizontal scale, regional consolidation, modernization, and expansion. Its regional growth and acquisitions build larger food-processing and distribution networks within Croatia and across national borders, demonstrating how an agri-food company can develop the scale and integrated regional value chains emphasized by the Draghi Report's broader competitiveness agenda.

Institutional investment has played an important role in Mlinar's success. In a syndicated investment announced in late 2025, the EBRD joined BOSQAR INVEST and MidEuropa Partners to provide up to €80 million to support Mlinar's continued development. The investment supports organic growth and strategic acquisitions alongside modernization and energy-efficiency improvements.

These investments connect Mlinar to several elements of Europe's emerging industrial-policy agenda: increasing firm-level scale, facilitating cross-border consolidation, improving energy efficiency, modernizing productive capacity, and strengthening the competitiveness of regional value chains.

10 https://www.just-food.com/news/podravka-signs-deal-to-buy-fortenova-food-and-drink-assets/
11 https://www.bosqar.com/post/mlinar-and-bosqar-invest-launch-breakfast-first-platform-to-donate-3-000-breakfasts-across-croatia-this-year
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## Synthesis and Implications

Our analysis of the Draghi Report, the NPRI, and the Podravka and Mlinar cases shows how access to capital, regional consolidation, vertical integration, and investment in processing and logistics may allow Croatian firms to operate at a greater scale while retaining more economic value within Croatia and the wider regional market. The cases are examples of the broader competitiveness goals identified by the Draghi Report and the NPRI and suggest growth potential for agri-food firms that can demonstrate their contribution to strategic resilience and autonomy, competitiveness, manufacturing modernization, technical innovation, or decarbonization. Finding policy alignment between the agri-food sector and economic and security policy can offer Croatian agri-food firms opportunities for growth within European value chains. Within this framework, the agri-food sector is a key factor in creating food security outcomes with implications for societal well-being, climate resilience, economic competitiveness, and security.

**Katherine C. Sredl**,
PhD, Head of Research, NFF

**Kaja Burja**,
Executive Assistant, NFF