Untapped potential for the EU starch industry

Of the 73 million tons of starch and starch derivatives produced annually worldwide, ten million is produced in the EU, making it the world’s third-largest starch-producing region after the US and China, explains Jamie Fortescue, managing director of the European Starch Industry Association.

Compared with the rest of the world, the EU’s raw material base is diverse and allows the production of different starches from maize, wheat, and potatoes. The EU is the world leader in the production of wheat and potato starch, and also leads the way in the production of certain starch co-products (fibres and proteins totalling five million tons a year), notably wheat gluten.

At the EU political level, the European Starch Industry is represented by the European Starch Industry Association, the AES. Its membership comprises 23 EU starch-producing companies representing over 90% of EU starch production, and national starch industry associations from Finland, France, Germany, Italy, the Netherlands, Spain, and the UK. Its mission is to promote and protect the interests of EU starch producers to EU and international institutions and stakeholders, in order to assure a reliable and sustainable supply of safe starch-based ingredients in a fair competitive environment.

Specific objectives are a sufficient supply of good quality raw materials at competitive prices, fair competition with competing products, recognition of starch’s role in the bioeconomy, adequate rules on labelling and use, and international trade rules that maintain the EU starch industry’s competitiveness.

While the focus of EU decision-makers quite rightly centres on the post-economic situation, the eurozone crisis and its implications for the future of the EU, this does not mean that the EU’s day-to-day policy making apparatus has ground to a halt. Civil
servants and politicians in Brussels and member state capitals are still busy trying to propose and adopt a multitude of regulatory initiatives, some of which offer significant opportunities for the EU starch industry and some of which represent potential threats. The role of the AAF is to maximise the opportunities and minimise the threats.

**Sugar quotas and investment in the bio-economy**

The most tangible and quantifiable opportunity today is the possible, not to say likely, end to the EU sugar regime. Since 1979, the production of isoglucose, a cereal-based sugar derived from wheat and maize starch, has been restricted to just 5% of the EU sugar quota. In absolute terms, this means that EU isoglucose production is limited to 670,000t. The AAF — supported by independent analysts — believes that, should the EU sugar quota be removed, EU isoglucose demand and production would increase over time to two to three million tons.

In 2011, the European Commission proposed that the EU sugar quota should be removed in 2015; this is now being discussed within the other EU institutions. The European Parliament voted in March 2013 to extend the EU sugar quota until 2019/20, while the member states support an end date of 2017. While the final outcome of negotiations is unknown, the expectation is that agreement will be reached by the end of June this year. The likelihood therefore is that EU sugar quotas will come to an end (with the termination of dairy quotas scheduled for 2015, sugar will be the only EU agricultural product still restricted by a quota system). The question now is when.

The much less tangible, but potentially more significant, policy opportunity for EU starch producers is the bio-economy. In a number of high-profile policy documents, notably the 'Europe 2020' agenda, the EU has identified the bio-economy as a sector it should invest in with a view becoming a world leader. With 40% of EU starch going into non-food applications, starch has for decades been a major contributor to the bio-economy. This new EU policy resolve should therefore represent an important opportunity.

What is less clear, however, is how the European Action Plan establishing a bio-economy panel and increased policy coordination will in practice advance the bio-based activities of the European starch industry. Ongoing discussions on public/private partnerships and EU-adopted standards for bio-based products offer encouraging signals, but the market opportunity for EU starch producers remains difficult to quantify processing aids to maximum pesticide residues, all of which impact upon starch production costs. The EU is rightly proud to have some of the most stringent food and feed legislation in the world, but this often makes production costs for EU starch producers higher than for their international competitors. The feasibility, currently under discussion, that EU starch producers may in certain instances be required to label the origin of their raw materials, is, in our view an example of a significant potential extra cost with no ultimate consumer benefit.

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