# Sugar Economics and Business

## EUROPE

### European Cocoa Association joins Primary Food Processors

The European Cocoa Association (ECA) has been welcomed as a new member into Europe's association of Primary Food Processors (PFP). ECA's members represent jointly more than two-thirds of Europe's cocoa bean grinding, half of Europe's industrial chocolate production and 40% of the world production of cocoa liquor, butter and powder. PFP now has six food-sector associations, actively working with cocoa, flour, starch, sugar, vegetable protein, vegetable oil and meal products. Specifically, the PFP membership now includes: the European Starch Industry Association (AAF), European Committee of Sugar Manufacturers (CEFS), European Flour Milling Association (The European Flour Millers), European Vegetable Protein Federation (EUVEPRO), European Vegetable Oil and Protein Meal Industry (FEDIOL), as weel as the newest member, the European Cocoa Association (ECA).

## AUSTRIA

### Agrana ends successful 2011/12 beet campaign

Agrana ended its successful beet sugar processing season of 2011/12 on 23 January 2012, with the close of beet processing operations at its factory in Tulln, Austria, the last of seven company plants in the EU. Agrana reported that 5.9 mn t of beets were processed to make approximately 935,000 t of sugar, compared with 803,000 t of sugar produced from 5.4 mn t of beets last season.

The 2011/12 season lasted up to 135 days, comprising one of the longest campaigns of the company's history. Located in Austria, Hungary, Czech Republic, Slovakia and Romania, seven Agrana beet sugar factories recorded an average processing time of 123 days, compared with 114 days the previous year.

The Agrana sugar plant in Tulln exceeded a production volume of 300,000 t for the first time, compared with approximately 260,000 t the previous year. The harvest area for all Agrana's producing countries comprised 90,000 ha, yielding an average of 65.5 t/ha with sugar content of 17.7% (previous year: 16.5%). In Austria, the sugar content was 17.8%, compared with 17.2% the previous year. Moreover, Agrana announced that its energy consumption on processed beet was reduced by more than 8%.

## CROATIA

### Osijek sugar factory output rises

Production at the Osijek sugar factory during the 2011 campaign increased by 5,000 t of sugar over 2010's output, according to local reports. The Osijek factory produced around 80,000 t of sugar from 540,000 t of beets in the campaign, which began in September and was completed just before Christmas.

Output in 2010 was 75,000 t of sugar processed from 560,000 t of beet, the reports said.

DENMARK / SWEDEN

### EFSA affirms sugar beet fiber health benefits

The European Food Safety Authority (EFSA) has issued a positive scientific opinion on claims of sugar beet fiber as being beneficial to digestive health. The positive assessment came in response to an application by Nordic Sugar, maker of Fibrex, a trademarked brand of sugar-beet fiber. The new finding confirms Nordic Sugar studies showing that Fibrex has a positive effect on bowel function, allowing Nordic Sugar to use the claim: "Sugar beet fiber increases fecal bulk."

FRANCE

### Cristal Union takes control of Vermandoise

Cristal Union, a French sugar maker, said it received antitrust approval to buy competitor Vermandoise Group and create the country's second-largest sugar producer. The two companies signed an agreement for Cristal Union to acquire Vermandoise for a total of nearly €1 bn. Cristal Union's January 2012 announcement said the agreement involved some 95% of Vermandoise (SVS), along with control of its subsidiary, Societe Sucriere de Pithiviers Le Viel (SSPLV). SVS holds a 56.51% stake in SSPLV. The deal creates the second-largest sugar-production group in France, after Tereos. Cristal Union will offer the 4000 beet growers of Vermandoise to become members of the cooperative. Frances Competition Authority approved the takeover unconditionally on January 20, according to an e-mailed statement from Cristal Union, based in Villette-sur-Aube. The authorization will allow the transfer of Vermandoise control to Cristal Union "in the coming days," the company said.

### Beet production yield shows steady rise in 2011

The French beet campaign of 2010/11 ended with a beet yield of 97 t/ha at 16% sugar content, corresponding to a white sugar yield of more than 14 t/ha. The average sugar content was 18.74%. Good weather during the harvesting season resulted in a tare content of only 8.6%, much lower than last year's, at 11.5%. The last factories closed on January 16 (Etrepagny and Roye, both Saint Louis Sucre) and January 17 (Eppeville). The Eppeville factory processed beet for 130 days. According to Betteravier Francaise, the beet yield of 97 t/ha is consistent with a rise in yield of 2% per year. The beet yield increase has accelerated in recent years, due in part to higher spring temperatures, rising by 0.04° C per year. The progress is essentially due to the sugar accumulating before August 1. Six French factories reported yields of more than 100 t/ha. They included: Connantre (Tereos, Bourgogne); Arcis (Cristal Union, Bourgogne); Artenay (Tereos, Loiret); Pithiviers (Vermandoise, Loiret); Toury (Cristal Union, Loiret) and Erstein (Cristal Union, Alsace). The Toury factory, south of Paris, holds the record with 116.5 t/ha at 16% sugar content. Some 90% of Toury's beet fields are irrigated.

GERMANY

### Sugar beet DNA released

Scientists have released the sequence of raw DNA of the sugar beet. Researchers at

## Agrana performance growth continues

Agrana has seen good returns during the third quarter, ending November 30, 2011, maintaining a positive financial trend with its international businesses in sugar, starch and fruit. The company's revenues grew to €1.952bn during the first three quarters, a rise of 20.2% over the comparative period of the previous year. Higher revenues were seen in all three segments, growth that was driven by favorable market trends in sugar and starch and achieved despite slightly lower sales volumes in the fruit segment. Agrana's operating profit was €198.7mn, an increase of 89.6% from the first three quarters of the previous year. The company attributes its growth trend to its sugar and starch segments, where optimization measures from previous years had the expected beneficial impact on business activity.

After a net financial items expense of €30.6mn and a tax expense of €37mn (based on a tax rate of 22.2%), the group recorded a €129.7mn profit for the period, compared with €65mn for the first three quarters of the previous year. Net debt amounted to €466.2mn at the quarterly balance sheet date. The gearing ratio of net debt to total equity was 45.1%, a rise from 39.4%, marked at the end of the prior year (February 28, 2011). The main reasons for the increase were stronger investment activities and the financing of working capital, which rose as a result of higher prices and inventories, according to Agrana management.

Agrana expects growth in group revenue for the year to about €2.5bn from €2.17bn in 2010/2011. The company sees a substantial increase in its pre-exceptionals operating profit, growth driven by the sugar and starch segments, with the backbone of the positive trend being formed by process improvements.

the Center for Biotechnology (CeBiTec) at Bielefeld University and the Max-Planck-Institute for Molecular Genetics, in Berlin, have released the results of its sugar beet genome project. Researchers expect knowledge of the sequence to open new insight to the plant's development and function, as the sugar beet is only distantly related to other crops whose genomes already had been identified. The sugar beet's hereditary information amounts to about one-third the size of the human genome, and takes up about 760 MB of data space. To date, about 28,000 genes have been identified by the project, supported by some €3mn in grants from the German Ministry of Research. Study of the genome sequence of the sugar beet was performed at the Center for Biotechnology at Bielefeld University, with funding by the German Ministry for Education and Research, as part of the collaborative research project "BeetSeq," involving the university and the Max-Planck-Institute for Molecular Genetics in Berlin-Dahlem. Project support was also received from breeders KWS Saat AG, Strube and Syngenta.

### BMA to take back steam dryer for corn products

On January 9, 2012, a US arbitration court passed a judgement requiring BMA to take back a large dryer and reimburse its customer for the price of the machine, amounting to several million euros, plus interest. The court dismissed other claims made by the customer, including an extremely high request for compensation.

BMA has fared the financial and economic crisis well. Orders are good, and even very good in the mechanical engineering sector. For some years, BMA has not required any bank loans to maintain its business operations.

For two years prior to the court decision, BMA had been involved in arbitration proceedings relating to the dryer, which the U.S. customer intended to use to dry residues in corn-based ethanol production. The court judgement approached the upper limit of what had been expected, although the amount to be reimbursed exceeded the company's liquid funds and would have to be financed, company officials said. BMA said it had been actively preparing for

## Südzucker operating profit improves

Südzucker AG Mannheim/Ochsenfurt, Mannheim, raised group revenues within the first nine months of its current financial year (1 March to 30 November 2011) by around 12%, from €4.67bn to €5.25bn. All segments reported higher revenues than the comparable period of the previous year. Group operating profits increased during the first three quarters by around €170mn or 41% to €586mn (previous year: €416mn). The trend of a sharply higher operating profit in the sugar sector also extended into the third quarter, while the special products segment also reported profit growth.

For financial year 2011/12 Südzucker projects an increase of group revenues to around €6.8bn (€6.2bn) and an increase of group operating profit to around €750mn (previous year: €519mn).

The sugar segment's revenues rose to €2,81mn (€2,54mn) during the period under review. The increase was driven mainly by higher sugar sales revenues. Also the sugar segment's operating profit thus climbed to €389mn (€237mn).

Optimal weather conditions continued in almost all of Südzucker Group's beet fields until the end of the growing season 2011. As a result, not only was the average beet yield much higher, with 75 t/ha than usual, but the anticipated theoretical sugar yield also rose to 13.2 t/ha (previous year: 11.3 t/ha). Due to the expected abundant beet crop, a number of sugar factories moved up their campaign start dates to the first week of September 2011. With an expected campaign end date of mid-January, 2012 (in Poland, the beginning of February), Südzucker is projecting that the campaign will last on average of about 120 days (previous year: 103 days). Südzucker is expecting sugar production, including raw sugar refining, to jump about 26% to 5.3 mn t (previous year: 4.2 mn t).

potential consequences of the verdict since September 2011 and continued to be in consultation with banks and financing institutions after the judgement was rendered.

### ITALY

## Zuccherificio del Molise needs €15mn recapitalization

The future of the Termoli-based Zuccherificio del Molise appears uncertain since September 2011, when banks failed to approve a €13mn in loan refinancing. The company failed to pay Energy Trading Ltd., €3.3mn for natural gas used during the last campaign. As a result all accounts were blocked, which subsequently prevented timely payment of salaries in December 2011. The regional government has replaced the sugar company's managing director, Remo Perna, with the new director Antonio Di Rocco. Di Rocco has said that his goal was to keep the factory operating with a new injection of money. By the middle of January 2012, however, a €15mn recapitalization had been discussed, but not agreed-upon by Zuccherificio del Molise's three principal shareholders: the regional governments of Molise (59%) and Puglia Region (3.3%), as well as Mr. Perna (with 37.7% of company shares). The two regional governments had openly agreed to pay their share to save the plant in mid-January, but the former company president had not disclosed his decision by that time.

