

The end of the sugar regime

Existing EU sugar quotas will be phased out in 2017 with market liberalisation, but import duties will be maintained (€419/ton). There is no guarantee that Europe's own sugar production will grow and that European prices

will align with global prices. Not differentiating between sugar for food and industrial use could also lead to a price increase of 30% because duty-free imports are not expected for the chemical industry.



"Farmers, raw material producers and the EU fermentation industry would all benefit from an import duty suspension."

Marc Vermeulen, European Fermentation Group Secretary General

Proposed win-win solution for EU fermentation and the agricultural sector

The European Fermentation Group proposes an import duty suspension affecting sugars for industrial use, so the bio-based chemical industry can access the world market sugar price beyond 2017.

If European fermenters can buy sugar at competitive prices in Europe, industry will source sugar from Europe. Therefore, a stable and long-term import duty suspension could lead to renewed investment and provide new opportunities for farmers.

"The elimination of import duties for sugar for industrial uses beyond 2017 is crucial for the future of the European fermentation industry."

Josef Gass, Jungbunzlauer and European Fermentation Group Chairman

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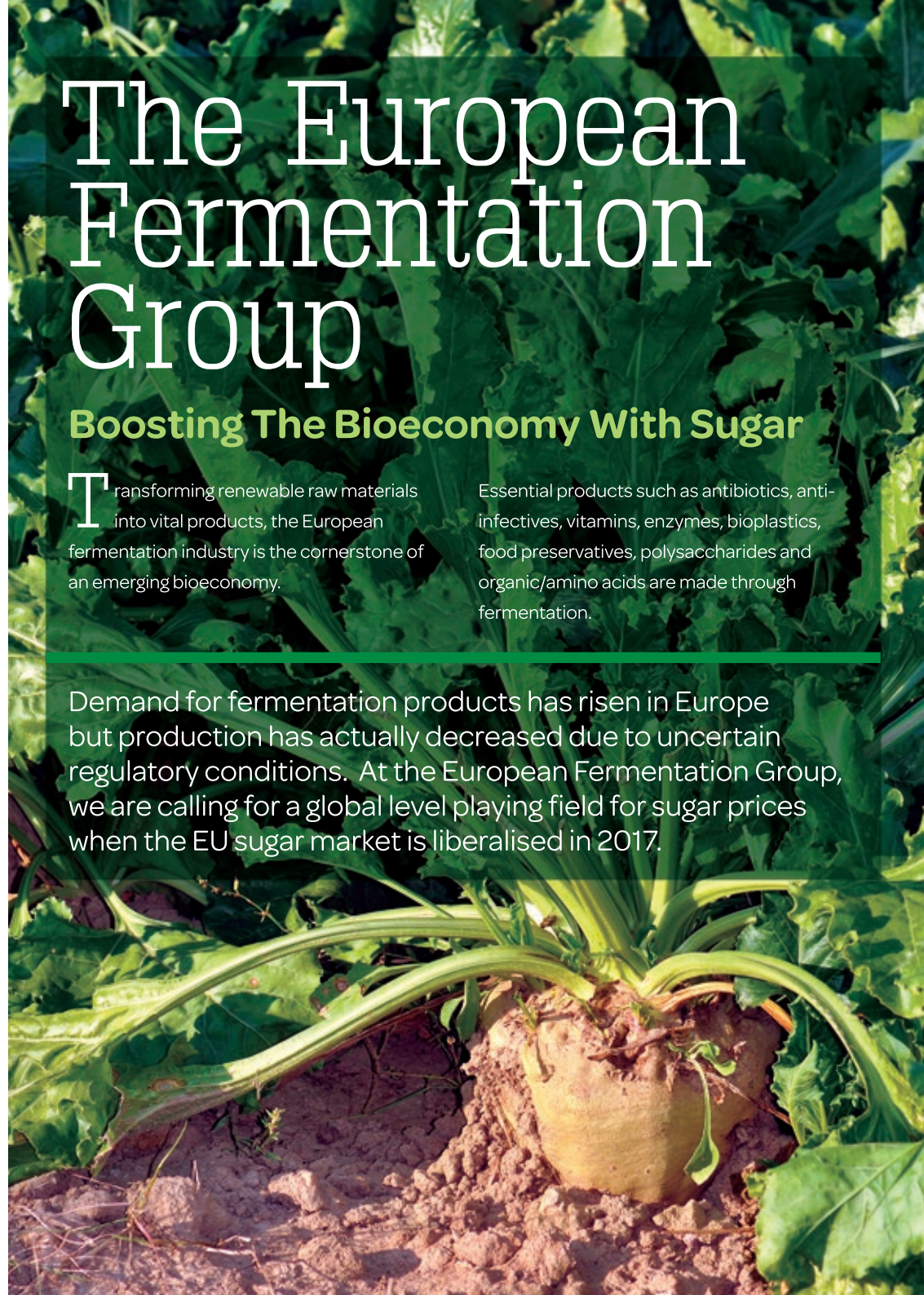
The European Fermentation Group

Boosting The Bioeconomy With Sugar

Transforming renewable raw materials into vital products, the European fermentation industry is the cornerstone of an emerging bioeconomy.

Essential products such as antibiotics, anti-infectives, vitamins, enzymes, bioplastics, food preservatives, polysaccharides and organic/amino acids are made through fermentation.

Demand for fermentation products has risen in Europe but production has actually decreased due to uncertain regulatory conditions. At the European Fermentation Group, we are calling for a global level playing field for sugar prices when the EU sugar market is liberalised in 2017.



Status of the EU fermentation industry

- Employing over 10,000 people in the EU, the fermentation industry has applications in a range of industries including food, pharmaceuticals, cosmetics, home care and construction.
- The industry uses over 4 million tons of agricultural feedstocks e.g. sugar, molasses and glucose syrup.

