



COMITE DES FABRICANTS DE LEVURE DE PANIFICATION DE L'UNION EUROPEENNE

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THE EUROPEAN YEAST INDUSTRY FACES A SHORTAGE OF RAW MATERIAL

The European yeast industry is the world leader.

It manufactures one third of the world production and it exports amounting one third of its production outside the EU.

It concentrates 90% of the world research.

It hosts the head offices of the world's three largest groups (Netherlands, United Kingdom and France).

The European yeast industry runs forty plants throughout Europe, among which the two largest factories in the world.

Historically the yeast industry started in Europe around 1870, using the works of Pasteur who revealed the mechanisms of fermentation. It is thus the oldest of the bio-industries and the only one of mass production.

It grew in Europe because of the dominance of bread as staple food and also because of the availability of its main raw material: the molasses, which are a by-product of the crystallisation of sugar.

The reform of the EU Common Market Organization (CMO) of sugar will make disappear 1 to 1.5Mt molasses in Europe (out of the former total production of 4 to 5 Mt).

This reduction of production corresponds to the total yearly consumption of the European yeast industry.

At the same time, the international trading of molasses is diminishing rapidly due to an increasing usage of this by-product in the countries where it is produced.

Moreover the bio-ethanol industry, which is rapidly expanding, also started consuming those scarce molasses, which aggravates the pressure on their prices.

Subsidies, through various mechanisms, are available to bio-ethanol in certain Member states, in order to help the farmers producing cereals and beets for that new application.

Beet growers will be able to plant 'out of quota' beet for that purpose.

But the use of molasses (by-product from the quota production) does not achieve this goal, whereas it adds to the scarcity of this raw material which has been traditionally used by the yeast industry.

In those circumstances the access to "industrial sugar" partly helps the yeast industry which started combining the use of molasses and industrial sugar three years ago.

However the use of sugar syrups causes substantial adaptations of the yeast factories and, at present, the most up-to-date ones can only intake 30% of "industrial sugar" at the most.

Investments to adapt the European yeast factories to use more sugar syrups will have to take place over a period of four to five years.

The capacity of investment is not the only critical point.



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The capacity of the yeast producers to master a completely new technology, based on the use of a much greater proportion of sugar syrups, will also be a key factor of success.

To keep investments in the EU, the yeast companies need to receive a clear signal that Europe will remain competitive in terms of access to raw materials, as it represents the main production cost in the manufacturing of yeast, when energy only comes in second place and labour in third.

Thus yeast companies may keep investing in Europe as their major base of development without fearing losing an access to competitive raw materials

Therefore, the yeast industry asks that the European Commission make use of the market management tools in its regulation 318/2006 (article 40.2.c):

- **Inward processing** should be awarded to the yeast industry for quantities of industrial sugar imported, processed and then re-exported under the form of yeast because exports are vital to the European yeast industry. Economic conditions are met since the equivalent of the EU consumption of molasses by yeast industry is about to disappear.

- **An import quota of industrial sugar free of import duty** should be granted to the yeast industry in order to balance internal EU prices,

- **the Production refunds mechanism** has to be activated as the sugar regime explicitly allows it. Yeast should be eligible to such refunds like other industries using industrial sugar, as mentioned in the annex of the regulation R 967/2006 on "excess of quota" sugar.

Finally, the reform of the CMO wine is adding an additional burden to the yeast industry at a wrong time.

For the last ten years the yeast industry was awarded the possibility to obtain a certain volume of wine alcohol, to mix with the molasses as a carbon source.

Some factories realised adequate investments to accommodate this non-typical raw material and for the last ten years they made the effort to purchase some quantities of wine alcohol, even when the economical conditions were less favourable than using imported molasses.

Under the foreseen wine reform, distillation will greatly diminish within the EU.

As today the yeast industry is hardly hit by the new CMO sugar, the sector asks for a prolongation of the current system until the full implementation of the CMO sugar reform in 2009/10.

The yeast industry needs additional measures to be taken :

- implementation of R 318/2006 art . 40 on the eligibility of production refunds on sugar
- creation of an ad hoc import quota of sugar.