### RUSSIA

## New sugar factory planned in Rostov

The agricultural holding Sarja is targeting early 2013 as the starting date for construction of a sugar factory in the Ust-Donetsk district of the Rostov region. Officials say the plant design is completed, and requires an investment of RUB7.5bn (€181mn), 20% of which would be covered by private equity with the rest to be taken out in loans. The project would require three years to be built and would have an annual capacity for processing more than 1.2 mn t of beets, producing 256,000 t of beet sugar. Aside from the factory, plans call for a large agro-industrial complex, including expansion of existing land used by sugar beet growers.

## New factory planned in Dagestan

Authorities of Dagestan, in the Northern Caucasus, are launching a government project for developing the region's sugar industry, according to local press reports. Plans for the agro-industrial project in the Tarumovsky district of Dagestan included the construction of a beet sugar factory with an annual capacity of 200,000 t, authorities said. The project would be completed in 2013, and is estimated to cost about RUB20bn (€477mn). It would include 6 ha of greenhouses for growing sugar beets, officials said. Howard Dahl, president of U.S.-based Amity Technology LLC, has been involved in talks about the project with regional authorities.

### UKRAINE

### ED&F Man signs beet-supply pact with Ukranian and Polish farmers

The Ukrainian-Polish agricultural crop producer Continental Farmers Group (CFG) has announced its entry into a joint-venture agreement for the long-term supply of sugar beets to ED&F Man's sugar factory in the Mykolaiv region. Under the agreement, which is subject to Ukrainian approval, CFG would have responsibility for all production, agronomy and harvesting inputs of beet and all other crops on the jointly held land. The farmers anticipated to have a significant number of hectares of sugar beet under harvest by 2014. All sugar beet output from the joint venture's farming operations would be sold to ED&F Man under a long-term beet supply contract. A 25% share of ED&F Man was recently acquired by Germany-based Südzucker, which has factories close to the Ukrainian border. Continental Farmers planted 16,000 ha in the Ukraine, including 3,000 ha of sugar beet for the 2011/12 season. The agreement with ED&F Man would raise CFG's Ukraine holdings, including jointly owned land, to some 50,000 ha by 2016.

### Astarta planning biogas plant

The agricultural firm Astarta wants to build a biogas plant on the grounds of the existing Globinsky sugar factory. With a €20mn investment, the company wants to replace natural gas as an energy source at the plant with its own generated biogas. Astarta hopes that, by September 2012, the new system could be in place, and would also be used to serve surrounding customers. Encouraged by a successful pilot project, Astarta has other biogas plants in view, hoping to reduce its sugar factories' demand for natural gas by 60%.

### UK

### Associated British Foods sees rising sales performance

Associated British Foods (ABF) has credited exceptional sales performance from its sugar and Primark retail sales divisions as contributing to a group revenue increase of 12%.

ABF's interim management statement for the 16 weeks prior to January 7, 2012, said sugar revenues were 21% ahead of the previous year, with higher regional sugar prices, particularly in Europe. UK sugar production for the year was estimated at 1.25 mn t compared with just under 1 mn t the previous year.

In Spain, ABF experienced record levels of extraction and throughput in its northern campaign while plantings were said to be complete in the south. Profit is well ahead of last year, benefiting from higher sugar prices and improvements in operating efficiency.

At the company's Illovo operation (South Africa), sales benefited from favorable regional pricing. Plant operations have been satisfactory although crop yields were called "disappointing." Cane yields in south China continued to be affected by the drought of last year, according to the statement, but beet sugar production in the northeast was expected to be "significantly ahead" as a result of additional beet acreage under cultivation.

### British Sugar offers growers higher surplus beet price

British Sugar has informed its growers that they can expect €30/t for surplus beet in 2012/13. The company's January 2012 letter to growers said its analysis of the current crop enabled a price "enhancement." British Sugar announced that the current campaign was much better than in previous years. Some 88.1% of British Sugar's contracted beet had been delivered to factories by January 2012, compared with 62.9% in 2010/11 and 75 % in 2009/10, the company said.

## ASIA

### CAMBODIA

### Start-up of Kampong Speu sugar mill of Phnom Penh Sugar

According to a report in the Phnom Penh Post, the Kampong Speu sugar mill was "80% complete" in December 2011 and expects to sell the first sugar in March 2012. The USD150mn (€118mn) sugar factory is built by Phom Penh Sugar, owned by a Cambodian People's Party senator, Ly Yong Phat. Phnom Penh Sugar has planted sugarcane on 20,000 ha of the 40,000 ha that it controls in the Thpong and Oral districts of Kampong Speu. Construction of the Kampong Speu mill drew media attention for the related evictions of local villagers, who subsequently protested the land confiscation. Company officials denied any wrong-doing, saying concessions to the villagers had been granted. Kampong Speu sugar mill will be the second sugar mill in the country.

### LAOS

### HAGL to build factory in Attapeu

Property developer Hoang Anh Gia Lai Group (HAGL) has broken ground for a new USD100mn factory producing cane sugar, electric power, ethanol and fertilizer in the Attapeu province. The plant will process 7,000 t/d of sugarcane and include a 30 MW thermal power plant, an ethanol plant with a 30,000 t capacity, and a fertilizer plant with a capacity of 50,000 t per year. The complex will be fed by about 12,000 ha of sugarcane.

### MALAYSIA

### Brahim's set to acquire 60% of Admuda

Brahim's Holdings Berhad is venturing into Malaysia's sugar-processing market by accepting an invitation to acquire as much as a 60% stake in Admuda Sdn Bhd, using cash and shares. Brahim's, formerly known as Tamadam Bonded Warehouse, Bhd, announced in January that its board had accepted an agreement invitation, pending further terms. Admuda holds a government license for producing refined sugar and molasses in Sabah and Sarawak provinces.

### INDIA

### Maharashtra mills anticipate reported losses

A rising differential between the cost of production and ex-mill sugar prices

## Nordzucker reports extremely high earnings

Nordzucker has more than doubled group earnings during the first three quarters (March 1 – Nov. 30) of the 2011/2012 financial year compared with the same period a year ago.

Earnings rose from €64.4mn in the previous year to €139mn. The operating result (EBIT) also increased significantly, from €134.3mn to €206.5mn. Revenues came to €1,476.9mn, after €1,361mn in the previous year. That represents an increase in revenues of around 8.5%.

Nordzucker has made active use of opportunities presented by the positive market environment this financial year. This has contributed to the excellent earnings, as have the cost-cutting measures from the long-term efficiency program "Profitability plus." The company also profited from its decision to dispose of all unprofitable investments and concentrate on sugar, its core business.

The assumption is that markets will continue to perform strongly, both for the remainder of the current financial year and during the first months of the new one.

The good harvest of 2011 should also generate more sales opportunities. At the moment, Nordzucker anticipates unusually good earnings for the 2011/12 financial year.

The Nordzucker Group generated revenues of €1,476.9mn during the first nine months of the financial year, or around €116mn more than in the same period last year (€1,360.9mn).

Prices were higher than last year, which more than compensated for the fall in sales, particularly for out-of-quota sugar. The out-of-quota sugar sold in the current financial year came from the less-productive 2010/11 campaign, whereas last year's volumes stemmed from the much higher-yielding 2009/10 campaign.

has caused India's top producer district, Maharashtra, to incur a loss of INR300mn (€4.5mn) during the first month of the crushing season, according to published reports. Representing 200 mills, officials from the Federation of Cooperative Sugar Factories in Maharashtra projected a loss of INR10bn (€1.5mn) by the end of the crushing season. In January, Maharashtra officials said a low cost of production would prompt them to seek state intervention. They cited an estimated cost of production of INR28.50 (ca. €0.42) per kg of sugar, compared with the ex-mill realisation of only INR26.85 (ca. €0.40).

## AFRICA

### ETHIOPIA

#### Chinese and Indian companies invest in new sugar factories

The Ethiopian Sugar Corporation's plan to raise national sugar production is taking shape with the announcement of an agreement with the Metal and Engineering Corporation to build the Kesem sugar factory in cooperation with Complant, a Chinese company. Kesem's sugar factory is one of ten new factories to be built in Ethiopia, part of Ethiopian Sugar's plans to raise annual production from 300,000 t to 2.25 mn t to meet demand from both local and global markets.

It was also announced in December that Karuturi Agro Products, a subsidiary of Indian giant Karaturi International, is making plans to establish a sugarcane factory in the Gambella Regional state. The Karuturi plant would have a daily crushing capacity of 7000 t of sugarcane, to be produced on 15,000 ha. The land is to be brought into production in three years, according to the plantation manager. Karuturi is currently completing a feasibility study, with work on the sugar factory to begin sometime in 2012.

### MOZAMBIQUE

#### Massingir Agro-Industria plans to invest USD740mn

Massingir Agro-Industial, a Mozambican-South African company, plans to invest USD700mn in a project to grow sugarcane in the Massingir district of Gaza province in southern Mozambique, according to the Mozambican press.

The project will be carried out in an area that was previously granted to Procana a British company whose authorisation was later revoked when the company failed to move ahead with the project. They were to build a ethanol factory from a proposed 30,000 ha sugar plantation at Massingir. According to press reports the South African partner of the project is TSB Sugar, which owns the consultancy company Booker Tate. The company expects to produce from 2018, about 113,000 t of sugar annually and 171 mn L of ethanol.

### MOROCCO

#### Producer prices of sugarcane and beets rise by 21%

The government has pledged a 21% incremental increase of its prices paid to sugar and beet producers, the first such raise since 2006, according to a government release. The government's goal is to raise productive acreage to 70,000 ha and to raise local production of raw sugar to 60% by 2016, the announcement said. During the 2011/12 campaign, the price paid to beet farmers will rise from MAD365 (€32.85)/t to MAD410 (€36.90)/t, an increase of 12.3%, with the rest to come the following year. Sugarcane growers will see a similar increase, with a set price of MAD285 (€25.65) in 2012/13. The price rise comes as a response to rising farming costs, according to the release, which acknowledges farmer discontent and a 6% decline in production during the past season, due to heavy rains. A total of 2.95mn t of beets and 700,000 t of sugarcane were harvested from a total area of 47,000 ha. Current beet yields average about 63 t/ha, according to the release.

### SUDAN / MAURITANIA

#### Kenana to open factory in Mauritania

Sudanese and Mauritanian authorities have signed a contract to establish a new sugar company in Mauritania with assistance from Sudan's Kenana Sugar Company (KSC), according to Sudanese newspaper reports. The Sudan Vision reports that presidents of both countries are promoting stronger industrial and economic relations, in part with the establishment of a factory to raise sugar production in Mauritania. The new sugar company in Mauritania is anticipated to produce 100,000 t of sugar per day, according to the report.

