Position on the EU-US Transatlantic Trade and Investment Partnership

Updated – 26 February 2015

Due to the structural differences with the US, the EU starch industry cannot compete on a fair level-playing field. Over the last 20 years different supportive policies between the two regions have created a deep structural gap between the EU and US starch industries. The European starch industry considers that liberalisation of tariff lines in the framework of a free trade agreement with the United States of America seriously threatens its future.

Starch markets and products

- Food and feed sectors
- Non-food applications
- Plant-based chemistry
- Annex-I products: native starches, sweeteners, wheat gluten, fibers and proteins for feed
- Non-Annex I products: modified starches, fermentation products, hydrogenation products and polyols, others

Starch market figures (2013)

- 22 million tonnes of agricultural raw materials (1/3 maize, 1/3 wheat, 1/3 potatoes and others) into 10 million tonnes of starch and 5 million tonnes of co-products
- € 8.8 billion turnover
- € 440 million investment (including €184 million in Research and Development)[1]
- 15 600 employees and up to 100 000 directly linked indirect jobs, mainly in agriculture
- Food (60%) and non-food (40%) applications

1. DIFFERENT POLICY APPROACHES CREATE DEEP STRUCTURAL DIFFERENCES BETWEEN EU AND US STARCH INDUSTRIES

The US industry produces almost 3 times as much starch as the EU for a smaller population and with one third the number of plants. **The average US starch plant is almost 8 times the size of the EU average and benefits from significantly lower energy and raw material costs.**

US starch is made almost exclusively from maize and had 3 major market outlets: starch and starch derivatives, ethanol and high fructose corn syrup (HFCS), which each represent on average about 1/3 of the maize used by the US starch industry. The supplementary market outlets of ethanol and HFCS, which are supported by **incentives to ethanol production** for fuel use (US authorities granted $6bn for the development of ethanol production from 1980 to 2011) and by **a free market for HFCS production,** have been fundamental in creating the structural advantages and economies of scale that the US starch industry today enjoys.

EU starch is made from 3 different raw materials: maize, wheat and starch potatoes, and is primarily focused on one market outlet: starch and a wide range of starch derivatives. The market outlets of FHCS and ethanol are almost non-existent in the EU because, under the EU sugar regime, the **production of isoglucose (the EU equivalent to HFCS) is limited by a quota to 720 000 tonnes** (4% of the EU sugar market) and ethanol production is far less subsidized. Even with sugar and isoglucose quotas coming to an end in 2017, the EU starch industry will need significant time to invest and develop to be able to increase its production capacity.

Table 1: Structural differences between EU and US starch industries (2013)

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	US	EU
Plants	27[2]	78[3]
Total annual production	26.9 million tonnes[4]	10 million tonnes[5]
Average production per plant	996,000 tonnes	128,000 tonnes
Isoglucose/HFCS production	8 million tonnes	0.7 million tonnes
Isoglucose/HFCS share of sugars market	42%[6]	4%
Ethanol production by starch industry	4.5 billion litres[7]	< 0.5 billion litres[8]

During the starch production process, the starch industry produces co-products, such as fibres and proteins, for both animal and human nutrition. **Any negative impact on EU starch production will also impact the production of co-products,** the plant's efficiency and the overall competitiveness of the industry.

2. PRESENT AND FUTURE CHALLENGES FOR THE EU STARCH INDUSTRY IN ITS TRADE RELATIONS WITH THE US

- The end to the US ethanol subsidy results in lower ethanol production in US starch plants (6.8 billion litres in 2011 to 4.5 billion litres in 2013). In the absence of increased domestic demand and **production capacity to spare**, they will be looking for more export markets.
- The **difference of energy cost**, already up to 7 times lower in the US compared with the EU, increases as the US increasingly benefits from the use of non-conventional fossil sources such as shale gas and oil sands.
- US starch products are based on GM maize and, as such, benefit from a raw material price advantage.
- GM based starch products can already be used in 40% of EU starch outlets which non-food applications (such as used in paper and pharmaceutical sector) without the need to label them as GM. The argument that the EU starch industry will still be protected as long as there is GMO-reluctance in the EU does not hold.
- The US potato starch industry benefits from cheaper production costs as it is produced from side-streams of the US potato processing sector and not from starch potatoes as in the EU. A reduced custom duty applied to US side-stream potato starch entering the EU market would also represent a **significant threat to EU potato starch**, particularly in non-food applications.

3. CONCLUSION

The EU starch industry call on EU authorities to exclude the various starch products and co-products for which the US competes directly with the EU from these negotiations.

[1] Over 2008-2010
[2] Corn Refiners Association, Annual report 2014 , p.8; http://corn.org/wp-content/uploads/2015/01/2014CornAnnual.pdf
[3] European starch association – STARCH EUROPE, http://www.starch.eu
[4] CRA, Annual report 2014excluding ethanol production
[5] STARCH EUROPE, own statistics - excluding ethanol production
[6] LMC – Sweeteners Analysis, 2012, "HFCS industry annual review"
[7] CRA, Annual report 2014
[8] STARCH EUROPE estimate

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