

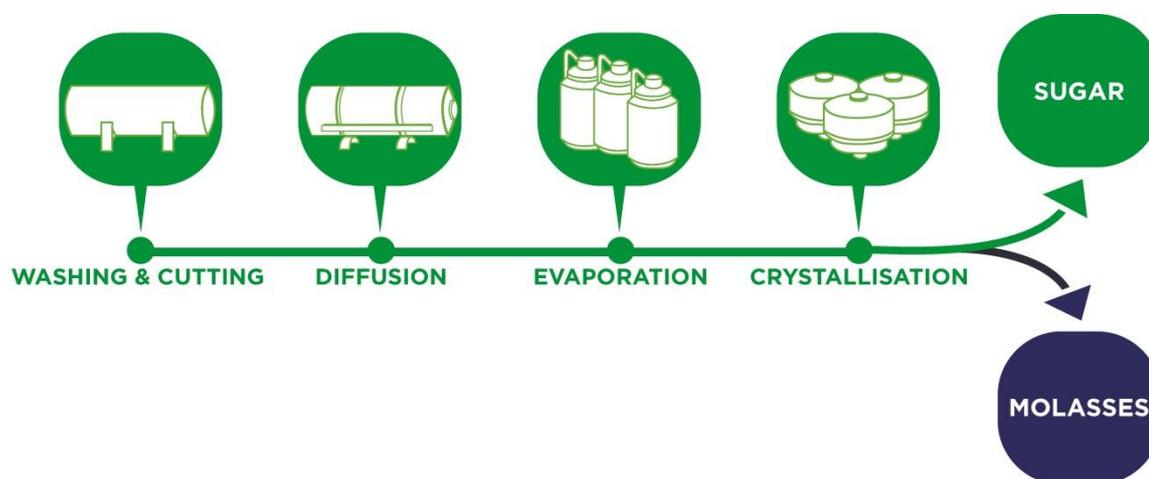
FACT SHEET MOLASSES AS A FEEDSTOCK FOR APPLICATIONS FROM FEED TO ENERGY

Brussels, 10 November 2017

WHAT IS MOLASSES?



Molasses is a thick, sweet syrup obtained during the transformation of beet or cane into sugar. Molasses contains **non-extractable sugars**, **vitamins** and **minerals**, such as calcium, sodium, potassium and magnesium. Molasses constitutes the remaining syrup from the crystallisation stage of the sugar production process, making it an inevitable final material arising from sugar production. In the case of **the EU beet sugar sector**, the processing of beet into sugar results in an estimated **3 million tonnes of beet molasses**¹ **which** is used in a variety of market applications.



¹ CEFS Sugar Statistics, EU28 average and including figure for France estimated on the basis of beet sugar production

HOW IS MOLASSES USED?

Because of its nature, molasses is expensive to export and is therefore mostly consumed where it is produced. Molasses is used as animal feed (for example in molassed beet pulp), as a food ingredient (where imported cane molasses is mostly used for reasons of taste) and as a raw material in the fermentation industries for the production of **yeast, citric acid, vitamins, amino acids** and **lactic acid** as well as for the production of **ethanol**.



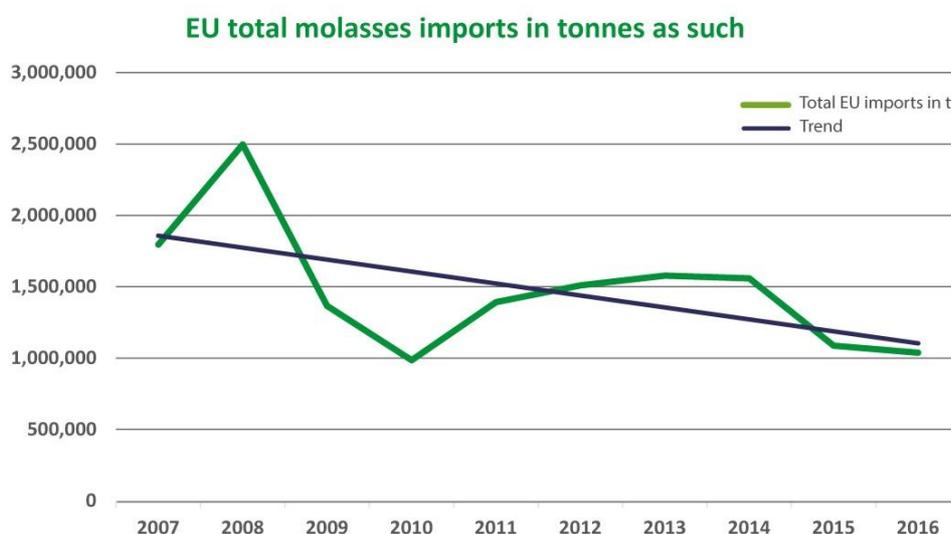
Molasses represents only **22% of the agricultural feedstocks** used by the European fermentation industry (source: CEFIC). In fact, the fermentation industry prefers using sugar and sugar thick juices formed during the production of sugar (29% of feedstocks) (Source: EFG). The other feedstocks for the European fermentation industry are based on starch and glucose (49% of feedstocks). As a feed ingredient, molasses is used in the animal feed sector in small quantities, where mostly imported cane molasses is used. In these applications, beet molasses is therefore substitutable and its use is variable according to its market price.

