



BARENTZ

Newsletter

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In late July 2004, the 147 members of the World Trade Organisation (WTO) finally reached an agreement on the latest round of trade talks on trade liberalisation. This so-called DOHA round of negotiations primarily concentrated on abolishing agricultural export subsidies in rich countries (EU and USA). After the failed talks in Cancun in 2003, this agreement is expected to lay the foundation for more detailed consultations. The WTO has agreed a deadline of 1.5 years to reach a full accord.

Farm and agricultural subsidies have been a thorny issue at the WTO for many years. The organisation's recent condemnation of EU sugar subsidies underlines the conflicting interests. Agricultural Commissioner Franz Fischler has meanwhile submitted proposals to reform the 6 billion Euro subsidy scheme. Further information on this topic can be found elsewhere in this Newsletter. The EU is in the process of reforming its farm subsidies in other agricultural areas, including grain and dairy products. Despite fierce French opposition, the DOHA round of negotiations is expected to give a new impulse to this process.

New Superpowers

While the politicians continue to squabble, the rest of the world keeps moving. Countless industries are lining up to relocate to countries of origin and the new industrial super-

powers such as the BRIC countries of Brazil, Russia, India and China.

Anticipating these developments, Barentz in 2003 established its own liaison office in Shanghai for sourcing raw materials and food additives from China. A local structure is now operational as well as in India.

China

China is a fascinating country, boasting one of the fastest growing economies in the world. Relevant for Barentz is that China, more so than any other country, continues to see a rapid growth in the fermentation industry. Our suppliers, Ajinomoto and Roquette, have paved the way for exciting new activities in China. China is one of the main suppliers of thickening agents, preservatives, vitamins, citric acid and sweeteners.

At the same time, China is undergoing rapid change and development. Hypermodern factories are operating alongside hopelessly antiquated and unsafe food suppliers. Moreover, the huge number of traders and brokers makes it well-nigh impossible for consumers to establish who the actual producer is.

Barentz works exclusively with producers audited by our own officials. Logistical processing is entirely under our own management. Further information on China sourcing can be found on the following pages.

China Sourcing

No other country on earth has experienced such an explosive growth in the fermentation industry as China. Production costs in this sector, calculated on the basis of investments, raw material costs (in particular costs for carbohydrate sources) labour and utility costs, are significantly lower in China than elsewhere in the world.

The liberalisation of the Chinese economy has also resulted in an explosive rise in exports.

Many food additives are produced by fermentation, making China one of the key production countries for amino acids, polysaccharides, food acids, vitamins and sweeteners. Many Western companies are investing alongside local Chinese producers in China in

Research & Development and production. China is now the world's biggest producer of antibiotics and Active Pharmaceutical Ingredients (API's).

Food acids

Barentz currently sources the following acids from selected Chinese producers:

Citric acid	E330
Fumaric acid	E297
Succinic acid	E363
Ascorbic acid	E300
Tartaric acid	E334

Barentz Partners include BBCA, Changmao, Changzou Shuguang, Hebei Welcome, Northeast Pharmaceutical, Nanjing Huabang, Shandong Ningmeng and Shanxi Fenhe.



Polysaccharides

Barentz has established a well-earned reputation as a supplier of Roquette Frères native and modified starches (E1412-E1450), MCPI carrageen (E407), Vikas guar gum (E412) and Valmar's Gum Arabic (E414) and Tragacanth (E413).

Our unique Chinese partnerships enable us to supply the whole gamut of Xanthan gums (E415), under the brand name Ziboxan®. Ziboxan® is produced by Deosen. Xanthan gum is obtained by fermentation. DeosenBio-Products has over 12 years' experience of producing Xanthan and is one of the biggest independent suppliers of Xanthan in China. Xanthan is one of the most commonly used thickening agents as it is extremely stable over a wide temperature and pH range and is highly resistant to enzymatic degradation.

