



19 august 2011

## COFALEC position on the reform of the EU sugar market organisation

The Yeast industry is one of the most important Bio-industries and its development is strongly linked to EU sugar beet history. Yeast is a microorganism, which is cultivated (fermented) on a substrate rich in sugar (molasses, sugar syrups). EU Yeast producers buy around 0.8 million ton of sugar equivalent per year, and export 30% of EU yeast production to the world market.

The yeast industry, as user of molasses and out of quota sugar (also called industrial sugar) has been deeply impacted by the 2006 sugar reform. A consequence of the 30% reduction in EU production of sugar has brought a proportional decrease in molasses (by-product of sugar production). Since then, the subsidies for the development of Bio-ethanol have also reduced the availability of raw materials to the yeast industry.

Following the 52<sup>nd</sup> COFALEC General Assembly in Madrid, in June 2011, the Yeast industry adopted the following position for the reform of the sugar market.

- 1) The yeast market is an open market where the EU factories face direct competition from the world market. **It is compulsory for the yeast industry to have access to raw material supply at world market prices.** To guarantee this, the following measures have to be taken:
  - a. The current Tariff Rate Quota, with no custom duty, should become a permanent tool, to give long term perspective to the EU yeast factories. The yearly amount should be 800.000t and reserved to industrial sugar users.
  - b. A total abrogation of duties on molasses imports should be decided
  - c. The liberalization of isoglucose market should be implemented to allow the development of another competitive substrate.
- 2) **Sugar production should give priority to EU markets**, as the sugar production is partially funded by public money.
  - a. Sugar export decisions should only be taken when the availability of sugar on the EU market is assured.
  - b. No subsidies should be given to a production dedicated to exportation to the world market.

### 3) **Quota vs. no quota?**

The events of 2010-11 (export decision aborted and transformed into requalification of out of quota sugar into quota sugar, additional exports creating a negative stock of out of quota sugar...) demonstrates that the problem is not about the quota, but about the management of the quota. The

interests of the Yeast industry were not taken into account in the decision process last year. If a quota system is maintained, we fear that the decision will always favour the immediate interests of the farmers and sugar producers to the detriment of the EU sugar users. If quotas are maintained, the market will not be able to regulate itself, and all management decision may be subject to corrective measures, a few months later which brings uncertainty. As a consequence, **the abolishment of the quota system has to be explored.**

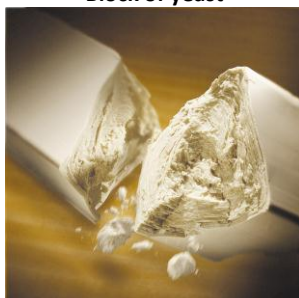
- 4) Yeast producers wish to **directly contract sugar beets with farmers and to process the sugar beets themselves to extract the sugar substrates they need.** Thus, the yeast industry could help maintaining local sugar beet productions, even in areas where sugar factories have disappeared.
- 5) **Subsidies to Bio-ethanol production or Bio-gas production bring unfair competition** between users of industrial sugar. Any further development of Bio-ethanol or Bio-gas has to be carefully analyzed to determine if it may impact the yeast industry that uses the same substrates (molasses, sugar syrups).
- 6) **These measures have to come into force in 2013**, when the overall CAP will be reformed. The Yeast industry rapidly needs sufficient visibility to plan its future developments in the EU.

COFALEC (CONfédération des FABricants de LEvure de l'UE) represents the European Union Yeast industry. Yeast is used in a very wide range of traditional applications: Bakery, Alcoholic beverages (Beer, Wine, Spirits, Cider.), Food preparations, Feed products...

Yeast cell



Block of yeast



Wine



Bread

