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POLITICS AND POLICY

Molasses scarcity threatens future of ethanol firms

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The Kisumu molasses plant. Scarcity of the by-product is threatening the future of firms that rely on it to manufacture ethanol. FILE

By RAMENYA GIBENDI and MOSES ODHIAMBO
Posted Wednesday, May 22 2013 at 20:15

IN SUMMARY

- Increasing demand for by-product forces some factories to suspend production.

Shortage of molasses is threatening the future of firms relying on the by-product to manufacture ethanol.

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Previously regarded as a waste product and disposed of cheaply by sugar millers to distilleries and other users, demand for molasses has risen sharply leading to scarcity.

Mumias Sugar Company (MSC), for instance, has diversified into among other things alcohol distillation, effectively cutting off supply to Agro-Chemical and Food Company and Spectre International, which are the largest local and regional producers of ethanol.

The miller was a major molasses supplier to the two distilleries before constructing its own plant at a cost of Sh3.5 billion.

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Agro-Chemical's CEO Ashok Agrawal says the problem has been worsened by poor investment by the country in sugar cane, which has seen most millers operating in excess capacity.

"The area under cane plantation has stagnated for over 40 years yet sugar industries are cropping up every day, with little cane to crush; molasses can never be enough," said Mr Agrawal.

The firm has gone to the extent of booking the sugar by-product from millers in Uganda and Tanzania, which Mr Agrawal says, has pushed up the cost of doing business and affected the cost of the final product.

High cost coupled with a high tax regime has seen the distiller suffer unfair competition from external markets that have a lower cost of production.

More than 300 workers at Spectre International are already feeling the heat as the factory for the past four months has stalled partly due to what the management termed erratic raw material supply.

Prior to its closure, the firm was distilling approximately 60,000 litres of ethanol daily, which is less than half its capacity of 175,000 litres per day, said a senior employee who could not be named as he is not authorised to speak to the media.

"We used to source 1,400 tonnes of molasses from Kakira in Uganda and Bukoba in Tanzania," disclosed the employee.

Spectre had cut a niche in the East African market as the main supplier of ethanol to distillers like UDV and London Distillers Kenya.

Another threat to the sector is the involvement of middlemen who adulterate the molasses from their original source. The adulteration of the raw material translates to high costs of maintenance for factories as the water used to dilute the raw material ends up corroding fermenters.

A source from Spectre International who requested for anonymity told the *Business Daily* that it takes Sh6 million to repair a fermenter that has been made porous because of adulteration.

"Among issues crippling the ethanol industry are high costs of repairs on fermenters that get porous due to addition of water to molasses by suppliers and middlemen who are not honest," he said.

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