#### SIERRA LEONE

### Addax developing cane sugar plant

Addax Bioenergy of Sierra Leone is developing an integrated, sustainable bioenergy project in the Makeni area of the country, development officials said. With support from the African Development Bank Group (ADBG), the total investment gave €267mn to Addax Bioenergy in December 2011. The investment was made in collaboration with the Addax & Oryx Group (AOG), Swedfund, and six other development finance institutions. The group is working to promote sustainable development in Sierra Leone. Project plans call for the development of a greenfield sugarcane plantation of approximately 10,000 ha; construction of an integrated bioenergy facility, to include a sugarcane-crushing facility and ethanol distillery; and construction of a 32 MW biomass cogeneration power plant and associated infrastructure. The project is expected to generate roughly 960,000 t of sugarcane per year that will be used to produce 82 mn L of anhydrous ethanol for export and 165 GWh of electricity.

#### ANGOLA

### Kwanza Sul province to get sugar factory

A proposed 10,000 ha sugarcane production operation and new sugar factory, both in the Ebo municipality of Angola's Kwanza province, are designated for installation sometime in 2012, according to local reports. The Angolan news agency Angop quoted state agricultural authorities as saying the necessary USD82.3mn investment would be carried out by food-and-beverage company Refriango – Indústria e Comércio Geral, Lda., which is based in Portugal but has holdings in Angola. Refriango – Indústria e Comércio Geral, Lda. is Portuguese-owned, with a factory on the outskirts of Luanda for the production of soft drinks.

## AMERICA

#### BRAZIL

### Guarani acquires full ownership of Andrade

Tereos Internacional has announced that Guarani, its subsidiary in partnership with Petrobras Biocombustível S/A, has signed an agreement to acquire the 32.56% remaining stake of its subsidiary Andrade Açúcar e Álcool S/A (Andrade) from Malisa Comércio e Participações Ltda. Announced in December 2011, the agreement makes Guarani the sole owner of Andrade. Tereos valued the transaction at USD12.6mn (€9.9mn), stating that "minority shareholders will continue to be partners with Guarani through long-term sugarcane supply contracts." The transaction gives Andrade a total Enterprise Value of USD469.6mn (€368mn), the Tereos announcement said.

### AGCO takes control of cane harvester producer Santal

AGCO, a US-based manufacturer and distributor of agricultural equipment, has agreed to acquire 60% of the Santal Equipment S/A, a manufacturer of self-propelled cane harvesters and equipment for the sector, for USD31mn. "Now, with the Santal, we offer a broad portfolio of products across the sugarcane cycle, from planting to transportation," says Andrew Carioba, Senior Vice President and General Manager of AGCO South America. Based in Ribeirão Preto, São Paulo Santal offers two versions of cane harvesters, one with traction for tires and one for the treadmill.

### Brazilian Development Bank unveils sugarcane lending program

The Brazilian Development Bank (BNDES) has announced a USD2.2bn incentive program toward reviving Brazil's sugarcane industry. In early January, the BNDES announced the allocation of €1.7 bn toward the renovation and expansion of sugarcane farms. The new low-interest lending program will operate until December 31, 2012, with the goal of fincancing the replanting of more than 1 mn ha of sugarcane. The bank anticipates that Brazil's ethanol production will see an increase of anywhere from 2 bn to 4 bn L by the end of 2014 as a result of the program.

### Energisa invests in first bioenergy project

Energisa S/A, the power distribution company, has announced its first investment in bioenergy with the agreed acquisition of an 85% interest in two operational sugarcane biomass thermal power plants in Bocaina, São Paulo and Maracaju, Mato Grosso do Sul. Energisa says the acquisition agreement it has signed with Tonon Bionergia could add as much as 170 MW of power to its generation-asset base. To accommodate a projected expansion of Tonon's milling capacity, Energisa is also planning to exercise an option to construct two new thermal plants at the Tonon sugar factories by 2014. Once operational, the expansion will add another 110 MW of power to the Tonon units, currently producing 60 MW. Energisa's total investment in the acquisitions will be approximately USD490mn (€384mn), of which USD140mn (€110mn) is the acquisition price for the assets and projects. One of Energisa's primary focuses is generating renewable energy, with the goal of signing agreements for a total of 500 MW of installed capacity by 2016. Energisa says it has been making investments in small hydropower projects, while also investing in the wind-energy segment, during the past two years.

#### USA

### Minn-Dak Farmers log lower crop results

Members of the Minn-Dak Farmers Cooperative registered disappointing crop results this year, averaging only 16.2 sht per acre (36.3 t/ha), down from 27.1 sht/acre (60.8 t/ha) in 2010, according to news reports. Minn-Dak's 476 growers supply sugar beets for its factory, located in Wahpeton, North Dakota. Minn-Dak projects a total gross payment of about USD126.3mn (€99mn), down from the record USD180.6mn (€141mn) for the 2010 crop, according to reports. The projection is higher, however, than the USD95.1mn (€74mn) for the 2009 crop. In its federal filings, the growers' cooperative reported fiscal year 2010/11's net proceeds from continuing operations at USD186.7 mn (€147mn), an increase over the USD100.2mn (€79mn) from the previous fiscal year.

**Projected U.S. sugar supply drops**

The projected sugar supply in the United States was reduced for fiscal year 2011/12 by 578,000 sht, in raw value, from the December 2011 estimates, according to the U.S. Department of Agriculture (USDA). The department's January 2012 report, "World Agricultural Supply and Demand Estimates" said the drop was mainly due to lower U.S. imports from Mexico. Mexico's sugar exports were reduced, in turn, to reflect lower availability, based on lower-than-expected sugarcane yields and sugar recovery from harvested sugarcane for the season. The report also lowered Mexico's sugar imports to reflect the slow pace of entries under two previously announced tariff rate quotas (TRQ). Other reductions in U.S. supplies included a minor production reduction (Texas) and TRQ imports from the Dominican Republic. Sugar consumption in the United States was unchanged from December 2011.

**Imperial Sugar exploring more asset sales following losses**

The president of Imperial Sugar said in January that his company was exploring "potential further asset sales" in the wake of widening losses for the fourth quarter, ending September 30, 2011. Imperial president and CEO John Shepter cited high "raw sugar prices and competitive pricing dynamics" as the reason behind the company's fiscal 2011 results, as well slow progress on raising production while reducing costs at its Port Wentworth, Georgia, refinery. Imperial reported a quarterly loss of USD32.5mn, with a loss of USD2.31mn for the fourth quarter, one year earlier. For the year, the company reported a net loss of USD53.4mn, or USD4.49 per share, compared to net income of USD136.9mn, or USD11.33 per share, for fiscal year 2010. The company announced a suspension of its quarterly dividend in November 2011 and sold its 50% interest in the Mexican marketing venture Comercializadora Santos Imperial S. de R.L. de C.V. Imperial also sold its one-third stake in Louisiana Sugar Refining LLC in December 2011 to Cargill and Louisiana Sugar Growers and Refiners, and was reportedly reviewing strategic alternatives for its 50% interest in Wholesome Sweeteners. The company noted that it continued to comply with its lending agreements. Net sales for the fourth quarter of fiscal 2011 decreased to USD231.4mn compared to USD264.4mn for the same period in fiscal 2010, as a result of 27% lower sales volumes offset in part by 19% higher refined sugar prices. Net sales for fiscal 2011 were USD848mn compared to USD908mn in fiscal 2010, as lower industrial and distributor sales volumes more than offset the higher sales prices.

**Imperial Sugar to make sucrose-based insulation foam**

SES Foam and Imperial Sugar Company have introduced an environmentally friendly sucrose-based polyurethane spray-foam insulation, company officials said in an announcement. The companies say the open-cell Class 1 sucrose-based product, SucraSeal, is fire-resistant, passes the ACC 377 Appendix X test and does not require chemical barriers and coatings, making it a "greener alternative to petroleum-based insulation products." The product has an R-value of 3.7 per inch, according to the announcement, which says it is virtually odorless and less expensive to produce and install.

## OCEANIA

### AUSTRALIA

**MSF Sugar directors accept Mitr Phol offer**

Shareholders of Australia's only ASX-listed sugar miller, MSF Sugar (formerly Maryborough Sugar Factory Limited), were advised to respond quickly to a AUD313mn (€258mn) takeover offer by Thai sugar company Mitr Phol. In a media statement released in January 2012, MSF Sugar's directors recommended that shareholders accept the offer in the absence of a superior proposal. As of January 17, Mitr Phol owned almost 27% of MSF Sugar shares, and made its offer subject to a 50.1% minimum acceptance. Mitr Phol is one of the largest sugar producers in Asia, with an estimated market share of 19% in Thailand and 9% in China. MSF Sugar is the latest of numerous Australian sugar companies to be targeted by a foreign investor.

# Campaign data of sugar factories in 2011/12

| Factory | Campaign end | Campaign length | Beet processing in t | Sugar in t* | Molasses in t | Pulp in t** | Dried pulp in t*** (un)molassed | Dried pulp in t*** pelletized | Carbonatation lime in t |
|---|---|---|---|---|---|---|---|---|---|
| **Belgium** | | | | | | | | | |
| Fontenoy | 16.01. | 131 | 1,438,721 | 150,284 W[1] | 40,500 | 5,754 w<br>287,770 p | | 7,824 mol. | 67,067 |
| Tienen | 16.01. | 132.0 | 1,548,493 | | | | | | |
| Wanze | 16.01. | 132.0 | 2,235,888 | | | | | | |
| | | | | | | | | | |
| **Germany** | | | | | | | | | |
| Appeldorn | 17.01. | 132 | 1,129,926 | | | | | | |
| Brottewitz | 10.01. | 122.2 | 723,200 | | | | | | |
| Euskirchen | 15.01. | 119 | 1,219,353 | | | | | | |
| Jülich[2] | 26.01. | 141 | 1,922,323 | | | | | | |
| Könnern | 28.12. | 114 | 1,775,968 | | | | | | |
| Lage | 10.01. | 112 | 838,593 | | | | | | |
| Ochsenfurt | 13.01. | 125.6 | 1,812,826 | | | | | | |
| Offenau | 29.12. | 108.3 | 1,390,886 | | | | | | |
| Offstein | 29.12. | 109.0 | 1,835,142 | | | | | | |
| Plattling | 20.01. | 133.3 | 2,071,861 | | | | | | |
| Rain | 23.01. | 136.8 | 1,625,306 | | | | | | |
| Wabern | 29.12. | 101.6 | 687.815 | | | | | | |
| Warburg[3] | 27.12. | 97.8 | 454,000 | | | | | | |
| Zeitz | 08.01. | 120.7 | 1,458,319 | | | | | | |
| | | | | | | | | | |
| **Greece** | | | | | | | | | |
| HSI (3 factories) | 12.10.[4] | 20[5] | 328,697[6] | 38,266 W | 13,867 | 12,785 w | | 13,754 mol. | |
| | | | | | | | | | |
| **Italy** | | | | | | | | | |
| Minerbio (BO) | 29.10. | 94 | 820,200 | 115,300 W | 39,200 | 51,100 p | 480 unmol. | 29,200 unmol. | 24,000 |
| Pontelongo (PD) | 14.10. | 72 | 758,000 | 100,800 W | 34,900 | 74,300 p | 570 unmol. | 14,700 unmol. | – |
| | | | | | | | | | |
| **The Netherlands** | | | | | | | | | |
| Dinteloord + Vierverlaten | 09.01. | 129 | 5,560,958 | | | | | | |
| | | | | | | | | | |
| **Switzerland** | | | | | | | | | |
| Aarberg | 27.12. | 96.7 | 927,600 | 152,300 W | 31,500 | 139,000 p mol. | | 19,000 mol. | |
| Frauenfeld | 29.12. | 102.6 | 901,800 | 148,500 W | 28,700 | 133,000 p mol. | | 19,000 mol. | |
| | | | | | | | | | |
| **Slovakia** | | | | | | | | | |
| Sered | 09.01. | 123 | 500,498 | 75,439 W[7] | 19,062 | 127,948 p | | | 14,231 |

* W White sugar. ** w Wet pulp, p Pressed pulp. *** mol. molassed, pell. pelletized, unmol. unmolassed.
[1] 85,016 t, white value, in thick juice. [2] preliminary. [3] additional organic beet campaign: 7.2 d; 28,311 organic beets. [4] last factory. [5] average. [6] 698 t W from remelt. [7] 661 t W from remelt.