KEY FERMENTED PRODUCTS INCLUDE:

- Lactic acid: creating bioplastics
- Citric acid: helping reduce food waste
- Amino acids: reinforcing animal feed
- Vitamin C: boosting immune systems
- Antibiotics: curing bacterial infections

The European Fermentation Group calls for a more industry-friendly policy, which would help keep and grow the sector within Europe, providing employment and essential products to its citizens.

Demand for fermented products is there and imports have increased over the years

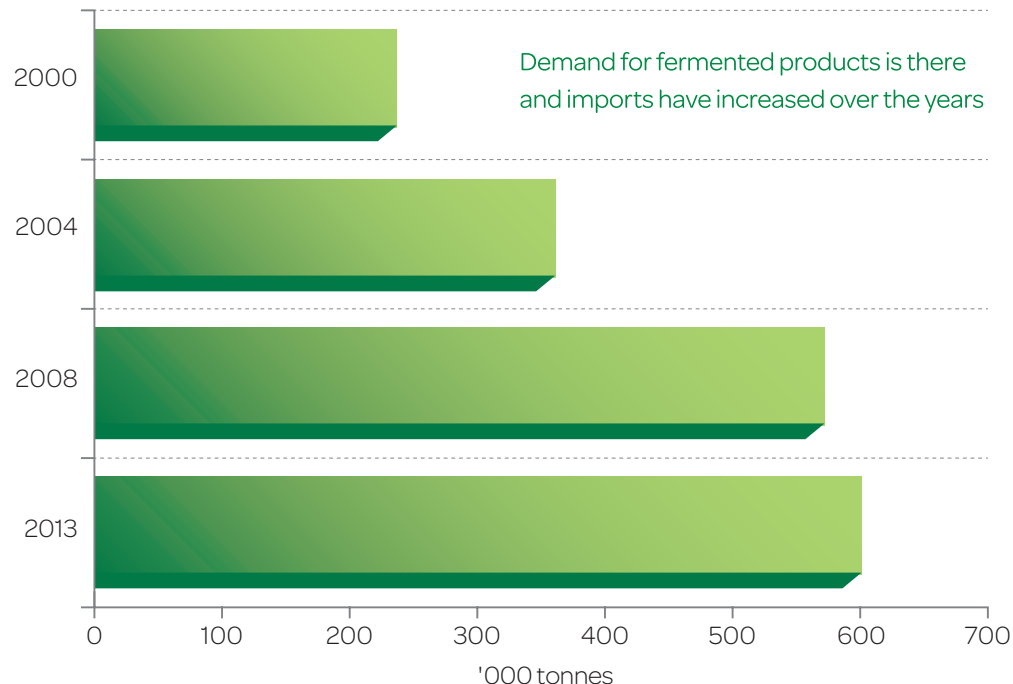


Figure 1: EU net imports for fermentation products. Source: Eurostat

Raw material access in Europe

- Raw material prices, including sugar, make up over 60% of fermentation businesses' operational costs
- Sugar production is regulated by quotas and EU prices are usually higher
- Outside the EU, the industry has access to sugar at world market prices and

- products have a low or non-existent import duty
- 18 plants closed between 2000-2008 - before the TRQ was introduced
- No plants have closed since the TRQ was introduced - capacity has increased in several existing plants

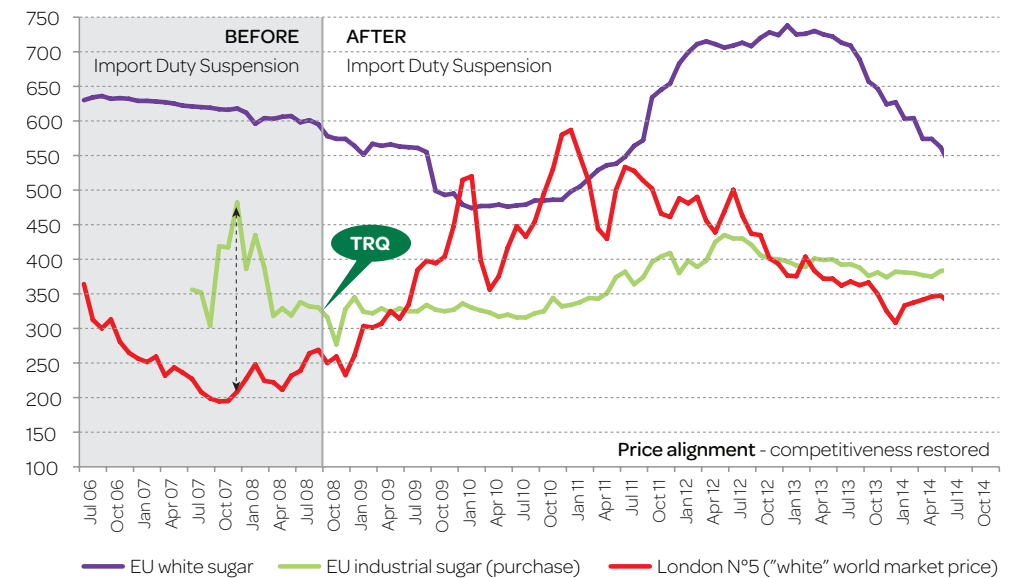


Figure 2: EU adaptation to sugar price

To restore competitiveness, a Tariff Rate Quota (TRQ) was introduced to allow the import of 400,000 tons of sugar duty-free for industrial use. In practice, Tariff Rate Quotas do not always result in sugar imports from non-EU suppliers – however the TRQ

allows the chemical industry to negotiate feedstock prices with European suppliers. A negotiation lever for sugar purchasing, the TRQ's impact so far has been limited - only a few thousand tons of sugar have been imported.