Xanthan gum is known for its excellent freeze/thaw stability. In addition to many technical and pharmaceutical applications,

Xanthan is primarily used in the food industry for salads, sauces and salad dressings, in drinks, fruit preparations and (low-sugar) jams, desserts, cakes and meat products. The latest addition to our product range is Sodium alginate (E401), produced by Quindao. Sodium alginate is the sodium salt of alginic acid, extracted from the cell walls of brown seaweed. Sodium alginate is used as a thickener and as a gelling agent.

It is widely applied in the food industry, from ice cream to cake mixture, from sugar icing to low-fat margarine, from meat products to ready-made meals. Sodium alginate is also used as a fining agent for clarifying wines and beer.

Sweeteners

We have been operating in the artificial sweeteners market since the early 1980s, when we launched Aspartame (on behalf of and produced by Ajinomoto) onto the business-to-business market. From the second quarter of 2005, we will also be introducing

Vitasweet's Ace-sulfame K, expanding our range of applications to pH neutral and heat-resistant products.

Preservatives

In addition to sweeteners and polysaccharides, Barentz is also your first port of call for preservatives. Together with our Chinese partners, we can offer the following additives:

Sorbic acid (E200) and
Potassium sorbate (E202)
Sodium benzoate (E211)
Calcium formate (E238)

Our selected partners are Kangyuan, Nantong Guang Hong, Shandong Baoyuan and Tianxing.

Certification and Auditing

All our partners are audited and assessed on product quality, service and quality systems and their GMP and GHP application. This is carried out in close consultation with multinationals, on whose behalf we operate our sourcing activities from China. We can vouch for the quality and the service of the delivered product.

Barentz made business simple

The extension of our package has brought us yet another step closer to the One-Stop-Shop concept: the distribution package offered by Barentz guarantees timely delivery of all your desired raw materials and additives. Your account manager will be happy to provide further information.



Policy reforms in the sugar market

In July 2004, the European Commission presented its plans for reforming the European sugar market. The purpose of these reforms is to increase competition on the sugar market, generating price reductions for the food processing industry and consumers. Furthermore, the environmental problems caused by intensive sugar beet production are substantial, and the reduction in subsidised exports is expected to strengthen the position of developing countries on the sugar market.

After a number of failed attempts to shake up the current EU sugar regime, which has been in force for over forty years, a breakthrough now appears imminent. For years, the European sugar sector has been able to resist changes to the market structure. Gradually, the scales appear to be tipped in favour of the interests of the consumers and developing countries. Despite admitting there is no magical cure to reconcile conflicting interests, Agricultural Commissioner Franz Fischler considers the status quo untenable.

Fischler Proposals

The proposal envisages a reduction in the production quota of 17.4 to 14.6 million tonnes. The guaranteed price of sugar will be lowered from 632 Euro to 421 Euro. Beet prices will drop from 43.6 Euro to 27.4 Euro per ton. As a result of the drop in production, the volume of subsidised exports is expected to fall from 2.4 million to 0.4 million tonnes. In addition, export subsidies are expected to drop by 1 billion Euro to 0.3 billion Euro.

A number of different lobby groups have meanwhile reacted to the proposal. Development organisations and sugar producers have given a less than enthusiastic response to the Fischler reforms. Oxfam has called the proposals 'a halfway measure'.

The European consumer organisation BFUC believes the proposals do not go far enough, and predicts that the food processing industry will benefit most from the reforms. The industry, in turn, appears to be playing the waiting game.

The Committee of Industrial Users of Sugars - Netherlands (CIUS NL) has identified a number of imponderables in the proposals of Fischler. The committee's main concern is whether the reduction in the guaranteed price (minimum price) will be passed on to consumers and as such affect the market price.



Irrespective of the misgivings, Fischler remains determined, and his cabinet appears to have done its reform homework better than previous cabinets. The pressure from the market and from politicians is high, as are the chances of the proposals succeeding this time round.

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BARENTZ
RAW MATERIALS

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