# World sugar market: Sugar prices to ease back in 2012?

Sugar prices remained remarkably stable in December 2011 although raw sugar ended the year as one of the weakest performing commodities, down 27.5% or 8.82 cents/lb from last year's close at 32.12 cents/lb (Fig. 1). Raw sugar has even fallen 35.4% from a three-decade high at 36.08 cents reached in early May. However, the average for the year was relatively high at 29.65 cents/lb compared with 26.47 cents the previous year and a mere 12.58 cents in 2010. Given the widely held view that a significant global surplus is on the way prices were remarkably strong in January 2012 as the surplus was brushed off for fear of a lack of supplies for delivery against the tape when the nearby March contracts expire. Raw sugar prices in NY remained in a fairly narrow range between 23 and 25 cents/lb. White sugar prices in London were more volatile, ranging between USD600 and USD658 a t. The ISA (International Sugar Agreement) average for January (1–25) was 23.52 cents compared with 29.65 cents the same month last year and 23.13 cents in December 2011.

## Higher global surplus

That a substantial surplus can be expected in 2011/12 was underlined in December by C.Czarnikow. The company raised its global sugar surplus forecast to 6.1 mn t from a previous 5.3 mn t, citing strong European beet sugar output as a key reason. In fact, not only the EU but also Russia and Ukraine will turn out significantly higher crops in 2011/12. Global beet sugar production in crop year 2011/12 was put at 38.7 mn t, raw value, up from 32.1 mn t the previous season, while cane sugar production was forecast to reach 138.3 mn t compared with 136.0 mn t in 2010/11. Consumption in CY 2011 was projected at 170.5 mn t, up from 167.8 mn t the previous year.

## EU in comfortable supply position

In December 2011, the EU Commission raised its 2011/12 output estimate for beet white sugar production to 18.107 mn t, up from the September figure of 17.488 mn t. Given that another 112,278 t of quota sugar were carried over from 2010/11, total quota production in 2011/12 is seen at 18.219 mn t. However, of the total only 13.107 mn t will be under quota, resulting in 5.112 mn t of out-of-quota sugar compared with just 2.880 mn t in 2010/11.
The EU is now in a much more comfortable supply position than in the previous year, allowing it to import less and export more with the latter a bone of contention between the EU on one side and Australia and Brazil on the other. In December the Commission allowed exports of 700,000 t of out-of-quota sugar after it had, in March, approved an initial 650,000 t of 2011/12 export licenses from January 1 2012, which would take total shipments for 2011/12 to 1.35 mn t, the maximum limit allowed under WTO rules. So far so good. The problem is that there were around 700,000 mn t of "carryover licenses" from the 2010/11 season, which could take physical exports from the 2011/12 crop to 2.05 mn t. In April 2011, the European Community approved the export of these 700,000 t under the WTO limit for 2010/11 despite a lack of physical sugar for shipment. Therefore, the export licenses were only for delivery between September 1 and December 31, meaning that the sugar delivered under these 2010/11 licenses were actually produced in the new 2011/12 campaign, a fact against which Brazil and Australia strongly protested. Brazil's sugar industry association Unica said that the final decision, taken on November 24, to export the additional 700,000 t was clearly in breach of the WTO rules and would be questioned at the next agriculture committee meeting of the WTO. Australia's cane growers organization Canegrowers opined that in an effort to circumvent its international obligations, the EU has extended its 2010/11 marketing year by three months to December 31, 2011. Unica said that the EU's decision amounts to little more than an accounting trick and that it cannot behave as if the marketing year is suddenly 15 and not 12 months long.

## EU cancels tenders

Given the more comfortable supply position, the EU canceled tenders for importing sugar at reduced duties set for January and February. The tendering process was approved in November to boost supplies in the EU. Under this programme importers are invited to offer the duty that they are willing to pay for further imports and 191,000 t of raw sugar intended for refining were approved in the first four tenders. However, the final three tenders scheduled from June 6 to July 11 remain in force. Another measure to increase internal

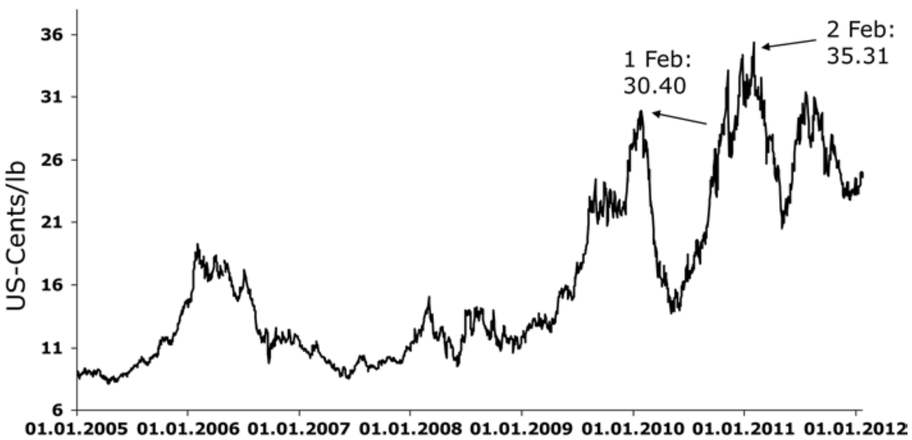


**Fig. 1:** World raw sugar prices, NY #11, in US-cents/lb

supplies was the Commission's decision to allow the sale of 400,000 t of out-of-quota sugar for food use within the bloc at reduced levy. The refining industry complained at the beginning of December that the reduced duty on raw sugar imports for refining was €252.50 to €255.00 a t, compared to the usual duty of €339 a t, while domestic beet sugar producers were allowed to sell the 400,000 t of out-of-quota sugar at a reduced duty of only €85 a t. The European sugar refiners association said that it is difficult to understand the logic behind forcing the refiners into a desperate auction against each other for import licenses, particularly when their plants are operating at only around 60% of capacity. They also demanded to abolish the import duty of €98 on CXL sugar, arguing that cane sugar refiners should have fair access to sufficient raw sugar at competitive prices.

### Huge crop in Russia and Ukraine

Russia is still on course to register a huge crop with official estimates of beet white sugar production for 2011/12 at 5.2 mn t, up from 2.7 mn t the previous season. With internal demand estimated at 5.2–5.3 mn t, Russia would need to import significantly less than in previous years. Imports in 2010 soared to 2.2 mn t, raw value, up from 1.4 mn t the previous year. The Institute for Agricultural Market Studies (IKAR) said that raw sugar imports may fall below 1 mn t for the first time in 2012 because of the huge crop. Import tariffs for raw sugar were raised to USD140 a t in August 2011 from USD85 in July and USD50 in June. To protect the domestic beet sugar industry the government plans to keep the tariff no lower than USD140 until at least May 2013.

Ukraine produced 2.34 mn t of beet white sugar in 2011/12 up from 1.55 mn t the previous season with internal demand seen at 1.9 mn t. In contrast to earlier reports industry sources now said that the country may reduce the area sown to beet this year by between 8 and 16% due to beet white sugar overproduction in 2011. Earlier it had been suggested that beet production may rise another 9% in 2012 due to an expected 13% rise in the beet area this year to 615,000 ha from 545,000 ha in 2011.

### Good crops in Asia

In Asia, good crops are expected, among others, in Thailand, India and Pakistan. In Thailand, the industry produced 3.940 mn t of sugar, *tel quel*, through January 22, up from 2.926 mn t the same period last year. Official sources expect total production to reach 9.9 mn t, up from 9.6 mn t in 2010/11. The only problem is that above normal rains are forecast for March in northeastern Thailand, which accounts for roughly 60% of total production. This could hamper harvesting and processing. It would not be a great threat only if the majority of the crushing would be completed by March.

### Size of Indian crop uncertain

There is still no agreement on the size of India's 2011/12 crop. The country produced 10.45 mn t of sugar, white value, through January 15, up 19.3% from 8.76 mn t the same time last year. The Indian Sugar Mills Association (ISMA) in December 2011 forecast production at 26 mn t, up from 24.4 mn t in 2010/11, while the Food Ministry sees 2011/12 production at only 24.6–25.0 mn t. Meanwhile, industry sources said that sugar production in top producer Maharashtra may reach only 8.7–8.8 mn t compared with 9.1 mn t in 2010/11 due to uneven rainfall distribution affecting cane yields. Additionally, the share of lower-yielding ratoon cane is also higher than in 2010/11. Production figures so far are not that pessimistic with the total from October 1 to January 15, 2011/12, at 3.70 mn t compared with 3.22 mn t the same period the previous season. Top cane-growing state Uttar Pradesh (UP) could produce as much as 7.36 mn t in 2011/12 up from 5.9 mn t the previous season, which would be up 10–15% from an earlier forecast due to an increase in the area planted to cane and less cane being used to make alternative sweeteners, government officials said.

### Low profits in India

Still, the pessimistic forecast for Maharashtra could prompt the government to become cautious on exports and allow only 500,000 t of additional exports against previous expectations of another 1 mn t tranche. India's decision to allow up to 1 mn t of sugar exports in December 2011 had given mills some financial relief as they were hoping to offset the rise in costs by tapping the global markets. However, falling world prices and a stronger rupee have hardly left any scope for profits recently, which could lead to cane-payment arrears, negatively affecting production the following season. Earnings of sugar mills from selling their export quota allocations have decreased by 50% in the first round of 1.0 mn t of sugar exports in 2011/12 from the third and final 500,000 t tranche allowed in 2010/11, industry sources said. Moreover, Indian mills found it tough to export sugar in December, forcing the government to extend by a month the time allowed to mills and exporters to seek permits to export the first tranche of 2011/12 OGL sugar. Mills exporting from their own stocks can now submit applications until January 31, while those relying on sourcing sugar from others can do so until February 15. Despite the appreciating rupee, reduced margins and weak demand, mills still seem to be happy to export as the sales help them to make cane payments and reduce carrying costs. A ray of hope is the recent rise in global prices, if sustained, which may result in higher margins. However, the government is not likely to consider additional OGL exports before February 7. Industry sources warned that sugar prices could give back recent gains given the expected surplus in 2011/12 and that therefore the window of opportunity for remunerative Indian exports may close rather sooner than later.

