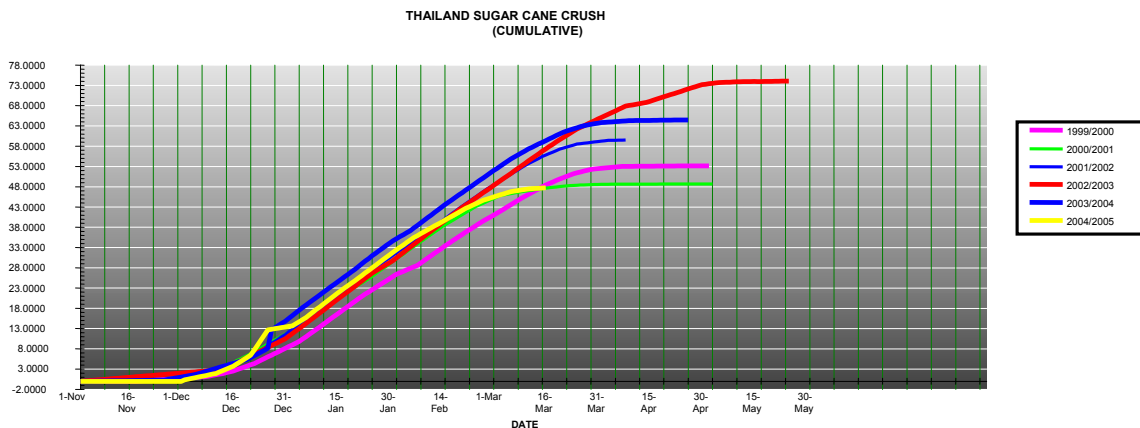


SUMMARY

In terms of price there has been little change over the month with FOB's in Karachi and Bangkok well into the \$90's a metric ton. The Thai crush has now finished and is significantly down on last year's production, see chart below, which has focused the minds of a lot of participants as it is now clear that Thailand is all but sold out of molasses for the remainder of the year.

Now that harvesting has just about been completed in all three major molasses countries, attention of the international trading houses is now turning toward what tonnage will be available for the later part of the year, especially considering how poor the Thai, Pakistani and Indian crops have been.



In terms of outlook, much will depend on what happens in Pakistan and its remaining molasses. There is a chance that this could continue to be converted into ethanol and sold to markets other than Europe once the tariff kicks in, a situation which would tighten a tight market even further!

Until it becomes clear as to what will happen in Pakistan regarding its ethanol production most international traders are likely to remain on the sidelines of the market. One thing worth remembering with the Thai, Pakistani crops over and the amount of molasses that India has imported so far in 2005 is that we have only had one quarter of the year!

CANE MOLASSES SUPPLY

CANE MOLASSES SUPPLIES

PAKISTAN

Unusually for this time of year activity has been very subdued in Pakistan, partly as a result of the high prices but also because there still surrounds a great deal of uncertainty around what Pakistan's status will be under the European Union's new generalised system of tariff preferences (GSP).

The new GSP system was meant to be agreed in the middle of March but disagreements over textile preferences meant that nothing was agreed, and it is now unlikely that anything will come into force until the middle of April.

Despite the delay to the introduction of the new tariffs it looks likely some of the following will occur: Pakistan will lose its duty free status for ethanol exports into Europe, secondly there will be a grace period for shipments to arrive through to the end of June 2005.

However, how the ethanol producers within Pakistan will react to this remains very uncertain. So far around 450,000 to 500,000 tons of molasses has been converted into ethanol, with around a similar amount being stored by distillers up country.

Whether this stock is converted into ethanol or released onto the international market will be key for molasses prices over the coming months.

If it is released it is highly unlikely that prices will come crashing down given the structural deficit in the world market, especially as Thailand has now all but sold out of molasses for the year ahead.

Given that a lot of this tonnage is of lower quality, and a likely deficit in the US, then it is possible that a large percentage of the tonnage will head over to US shores.

