Isoglucose may take a third of EU sugar market

By Caroline Scott-Thomas+, 14-Jan-2014

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Isoglucose may take up to 30% of the current European sugar market after quotas are removed in 2017, according to a new report.

Currently, the European sugar quota system limits isoglucose production to 5% of the total EU sugar quota, effectively limiting production and access to the sweetener. But in 2017 the limit is set to be lifted, opening the market to isoglucose, also known as glucose-fructose syrup, or high fructose corn syrup in North America.

In the United States, the sweetener is mainly produced from corn, and accounts for about half the total sweetener market. In Europe, some isoglucose is also produced from wheat, but corn for grain production is on the rise.

The report, from non-profit agricultural organisation Agribenchmark, suggests that from an economic standpoint, isoglucose is likely to be a very competitive product in Europe. However, considering that only about 30% of the current sugar market would be able to switch to isoglucose for technical reasons, the sugar industry may be able to retain its market share.

For sugar users, there could be big savings associated with using isoglucose, and the ingredient is more easily incorporated into many formulations, providing another incentive to switch.

"Considering recent sugar prices and total cost estimates for isoglucose, isoglucose will be a very attractive product for current industrial sugar users; in particular those who are already using liquid sugar," the report said, adding that sugar producers are likely to do everything they can to prevent users from switching.

"The sugar industry has to assume that such a step will be very hard – or even impossible – to reverse," it said.

In order to compete with the cheaper production costs of isoglucose, the sugar industry would have to reduce its profit margins by 40%, the report said – but only in the 25% to 30% of the sugar market in which the two sweeteners compete. In other words, to prevent food manufacturers from switching, sugar suppliers might be tempted to offer users lower prices to continue using sugar.

"Whether the sugar industry will be able and ready to do so remains to be seen," it said.

Speaking to FoodNavigator in August last year, managing director of the European Starch Industry Association Jamie Fortescue said it was difficult to predict demand for isoglucose in the coming years, "but if you look at Japan it’s up to 20% [of the market], and that’s certainly conceivable in the EU".