### Deficit in India in 2012/13

Due to the fact that 2012/13 is an off-year in the Indian production cycle and given the possibility of substantial cane-payment arrears, analysts expect a downturn in Indian production next season. Hence, the country, once again, may change its status from net exporter to net importer in 2012/13 which could prove to be critical as Brazil will probably not come up with larger exports, suffering from production problems of its own. Whether and how much India will have to import in 2012/13 will also depend on the level of stocks which should be very much higher than two seasons ago.

The industry made again noises that the government may relax controls on the sugar sector. But sugar pricing remains highly political and with a slew of elections scheduled this year, lifting controls could be unviable for the government and its allies.

**Exports of Pakistan coming**

Pakistan, Asia's third-largest sugar consumer, may export sugar for the first time in four years as domestic production exceeds demand. The country is expected to produce 4.7–4.8 mn t, white value, in 2011/12, significantly above domestic consumption of about 4.2 mn t. Given that there is a carryover stock of 600,000 t from the previous season, the industry is looking for a potential surplus of up to 1.2 mn t.

**China to import more sugar**

News from China is not that encouraging due to adverse weather in Guangxi with production in 2011/12 now put at 11.0–11.5 mn t, white value, compared with previous estimates of 12 mn t and 10.45 mn t produced in 2010/11. With internal demand estimated at 13.4 mn t the country will have to import more than last season's 2.1 mn t, raw value. This is especially true given the government's intention to stockpile 2 mn t of white sugar this year to bolster strategic reserves which have been run down due to lacking domestic supplies. In October/December 2011 imports soared to 1.262 mn t, raw value, up more than three times from the volume imported in the same period in 2010. The Commonwealth Bank of Australia recently said that China will be the largest importer world-wide by 2020 with consumption seen rising rapidly. China targets sugar output of 16 mn t by 2015, aiming to meet 85% of internal demand. The bank concludes that, given China's growing importance on the demand side, production scares will have a more pronounced impact on international trade flows and therefore on global sugar price volatility.

More positive news came from Australia where the Commonwealth Bank of Australia said that raw sugar production in 2012/13 (July/June) could rise from 3.9 mn t this season to 4.5 mn t. Although this is still well below potential, the industry seems to be shaping up, given recent favourable prices and expectations of even higher prices in 2013.

**Brazil growers receive bank loans**

Brazil's Centre-South cane crush has now all but finished and only a handful of mills were still operating in January. Mills had crushed 492.23 mn t of cane by January 1, down 11.4% from 555.39 mn t crushed by the same time a year earlier. Sugar production decreased 6.9% to 31.174 mn t, *tel quel*, from 33.470 mn t last year, while ethanol output dropped 18.7% to 20.561 bn L from 25.303 bn L.

This did not remain without effect on exports which, according to F.O. Licht, dropped to 25.8 mn t, raw value, in 2011 from 28.6 mn t the previous year.

Many projections are circulating about the size of the CS 2012/13 crop. However, it is far too early to forecast it with a high degree of accuracy. All the same, many expect a rebound given the assumption of less detrimental weather than in the previous year. Apart from weather, another critical factor will be the sugar/ethanol mix, which depends on relative prices. Unica said in December that mills would likely increase ethanol production if prices for raw sugar fell below 20–22 cents/lb. LMC said in its January Sugar Bulletin that millers could reduce production and exports of sugar by at least 5 mn t if the world sugar market offers them a less attractive return than ethanol. This will also depend on the BRL/USD exchange rate which remains a key factor to watch during the coming months. Brazilian consultant Job Economica, at least, believes that CS cane production should rise by about 10 mn t to between 540 and 560 mn t, significantly above Kingsman's figure of 515 mn t.

Given the fall in cane production in 2012/12 Brazil's state-run development bank (BNDES) announced to make available BRL4bn (USD2.2bn) in loans at subsidized interest rates in 2012 to cane producers to speed renewal of aging plantations whose falling yields have limited sugar and ethanol output. F.O. Licht said that this exposes as myth the common proposition that Brazilian sugar is not subsidized.

**Tight supplies in the USA**

In the Americas news, the United States Department of Agriculture (USDA) suggests that the sugar market will be very tight in the year ahead with the loss of Mexican production. The USDA cut its estimate of Mexico's sugar production to 5.0 mn t from 5.33 mn t in December on account of lower-than-expected sugarcane yields and sugar recovery rates so far this season. US sugar production was cut marginally to 7.870 mn sht, raw value, from 1.581 mn sht. Domestic consumption of 11.4 mn t was left unchanged, which led to a reduction of the stocks-to-use ratio to 5.3% in January from 10.3% in December. This means that the US will need to adjust its import program later in the season as it seems unthinkable to manage the US market with such a low stock-to-use ratio.

Given tighter than expected domestic supplies, Mexico is expected to approve in January what is called an 'umbrella' sugar import quota of 40,000 t that would aim to prevent price spikes that could occur in spite of regular import quotas. In November 2011, the country published a sugar import quota of 150,000 t. The import quota would be supplied mostly by Central America, and the sugar would enter duty-free, thanks to a free-trade agreement, government sources said.

**Strong white sugar premiums**

Trade sources said that the white sugar premium, a differential between London and New York markets that indicates the strength of refining margins, is being kept strong at around USD100 a t by the poor availability of produce for delivery. At first sight, this may come as a surprise, given the good harvests in the EU and India. The problem is that these sugars are not deliverable against the tape. EU sugar cannot be delivered due to export rules. Moreover, Brazilian sugar's availability is hampered by shipping practices, while Thai origins are often too 'valuable' to be delivered because of their geographical advantage, leaving only few Central American origins easily available.

### Outlook for 2012

While prices during the first few months of 2012 will remain under pressure, given the hefty surplus this year, there are some unknowns which could mitigate any price fall. S&D said that, despite the surplus, the marked remains exposed to risks such as bigger imports from China, a slow start of the next Brazilian CS crop, unexpected logistical bottlenecks in Thailand or government's reticence over large exports in India. Another factor of uncertainty remains the sovereign debt crisis in the Euro zone which is far from being solved. S&D emphasized that, given a stronger US dollar, a decreased investors' appetite for risky assets and tighter credit availability from banks deleveraging their balance sheets. The macro impact should be bearish overall during the 1st quarter of this year.

However, some expect prices to pick up during the second half of this year, due to anticipated tighter supplies in 2012/13. While the outcome of the Brazilian CS harvest remains uncertain, ED&F Man Holdings Ltd said that Indian production may fall as much as 4 mn t next season, if millers are unable to pay farmers. This, it is believed, may force the country to import. Some expect production in the EU to stagnate, given the exceptionally high yields in 2011/12. Whether Russia and Ukraine can repeat their stellar performances of 2011/12 remains an open question. Cane production in Thailand, the world's second-largest exporter, may decline from the record achieved in 2011/12 because of adverse weather. China is forecast to import more, given rapidly rising internal demand, a rebuild of stocks, and production problems at home. True, production in some countries, such as Australia, is forecast to rise in the coming season; but overall it seems as if output may be less plentiful which should support prices. According to a median of forecasts in a Reuters poll of 17 analysts, the global sugar surplus will stand at 7.97 mn t in 2011/12 and slip to 3.2 mn t in 2012/13. The poll predicted a median ICE benchmark front-month raw sugar price of 22.00 cents/lb at the end of the first quarter 2012, as the new Brazilian CS crop kicks off, and 23.90 cents/lb at the end of 2012. These estimates have to be regarded with a healthy dose of skepticism, as much will depend on Brazil's 2012/13 crop.

# Tereos profits from high world market prices

The French sugar, ethanol and starch-production cooperative Tereos posted 25% an increase in consolidated turnover to €4.4bn for the 2010/11 financial year (Oct. 1 – Sept. 30) after €3.5bn in 2009/10. The increase was mainly due to a 50% increase at Tereos Internacional operations in Brazil and the Indian Ocean. Adjusted EBITDA of Tereos reached a new record level of €752mn, an increase of 26% over last year. The adjusted EBITDA margin stood at 17.1%, unchanged from the previous year. Financial results show a net financial expense of €126mn, down €26mn from the previous year. Net income, before price supplements, rose sharply to €302mn in 2010/11 against €200mn in 2009/10. After a distribution of €85mn in price supplements to the members of the cooperative, the group's net profit stood at €237mn, an increase of 57% over last year. The ratio net debt/adjusted EBITDA improved significantly to 2.7 on September 30, 2011, against 3.2 the previous year. Net debt reached €2,003mn on September 30, 2011, against €1,901mn at the end of the previous year.

**Beet sugar**

Sales revenues in sugar beet (Tereos France and TTD, Czech Republic) rose 10%, due to higher sugar prices. Adjusted EBITDA rose 14% to €343mn, compared to €293mn in the previous year. In France, Tereos has sold 1.6 mn t of sugar in 2010/11 with sales prices up sharply.

In Spain, Tereos saw very good performance in the marketing of refined sugars produced at the refinery in Olmedo, operated together with Acor. In 2011, Tereos became the second player on the Iberian Peninsula in marketing 375,000 t of sugar.

**2011/12 campaign**

In 2011/12, the sugar beet campaign in Europe ended with excellent yields and record production, despite difficult weather conditions in the spring. In France, 174,000 ha of sugarbeet were sown, up 1% over last year. The beet yield of 96 t/ha at 16 % sugar content was outstanding, according to Tereos. Nearly 16.5 mn t of beet were processed in 117 days into 2.7 mn t of sugar. At the Czech subsidiary, Tereos TTD, 34,700 ha of beet were sown, up 5.6%. The excellent weather conditions resulted in a beet yield of 81 t/ha at 16% sugar content. In 128 days, nearly 2.8 mn t of beets were processed into 450,000 t of sugar.

| Financial results in mn € | | | |
|---|---|---|---|
| | 2009/10 | 2010/11 | Change |
| Turnover | 3529 | 4409 | 25% |
| Adjusted EBITDA | 596 | 752 | 26% |
| EBITDA margin adjusted in % | 16.9 | 17.1 | 20 pts |
| Net income before PS* | 200 | 302 | 51% |
| Net income after PS* | 150 | 237 | 57% |
| Net debt to adjusted EBITDA | 3.2× | 2.7× | |

*Price supplements

**On EU sugar quotas**

Thierry Lecomte, Chairman of the Supervisory Board of Tereos, said: "The sugar beet campaign in Europe has been excellent with record yields to 15 tonnes of sugar per hectare in France. The Group Tereos is committed to maintaining the competitiveness of sugar beet production in Europe, and reducing cost differences between sugar beet and sugarcane. From this perspective, the maintenance of European quotas until 2020 is indispensable."