In third countries and in the EU, cane molasses is increasingly used as the main feedstock for the production of biofuels, because of its availability.

WHERE IS MOLASSES SOURCED?



Beet molasses is mainly sourced in the EU while cane molasses is sourced in third countries producing cane sugar. Cane molasses from ACP and LDC countries and countries benefiting from the GSP agreement can be imported duty free and quota free in the EU. Cane molasses from several other countries benefiting from bilateral agreements with the EU can also be imported duty free in the EU. The main exporters of molasses to the EU are India, Guatemala, El Salvador, Nicaragua and Pakistan.



Source: Eurostat

Imports of molasses to the EU are mainly prompted by the price level of cane molasses rather than by a lack of beet molasses. However, imports of molasses to the EU (95% of which is cane molasses) have decreased significantly during the past decade, from 1.8 million tonnes/year in 2007 to 1 million tonnes/year in 2016 (Source: Eurostat).

The EU exports as much beet molasses as it imports (around 60,000 tonnes/year between 2010 and 2016) (source: Eurostat). This suggests that supplies are not restricted in the EU beet molasses market.

HOW WILL THE AVAILABILITY OF MOLASSES EVOLVE?



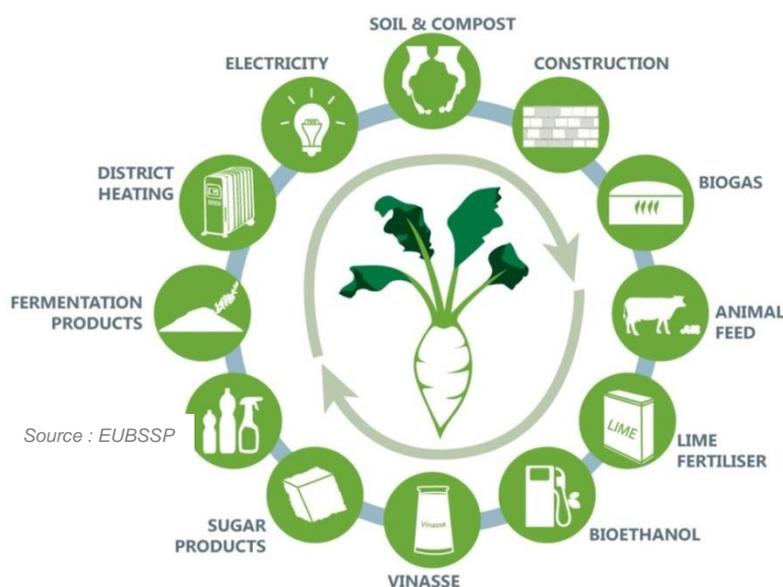
With the end of sugar quotas, and according to the Commission's short-term outlook (source: EU Commission Short-term outlook for EU agricultural markets in 2017 and 2018, page 9), EU sugar production is expected to increase significantly as from 2017/18 (by around 20% compared to 2016/17). **The availability of beet molasses will therefore increase at least in the same proportion.** Beet molasses represents a resource that has considerable potential for growth. The capacity of the beet sugar industry to maintain the existing markets, and find additional markets, for its molasses will be a key factor for the

competitiveness of the sector. Given this situation and outlook, molasses supplies for the fermentation and feed industries are clearly not in jeopardy.

In recent years, the production of beet molasses has been stable in the EU because of the sugar quota regime. As molasses imports have decreased over this same period, it can be concluded that **the use of molasses (beet and cane) by the yeast, fermentation and animal feed industries has decreased in the EU during this past decade** and that no significant supply issues were encountered.

No significant growth is expected for the use of molasses in the yeast, fermentation and animal feed industries in the EU – this does not support the fermentation industry’s claims about shortage of molasses in the EU. Their proposal to exclude beet molasses from many of its potential additional markets (i.e. as raw material for biofuels, bioenergy and bio-based products) would be a regulatory intervention in a market which has traded freely for many years. It would also go against the current overall policy direction of reducing market support and intervention in the agri-food sector.

MOLASSES, THE RENEWABLE ENERGY DIRECTIVE PROPOSAL, THE CIRCULAR ECONOMY AND THE BIOECONOMY



The primary aim of the beet sugar processing industry is to transform every component of the sugar beet raw material into valuable products besides sugar, such as ethanol, molasses, beet pulp and lime fertilizer.

Therefore **molasses, the product obtained during the sugar production process that consists of non-extractable sugars must be kept in Annex IXb of the recast of the Renewable Energy Directive, and the wording in Annex IXb should be amended as follows:**



“(c) Molasses that are produced from sugarcane or sugar beets provided that the best industry standards for the extraction of sugar have been respected.”

The varied uses of molasses reflect its importance in the implementation and promotion of the circular economy and of the bioeconomy. **No discrimination in uses should be introduced. If the EU sugar industry cannot add value to all its current and new product streams according to market signals, the circular economy and bioeconomy will not function properly and the competitiveness of the EU sugar industry will be reduced. If sugar production in the EU were to significantly decrease or disappear, molasses production in the EU would share the same fate.**

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