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Mascoma to commercialize GM yeast for corn ethanol

By Mascoma | January 11, 2012

Mascoma Corp. has implemented key components of the commercialization strategy for its Mascoma Grain Technology, or MGT, yeast product, which is the first commercial application of Mascoma's proprietary consolidated bioprocessing (CBP) technology platform. The MGT product is a genetically-modified yeast designed as a drop-in substitute for conventional fermenting yeast that lowers costs for corn ethanol producers by alleviating the need to purchase most of the expensive enzymes currently used in corn ethanol production. Mascoma is pursuing additional commercial applications of its proprietary CBP technology platform, including its recently announced joint venture with Valero Energy Corporation to develop a 20 million gallon per year commercial-scale facility in Kinross, Michigan to convert hardwood pulpwood to cellulosic ethanol.



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Mascoma's commercialization strategy for MGT is focused on establishing strategic partnerships with industry leaders to successfully launch and rapidly gain market acceptance of the product. The MGT product is expected to be sold to corn ethanol producers under commercial arrangements that enable Mascoma to receive a significant portion of the incremental margin generated by the product. Mascoma expects that the MGT product will start generating revenues beginning in the first quarter of 2012.

Mascoma signed a multi-year collaboration agreement in October with ICM Inc., the leading provider of engineering services to the ethanol industry, to assist in the initial commercialization of its MGT product and next-generation MGT product. ICM will conduct pilot testing of these MGT products and provide technical support in the initial rollout to customers' commercial facilities.

Mascoma and Lallemand Ethanol Technology entered into a multi-year exclusive partnership agreement in December to commercialize the MGT product in North America. Lallemand will manufacture and distribute the product and Mascoma and Lallemand will jointly market and sell the product. Mascoma will receive a portion of the MGT net sales based on customers' cost savings and Lallemand will receive a portion based on the market price of conventional yeast, as well as ongoing incentive payments based on sales performance. Mascoma will also receive a technology license fee from Lallemand.

Mascoma signed a multi-year commercial agreement in November with Valero Renewable Fuels Company LLC that provides Valero with terms and pricing for any purchases of the MGT yeast product at its dry mill corn ethanol plants, subject to testing and performance validation. Mascoma will receive ongoing fees based on VRF's cost savings as a result of using the product.

“We have made excellent progress in implementing our commercialization strategy and are well positioned to bring our innovative CBP technology to market, first with our MGT product, followed by our joint venture with Valero to develop a commercial-scale hardwood cellulosic ethanol facility in Kinross, Michigan,” stated Bill Brady, president and CEO of Mascoma. “We believe that our MGT product is capable of improving the economics for corn ethanol producers and will generate revenue for Mascoma beginning in the first quarter of 2012. We are fortunate to have partnered with industry leaders such as Lallemand and ICM and we believe our commercial agreement with Valero is indicative of MGT's potential value proposition to customers.”

“The ability of the MGT product to enhance ethanol production, combined with the complementary capabilities of our two companies, positions us for a successful commercial launch of this product,” stated Bill Nankervis, president of Lallemand's Specialty Division, which does business as Lallemand Ethanol Technology. “Mascoma's CBP technology platform is very exciting and we look forward to working with Mascoma to manufacture and commercialize this promising product.”

Mascoma has determined, based in part on a review by an expert panel, that its MGT product is Generally Recognized as Safe (GRAS), as defined by the Federal Food, Drug, and Cosmetic Act, for use as a processing aid in the production of ethanol and distillers coproducts. In addition, the MGT product is currently under review by

the U.S. Food and Drug Administration's Center for Veterinary Medicine (CVM) in support of possible inclusion in the Association of American Feed Control Officials (AAFCO) Official Publication.

Mascoma is also developing future generations of its MGT product that are expected to improve ethanol yields in addition to reducing most of the need for exogenous enzymes, further lowering production costs and potentially increasing revenue for corn ethanol producers. Pilot-scale test runs of the next-generation MGT product, as conducted by ICM, demonstrated ethanol yield improvements of up to 3.4 percent and Mascoma expects further ethanol yield improvements through additional research and development efforts.