**Starch**

Driven by higher grain prices, the grain processing sector (Tereos Syral and BENP/DVO) increased its revenues by 25% over 2010/11. In a sluggish European market, the group posted a slight increase in volumes. Adjusted EBITDA of cereal activities increased by 8% to €157mn. Tereos has decided to invest in the starch industries of Brazil and China. In Brazil, Tereos acquired a majority stake in Halotek, a specialist in the processing of cassava starch. Priority will be given to the construction of a corn starch facility, starting in 2012. In China, the group formed a joint venture with Wilmar.

In addition, Tereos is accelerating its development at BENP Lillebonne to produce gluten, beginning in 2012, and glucose in 2013.

**Sugarcane**

Operating profit (EBITDA adjusted) of the sugarcane activities was up 61%, to €255 mn, of which Guarani in Brazil contributed €204mn (+57%) and the subsidiaries in the Indian Ocean (Reunion, Mozambique, Tanzania) €51mn (+82%). In Brazil, the 2011 campaign has been difficult on the agricultural side and marked by an increase in industrial and agricultural costs. This is due mainly to the effects of the financial crisis of 2008, leading Brazilian planters, lacking funds, to reduce the renewal of their plantations. In addition, weather conditions in 2011 contributed to lower yields, from 85 t/ha of cane to 70 t/ha in the south-central region.

The high level of interest rates (10%) and the overvaluation of the Brazilian currency against the U.S. dollar also contributed to higher production costs.

On Reunion Island, the 2011 campaign was unchanged from that of 2010, marked by the growing percentage of specialty sugars in total production (50%). In addition, Tereos continues the sale of non-strategic assets of the French Quarter Group.

In Mozambique, the good weather and irrigation extending to 50% of the area allowed for a 40% increase of sugar production, from 47,000 t to 66,500 t. In Tanzania, the performance of last season was excellent, with a yield of 111 t/ha.

# EU News

## EU sugar balance for 2011/12

In early January the EU Commission published an updated assessment of the EU sugar and isoglucose balance for the 2011/12 marketing year (Table 1). The commission estimates production at 14.25 mn t, of which 13.8 mn t constitutes production under quota, while 0.421 mn t is out-of-quota sugar released for human consumption. Due to this release of out-of-quota sugar for human consumption, the available out-of-quota sugar amounts to only 4.97 mn t. Despite the very good 2011/12 harvest, this is only 0.25 mn t more than in 2009/10.

Sugar and isoglucose consumption is assessed to be 0.1 mn t higher than previous years, at 16.6 mn t. Because the EU Commission estimates exports of sugar in processed products at 1.14 mn t the ending stocks of quota sugar and isoglucose are put at 1.9 mn t. In respect to sugar consumption alone, FranceAgriMer estimates a slight increase of 70,000 t in sugar consumption to 15.91 mn t in 2011/12.

Of the 4.97 mn t of out-of-quota sugar, the EU Commission expects exports of 2,065 mn t. Within the WTO agreement, the EU is allowed to export only 1.35 mn t of sugar per year to non-EU countries.

In 2011/12, however, exports amounting to 2.05 mn t will be possible, because the 2010/11 export licenses were extended to the end of calendar year 2011. Use of sugar for ethanol production will rise to the levels of 2009/10, i.e. 1.3 mn t. Considering sales of 0.6 mn t, sent to the chemical industry in previous years, the EU Commission expects a carry-over to the next sugar market year of 0.95 mn t. Due to the large harvest, the carry-over is 0.8 mn t higher than in 2010/11 and 0.4 mn more than in 2009/10. The higher carry-over will most likely result in a reduction of European beet-cultivation area during the coming season.

**Table 1:** EU sugar and isoglucose balances 2009/10–2011/12 in 1000 t (Oct./Sept.) (Source: European Commission)

| | 2009/10[1] within quota | 2009/10[1] out-of-quota | 2010/11[1] within quota | 2010/11[1] out-of-quota | 2011/12[2] within quota | 2011/12[2] out-of-quota |
|---|---|---|---|---|---|---|
| | | | ***Availabilities*** | | | |
| 1. **Beginning stocks** | 1,843 | 0 | 1,177 | 0 | 1,828 | 0 |
| – Private | 1,808 | | 1,177 | | 1,828 | |
| – Intervention | 35 | | 0 | | 0 | |
| 2. **Production** | 13,956 | 4,663 | 14,361 | 2,248 | 14,247 | 4,914 |
| – quota / nonquota | 13,956 | 4,663 | 13,835 | 2,774 | 13,826 | 5,335 |
| – release nonquota | 0 | 0 | 526 | –526 | 421 | –421 |
| 3. **Imports** | 2,996 | 8 | 3,973 | 54 | 3,629 | 55 |
| – as such | 2,499 | | 3,445 | | 3,101 | |
| – in processed products | 497 | | 528 | | 528 | |
| 4. **Total available** | 18,795 | 4,671 | 19,511 | 2,303 | 19,704 | 4,969 |
| | | | ***Outlets*** | | | |
| 5. **Consumption** | 16,500 | 1,992 | 16,500 | 1,446 | 16,600 | 1,950 |
| – Chemical industry | | 646 | | 650 | | 650 |
| – Ethanol | | 1,346 | | 796 | | 1,300 |
| 6. **Exports** | 1,118 | 2,115 | 1,183 | 735 | 1,183 | 2,065 |
| – as such | 100 | | 45 | | 45 | |
| – in processed products | 1,018 | | 1,138 | | 1,138 | |
| 7. **Ending stocks** | 1,177 | 564 | 1,828 | 121 | 1,921 | 954 |
| – Private | 1,177 | | 1,828 | | 1,921 | |
| – Intervention | 0 | | 0 | | 0 | |
| 8. **Total outlets** | 18,795 | 4,671 | 19,511 | 2,303 | 19,704 | 4,969 |

[1] Final. [2] Forecast.

## EU beet sugar production now put at 18 mn t

Together with the EU sugar balance, the EU Commission updated its estimate of EU sugar production for 2011/12 (Table 2). The EU sugar production in 2011/12 including the French DOM is put at 18.26 mn t. The total sugar production is estimated at 3.1 mn t and 0.7 mn t higher than in 2010/11 and 2009/10, respectively.

The beet sugar production of the EU is put at 18.0 mn t, compared with 15.18 mn in 2010/11 and 17.25 mn t in 2009/10. Of the 2.83 mn t increase, Germany accounts for 1 mn t and France for 0.74 mn t.

The actual production in Greece amounted to only about 38,000 t. According to the EU data, however, Greece fulfilled its quota of 158,000 t. The difference of 120,450 t was actually produced outside of Greece, by common agreement with producers in other EU countries (most likely France, Germany and others), so this production figure should actually be incorporated in the production figures of other European countries.

Italy has been the EU's only beet sugar-producing country that has not fulfilled its EU sugar quota, of 508,379 t. Italy has produced only 449,000 t, compared with 554,530 t the country produced in 2010/11. This decline is attributable to the lower sugar yield, combined with a 13% reduction in the total area for beet cultivation. As was the case last year, the sugar manufacturers of the French Overseas Departments (DOM) have produced only about 250,000 t of their 432,220 t quota.

The average sugar yield is 11.7 t/ha. This is the highest EU sugar yield since recording began, and only the second time ever that producers recorded an average sugar yield of more than 11 t/ha. There are three countries, France, Belgium and the Netherlands with sugar yields of more than 13 t/ha. The lowest sugar yields were recorded in Finland and Greece with 5.9 and 6.4 t/ha, respectively.

**Table 2:** Forecast white sugar production in t of marketing year 2011/12 (EU 27) (Source: European Commission)

| | Quota | Sugar | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Beet area in 1000 ha | Beet yield in t/ha | Production of the campaign | Carry forward from 2010/11 to 2011/12 | Total production | Production under quota | Out-of-quota (indust. + carry f.) |
| Austria | 351,027 | 47 | 11.4 | 532,000 | 0 | 532,000 | 351,027 | 180,973 |
| Belgium | 676,235 | 64 | 13.4 | 863,658 | 0 | 863,658 | 676,235 | 187,423 |
| Czech Republic | 372,459 | 58 | 9.0 | 520,229 | 138 | 520,367 | 372,459 | 147,908 |
| Denmark | 372,383 | 40 | 11.8 | 472,157 | 0 | 472,157 | 372,383 | 99,774 |
| Finland | 80,999 | 15 | 5.9 | 85,778 | 4,023 | 89,800 | 80,999 | 8,801 |
| France (met.) | 3,004,811 | 359 | 13.8 | 4,960,000 | 11,092 | 4,971,092 | 3,004,811 | 1,966,281 |
| France (Dom) | 432,220 | | | 250,000 | n.a. | 250,000 | 250,000 | 0 |
| Germany | 2,898,256 | 396 | 11.3 | 4,471,552 | 44,811 | 4,516,363 | 2,898,256 | 1,618,107 |
| Greece[1] | 158,702 | 6 | 6.4 | 158,670 | n.a. | 158,670 | 158,670 | 0 |
| Hungary | 105,420 | 13 | 9.3 | 123,993 | 0 | 123,993 | 105,420 | 18,573 |
| Italy | 508,379 | 54 | 8.3 | 449,502 | 49,347 | 498,849 | 498,849 | 0 |
| Lithuania | 90,252 | 17 | 7.5 | 127,104 | 4 | 127,107 | 90,252 | 36,855 |
| The Netherlands | 804,888 | 73 | 13.9 | 1,005,700 | 0 | 1,005,700 | 804,888 | 200,812 |
| Poland | 1,405,608 | 197 | 8.7 | 1,710,688 | 0 | 1,710,688 | 1,405,608 | 305,080 |
| Portugal (Azores) | 9,953 | | | 714 | 0 | 714 | 714 | 0 |
| Romania | 104,689 | 19 | 7.4 | 137,989 | 189 | 138,178 | 104,689 | 33,489 |
| Slovakia | 112,320 | 18 | 10.3 | 181,899 | n.a. | 181,899 | 112,320 | 69,579 |
| Spain | 498,480 | 46 | 11.8 | 536,042 | 8,853 | 544,895 | 498,480 | 46,414 |
| Sweden | 293,186 | 40 | 10.2 | 406,530 | 2,674 | 409,204 | 293,186 | 116,018 |
| United Kingdom | 1,056,474 | 99 | 12.8 | 1,263,891 | n.a. | 1,263,891 | 1,056,474 | 207,417 |
| Total | 13,336,741 | 1,559 | 11.7 | 18,258,095 | 121,131 | 18,379,226 | 13,135,721 | 5,243,505 |

[1] Including 120,450 t produced in other EU countries.

**EU sugar prices in November 2011; EU shortens publication delay**

The EU Commission reported in January 2012 a selling price of €645 per t for white sugar for human consumption ex works for November 2011. That is €11 higher than the previous month and €62 higher than in September 2011. This is the highest price since price reporting by the EU Commission began, in June 2006. The selling price for industrial sugar, as communicated by the sugar industry, amounted to €389/t in November 2011, as compared with €520 in October and €375 in September 2011.

With EU Regulation 1369/2011, the commission has reduced to one month the time span between producer reporting of sugar prices and publication by the commission.

**Commission Implementing Regulation (EU)** No 1369/2011 of 21 December 2011, amending Regulation (EC) No 952/2006 laying down detailed rules for the application of Council Regulation (EC) No 318/2006 as regards the management of the Community market in sugar and the quota system.

O.J. EU No. L 8 of 12.1.2012, p. 34

**EU suspends sugar import tenders at reduced duties in January and February**

The European Union has suspended the three remaining tenders for sugar imports at reduced duties that were expected to be held in January and February, due to improved availability of the sweetener within the bloc.

The next deadline for submitting bids would have been January 25, with two more tenders to be held on February 1 and February 15. However, three later tenders, which had been scheduled between June 6 and July 11, remain in effect, as the commission said it will continue to monitor the market closely and take any necessary measures to ensure sufficient supply.

On January 12, the commission again awarded licenses for 40,000 t of raw cane sugar for Raffination at a tariff of €270.16/t. EU member states had opposed the suspension of imports. Germany would have only agreed if additional out-of-quota sugar would have been made available for sale on the domestic market. The EU Commission based its decision on the good EU beet crop, resulting in a sufficient supply of sugar.

**New Regulations**

**Commission Implementing Regulation (EU)** No 19/2012 of 11 January, 2012 fixing an acceptance percentage for the issuing of export licenses, rejecting export-license applications and suspending the lodging of export-license applications for out-of-quota sugar.

O.J. EU No. L 8 of 12.01.2012, p. 34

**Commission Implementing Regulation (EU)** No 1368/2011 of 21 December 2011 amending Regulation (EC) No 1121/2009 laying down detailed rules for the application of Council Regulation (EC) No 73/2009 regarding the support schemes for farmers provided for in Titles IV and V thereof, and Regulation (EC) No 1122/2009 laying down detailed rules for the implementation of Council Regulation (EC) No 73/2009 as regards cross-compliance, modulation and the integrated administration and control system, under the direct support schemes for farmers provided for in that Regulation, as well as for the implementation of Council Regulation (EC) No 1234/2007 as regards cross-compliance under the support scheme provided for the wine sector.

O.J. EU No. L 341 of 22.12.2011, p. 33

# Starch and Sweeteners

### EU researchers endorse safety of low-calorie sweeteners

A group of Italian and European food safety and health experts gathered in January 2011 to announce that there are no health risks from the use of aspartame and other low- and no-calorie sweeteners, according to a published report. Speaking at a conference titled "No-Calorie Intense Sweeteners: Focus on Safety of Use," Andrea Poli, the scientific director of Nutrition Foundation of Italy, pointed out how much contradictory information has been released during the past several years on the safety of sweeteners. Seeking to sound a final note to the debate, Poli said the conclusions of expert scientists at the conference left no more "room for doubt" about the safety of low- and no-calorie sweeteners, "which have been thoroughly evaluated and approved by the appropriate regulatory authorities." The panel of scientists, four Italian and one Danish researcher, said that sweeteners currently being made available on the market are "safe for consumption."

### Vitiva enters stevia market

The Slovenian foods producer Vitiva has entered the stevia-based sweetener market with its Sweet'nVit brand. Company officials said they anticipate growing demand for reduced- or replaced-sugar products that can be used "in all food applications," including soft drinks, dairy and table-top sweeteners. Vitiva plans to market its new sweetener line globally, including North and South America and Asia. Based in Slovenia, Vitiva produces application-specific ingredients, based on natural extracts, for the food, cosmetic, pharmaceutical and nutraceutical industries.

### Tate & Lyle Sugars producing sweetener using stevia

UK-based Tate & Lyle Sugars has begun producing and marketing its new "Light at Heart" product which blends white and brown cane sugar with stevia extract. The product launch comes after Tate & Lyle Sugars won EU approval, in November 2011, of the herbal sweetener for use in the United Kingdom. Promoters of the product, which is available in British supermarkets, claim that Light at Heart is "twice as sweet" as everyday sugar, enabling users to consume much less of it. Tate & Lyle Sugars is targeting the broad family market with the product, saying it can be treated as a traditional sweetener, including use in baking. Light at Heart joins other stevia-based products on the shelf in the United Kingdom, including PureVia, by Merisant, and Truvia, by Cargill/British Sugar.

### Cargill second-quarter earnings 'below-expectations'

Cargill chairman and CEO Greg Page used the word "solid" to describe his company's performance in most food-ingredient and agriculture-based production, while citing drop-offs in its sugar trading and meat businesses as causes for the company's significant drop in second-quarter earnings. The company's commodity-based trading and asset-management businesses faced "significant challenges," driven by "political uncertainties," according to the chairman, as Cargill reported USD100mn in earnings from continuing operations during the second quarter of its fiscal year 2012, ended November 30, 2011, representing an 88% drop from USD832mn in earnings during the same period, a year ago. During the first six months, the company's earnings from continuing operations were USD336mn, compared with USD1.53bn in last year's first half. Consolidated revenues from the second quarter of 2012 were USD33.3bn, up 17% from USD28.5bn one year before. First-half revenues totaled USD67.9bn, compared with USD54.2bn during the prior period. Page called the second-quarter earnings "significantly below expectations," including a "poor performance" in the sugar market, in contrast to the previous year, "when we posted our strongest quarter ever." While Cargill's recent acquisitions in food ingredients in Brazil and Europe and Central America contributed to earnings, returns in the origination and processing segment were below last year.

### India extends duty on saccharin

India's Revenue Department announced in January 2012 a five-year extension of its anti-dumping duty on four Chinese products, including saccharin. Imposed to protect its domestic industry from cheap imports, the duties are extended as part of India's effort to close its widening trade gap with China.

### Stevia production project on track for Stevia Corp.

Stevia Corp., a farm management company, recently announced that two Vietnamese projects totaling 70 ha are currently on track for completion in 2012. Stevia Corp. has concluded several research and development agreements in Vietnam, paving the way for long-term, large-scale crop production. Stevia Corp.'s local partner, Stevia Ventures Corporation ("SVC") of Hanoi, is managing both projects together with government authorities and local farmers.

### Truvia climbs to No. 2 in U.S.

Fueled by its promotion as a "natural" alternative to aspartame, saccharin and other chemically derived sugar substitutes, Cargill has seen marked growth in the use of Truvia, its stevioside sugar-substitute brand. Working with Coca-Cola, Co., Cargill won U.S. government approval for Truvia in 2008. Since then, Truvia's sales have overtaken its older competitors, including Sweet'N Low, using saccharin, and Equal, using aspartame. Truvia was the No. 2 branded sugar substitute at the end of 2011, behind only Splenda, using sucralose, according to data from a Chicago market-research firm, SymphonyIRI Group. Cargill says there are hundreds of new Truvia-sweetened products in the works.

# Biofuels

### Slower biofuels growth projected

The International Energy Agency has revised its projections for global biofuels, saying the "production outlook continues to slow." In its December 2011 "Oil Market Report," the IEA revised its projected supply of biofuels by 130,000 barrels/day below its June 2011 medium-term market report. The report said that lower expectations for biofuels also contributed to a tempering of non-OECD oil-supply growth expectations for 2012. The report projected global growth at only 400,000 b/d from 2010 to 2016, versus its previous 500,000 b/d. The weaker profile was caused by weaker near-term growth in the industry, the report said. Global biofuels production in 2011 was given at 1.8 mn b/d, which is largely unchanged from 2010, but was the slowest year-on-year growth rate in the past ten years. "Worsening Brazilian prospects and an increasingly saturated US market are expected to account for the weaker outlook," according to the report, "though these two countries still satisfy (more than) half of global growth going forward." The European outlook for biofuels was called "sluggish," revised downward by 10,000 b/d between 2010 and 2016, largely due to lower European biodiesel output. Brazilian ethanol production for 2011 declined by 75,000 b/d to 375,000 b/d due to a poor sugarcane harvest and high sugar prices, the report said.

## FINLAND

### Neste Oil to build pilot plant for waste-based microbial oil

Neste Oil is building a €8mn pilot plant to produce waste-based microbial oil at its Porvoo refinery. The operation will be the first pilot plant in Europe designed to produce microbial oil for manufacturing renewable fuel from waste-based raw materials. The company will develop microbial oil production processes and test various raw materials, including straw and other agricultural residues, as well as industrial waste and residues. The plant will support Neste Oil's goal to use microbial oil in the production of NExBTL renewable diesel fuel. The new Neste facility is due to be completed during the second half of 2012. Neste Oil has already succeeded in producing NExBTL diesel from microbial oil at laboratory scale.

## FRANCE

### Cellectis, Total form partnership on microalgae oil substitutes

Cellectis, the French genetic engineering specialist, has announced an agreement with Total to develop oil substitutes based on certain microalgae. The research program includes an initial one-year phase exploring development of new genetic-engineering methods and tools using specifically selected species of microalgae, according to a Cellectis release. The second, longer phase will focus on trait engineering (specific changes to microalgae metabolism and species), with a view toward producing compounds currently derived from oil. The costs for the joint program will be split equally between the two partners, as will ownership of the technologies and products created, according to the release.

## GERMANY

### Bioethanol industry criticizes iLUC factors

German ethanol producers are warning against new EU legislation addressing the unintended consequences of releasing carbon emissions due to land-use changes around the world. Since 2010, European Union regulators have recognized the need to take "indirect land use change" (iLUC) impacts of biofuels production into account as part of regulating biofuels production and marketing. European Commission figures showed that most biofuels are imported, largely from the United States and Brazil, with potential effect on fragile rain-forest land. In a January 2012 statement, the Federal Association of the German Bioethanol Industry (BDB[e]) warned against "quick fixes and misguided restrictions" on biomass production. Saying EU legislation threatens to make biofuels production unprofitable, the BDB[e] recommended international agreements with countries where use of endangered lands are more of an issue. "You have to solve the problems where they occur," said the BDB[e] Managing Director Dietrich Klein, adding that the largest emissions incurred for the clearing of rain forests "must be prevented through contracts or agreements with states in Southeast Asia and South America." The BDB[e] also said the EU iLUC impacts are based on forecasting models whose scientific results are "inconsistent and not validated."

## NETHERLANDS

### Neste Oil opens Rotterdam renewable diesel refinery

Neste Oil's new €670mn NExBTL refinery in Rotterdam anticipates an annual production capacity of 800,000 t or 1 mn L of the renewable diesel fuel. Neste Oil celebrated the grand opening of the refinery in December 2011, calling it the "largest and finest renewable diesel refinery" in Europe. The plant had been running since the previous September, producing premium-quality NExBTL, a clean high-quality renewable diesel. Neste Oil said the refinery was completed on-schedule and on-budget in about two years, and employs approximately 150 workers. The facility is capable of using Neste Oil's wide feedstock base, including a variety of vegetable oils, by-products of refined vegetable oil (e.g. stearin), as well as waste oils and fats. The Rotterdam refinery is also capable of utilizing future feedstocks like algae oil. Like Neste Oil's three other NExBTL plants, the refinery in Rotterdam is ISCC-certified and capable of producing also renewable aviation fuel in the future, the company said.

### BioMCN signs pacts with Nordic green and Vertis Environmental

Nordic green has signed an agency agreement with BioMCN for the representation and sales of biomethanol in the Nordic countries (Denmark, Sweden, Norway, Finland and Iceland) as well as in the Baltic (Estonia, Latvia and Lithuania). BioMCN produces high-quality biomethanol from renewable resources on an industrial scale. At the same time, BioMCN signed an agency agreement with environmental commodies broker Vertis Environmental Finance, for its representation and sales of biomethanol in Central Europe. Nordic green will also represent BioMCN worldwide for its fuel cell applications. BioMCN also has an agreement to produce biomethanol from biogas supplied by the sugar manufacturer Suiker Unie.

## POLAND

### Poland biofuel mandates cut

Poland's Agency of Agricultural Market (ARR) is allowing Polish transport fuel producers to decrease their biofuel-blending requirements by 15%, provided they buy supplies from approved producers, according to a report in Platts. Quoting Polish government sources, the report says the new policy took effect at the start of 2012, and requires transport fuel suppliers to demonstrate that at least 70% of the biofuels they blend each year come from "registered producers."

The ARR is responsible for registering producers from Poland and from other countries. Foreign producers must register in accordance with Polish law or have a Polish branch, according to the quoted source. At the end of 2011, ARR's website listed 27 companies involved in biofuels production, storage, preparation or marketing in Poland, including the country's biggest biodiesel producers Bioagra-Oil and Orlen's Rafineria Trzebinia. The biofuel-blending provision is part of a larger Polish biofuels registration law, passed in 2011. Companies must also provide regular information about the types and quantities of biofuels sold.

While it is not clear what percentage of biofuels Poland currently requires in its transportation fuels, a draft law considered in 2011 envisioned a 6.65% blend in 2012, according to the report. Some market participants said the biofuels-blending provision could potentially limit the number of companies that could register with the ARR, with several German biofuels producers saying it created an unfair advantage for Polish companies. Poland's ethanol production capacity in 2011 was around 590,000 t, according to data published in May 2011.

## UK

### Green Biologics merges with butylfuel

Green Biologics Limited (GBL), a UK-based industrial biotechnology company has merged with U.S.-based renewable-chemicals and -biofuels company, butylfuel™ Inc. The new company will operate as Green Biologics and continue to be headquartered in Abingdon, UK, with a strong operational presence and commercial focus in the United States, GBL managers said. The merged GBL will focus on the production of C4 chemicals and advanced fuels from renewable feedstocks, primarily from waste and by-product agricultural sources. GBL has an extensive portfolio of proprietary and engineered Clostridia strains used as biocatalysts to process a wide range of starch, sugar and cellulosic feedstocks.

## INDIA

### Praj acquires stake in Neela Systems

Ethanol equipment producer Praj Industries has acquired a majority stake (50.20%) in Neela Systems Ltd, a water-treatment company based in Mumbai. The purchase was made for about INR640mn (€9.6mn), with an option for Praj to increase its future holdings. Established in 1989, Neela produces high-quality water treatment plants, with a turnover of approximately INR900mn (€13.6mn), including exports. Neela will continue to operate as an independent entity. The acquisition will provide Praj with a deeper presence in the fast-growing life-sciences and specialized pharma industries, the company says.

### WHEH investing in algae project using GNE-India technology

World Health Energy Holdings, Inc. (WHEH) has signed a letter of intent with industrial and transport company Prime Inc. to develop a 100 ha algae-biodiesel production facility. The new facility is expected to cost USD100mn (€78.5mn) and be located in Tamil Nadu or Karnataka. WHEH, a public holding company, develops joint ventures for algae production for uses in the biodiesel and fish-food industries. The WHEH project will use the GNE GB 3000 system, used for producing algae as fish feed, proteins and biofuel. WHEH recently acquired GNE-India and licensing rights to the GNE GB 3000 system, rights that extend to India, Croatia and the Middle East.

## MALAYSIA

### TOYO building bioethanol facility using glcerin as feed stock

Plans are drawn for a bioethanol production facility with a capability of 10,000 t of bioethanol per year, to be run by a joint venture between U.S.-based Glycos Biotechnologies and Malaysian developer Bio-XCell. Glycos Biotechnologies commercializes renewable chemicals while Bio-XCell is a developer of biotechnology industrial parks in Malaysia. The new plant will produce industrial-grade bioethanol from crude glycerin. The facility will raise its capacity to 30,000 t/year by 2014, officials said. Toyo Engineering Corp.'s Malaysian subsidiary was awarded the USD30mn contract to build the plant.

## NIGERIA

### NEXIM Bank loans USD695mn to renewable-energy investors

The Nigerian Export-Import Bank (NEXIM) will provide USD695mn in loans to five renewable-energy projects, according to press reports. The investors include Intol JPI; Confluence Sugar Ltd; Biofuel Energy Ltd; Highland Ltd, and Global Biofuel Ltd. Confluence Sugar Ltd will receive the largest share, USD510mn, for a sugarcane cultivation project to produce sugar and electric power by cogeneration from bagasse.

With its loan of USD12mn, Threshold Biofuel Energy Limited intends to produce biodiesel from *jatropha curcas* and food crops through intercropping. Global Biofuel Ltd was designated for a USD56mn loan for the cultivation of sorghum, a 90,000 L/d fuel-grade ethanol plant, a 100,000 L/d biodiesel refinery, and a 7.5 MW power plant, using farm waste.

## SUDAN

### Kenana ethanol production expected to increase

The Kenana Sugar Company, Sudan's largest producer of refined sugar, anticipates production of 55 mn L of ethanol in 2011/12, company officials announced. The figure represents a rise from 2010/11 production of 40 mn L, largely due to the December 2011 launch of first-phase operations at the White Nile sugar plant, in which Kenana has a 30% share. Kenana officials said they expect revenues of USD50mn on production of 55 mn L of ethanol, which remains slightly below White Nile's annual production capacity of 60 mn L. Kenana Sugar officials say the company is eventually planning to raise its production capacity of refined sugar to 500,000 t, compared with 385,921 t, recorded in 2010/11. Sudanese ethanol is being exported to the European Union and Saudi Arabia while, domestically, it is being used in the manufacture of medicines and perfumes.

## USA

### U.S. Congress drops ethanol tariff

The U.S. Congress has opened U.S. markets to imported ethanol by refusing to extend its tariff levied against the fuel while also ending a complementary tax credit for domestic production. The tax credit for U.S. farmers had been in place for some 30 years. Because Brazil eliminated its own ethanol tariff in 2010, the two nations now have an essential hemispheric ethanol free-trade zone. While its ethanol production declined during the 2011/12 season, Brazil still exported 1.64 bn L to the United States. The South American country also imported 1.66 bn L of U.S. ethanol, according to reports. Industry observers say the volume of trade between the two countries will rise dramatically, as will the volume of calls for more open markets, globally.

### USDA starts renewable energy site

The U.S. Department of Agriculture has launched a new energy website offering the agency's statistical data on energy efficiency and renewable energy. Included on the site are three new instruments: the USDA Renewable Energy Investment Map, the Renewable Energy Tool and an Energy Matrix. The new online tools are designed to allow users to view USDA energy investments, analyze biofuels and bioenergy data, and see information on the agency's various energy programs. The goal is to help farmers, small business owners, and project developers to assess potential renewable-energy investments and funding opportunities, officials said. The new site's URL address is: www.usda.gov/energy.

### Headwaters sells 51% of Blue Flint Ethanol

Great River Energy has acquired 51% of Blue Flint Ethanol LLC, an ethanol plant located in Underwood, North Dakota, from Headwaters Incorporated for USD18mn (€14mn) in cash. Among the largest power-generation cooperatives in the United States, Great River had owned 49% of Blue Flint Ethanol. The Blue Flint Ethanol plant buys process steam from Great River's Coal Creek Station power facility, helping to make Blue Flint Ethanol "one of the most cost-effective, energy efficient, and environmentally friendly ethanol plants in the country," according to a company release. Blue Flint Ethanol LLC will continue to operate as a wholly-owned independent subsidiary of Great River Energy, the company said.

### Croplands decrease despite ethanol production rise

A new analysis of land-use patterns by the U.S. Department of Agriculture shows that total cropland in the United States decreased between 2002 and 2007 by 34 mn acres (14 mn ha), to its lowest level since the USDA began collecting the data in 1945. The USDA report also showed significant increases in forestland, grassland and rangeland during the five-year period. The Renewable Fuels Association (RFA) responded to the report, saying it contributes to the body of evidence proving that increased ethanol production has not contributed to U.S. cropland growth, or to a decline in grass- and forestland.

### Clatskanie ethanol plant to restart

The Columbia Pacific Biorefinery ethanol plant north of Clatskanie, Oregon, is expected to restart fuel production during the first quarter of 2012. The plant is expected to produce 108 mn gallons of ethanol annually, according to press reports. The Columbia Pacific plant became operational in 2008, having been owned by Cascade Grain Products, which filed for bankruptcy eight months later. JH Kelly Holdings, which had built the Cascade Grain facility, made a successful bid for ownership as part of the bankruptcy selloff in 2009. The Longview, Washingon-based company considered a range of options for the facility, including restart or sale to a third party, according to the company's website.

### Renmatix, BASF announce joint venture investment

The American tech firm Renmatix Inc. has acquired USD50mn in series C venture-capital funding, with Germany-based BASF as the majority participant, with an investment of USD30mn, officials from both companies announced. Renmatix developed and patented the Plantrose™ process, which produces fermentable sugars from lignocellulosic biomass (wood, bagasse or straw). Company officials say the technology is the first to enable mass-production of fermentable sugars from non-edible plant mass at a competitive cost. The Plantrose platform splits the biomass into fermentable sugars in a two-step process, using water submitted to supercritical temperatures and pressures and enzymes. The Plantrose process was tested by the two companies in a pilot operation, and is now ready to be scaled up to industrial production, according to the joint release.