CANE MOLASSES SUPPLIES

THAILAND

As discussed, the Thai crush has now finished and came in at just over 2.28 million tons of molasses, down from just under 3 million tons produced in 2003/2004.

The big question now is how much molasses will be available for the remainder of the year. If domestic consumption does not fall further, this has already been revised down, and then there could be as little as two cargoes uncommitted for the rest of 2005!!!

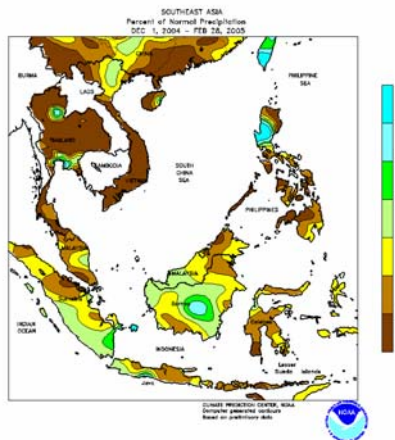
However, the most likely scenario is that some of this molasses that was bound for the domestic market will find its way back

out into the international market, but even so this could only allow around another 4 cargoes back out.

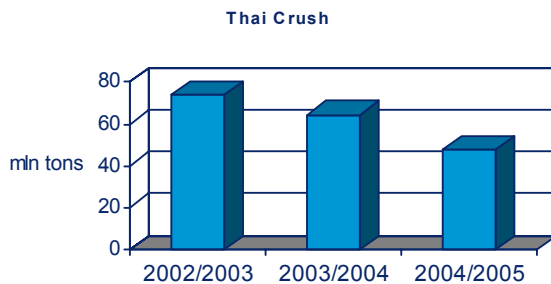
Aside from the shortage this year, next season's production is looking equally bleak as the country has been subjected to some very dry weather again, which will impact next year's crop.

While it is far too early to try and put a number on the size of the crop, the signs are ominous – see chart below, and ones that sellers are all too well aware of which will mean that prices are unlikely to deviate far from current levels.

Indeed, there was talk in the market that some high sugar material was sold at over \$100/ton FOB!!



Indeed, if we compare the Thai crop over recent years the fall in production has been dramatic.



What actually occurs remains to be seen, but a recent statement from the Thai Cane and Sugar Board suggested that the crop could be 46-48 million tons in 2005/2006 with the help of some rain.

OTHER CANE AREAS

It is not all bad in terms of production this year, if we move to the western hemisphere then there is a vast improvement for sugar production. This is mainly being led by Brazil, but this is unlikely to have any significant impact on the molasses market as nearly all the molasses will go for ethanol production.

In 2003 Brazil exported around 100,000 tons of molasses, which fell to 50,000 tons last year and this year little more than 20,000

tons has been exported. These falls are due to the increased ethanol demand in Brazil both domestically and on the export market.

Mexican sugar production in 2004-2005 is expected to reach a record 5.3 million mt, according to the Mexican Sugar Cane Growers Union. So far output totals 4 million mt and there are two months to go before the harvest ends. If growing conditions stay stable, the 2005-2006 crop could be as high. This is good news for the molasses market, and this year we are likely to see Mexican molasses head east in significant quantities and into Europe.

Heading further north the US production is down slightly, and a tender held by FME for December 2005 lifting was sold at over \$92/ton FOB and is perhaps a sign of things to come for next year!

Heading further east to Sudan the SSC held a tender for 20,000 tons which was awarded to an Egyptian trading company at \$102/ton, which was around \$10/ton over the next price. However, when it came to actually lifting the cargo the appropriate L/C was not raised so the tonnage is being retendered.

Iran looks to be having another good crop and for one reason or another appears to be the origin of choice for Indian buyers. So far around 100,000 tons of molasses has been shipped, but how much more will largely depend on the ease of loading vessels.

Lastly heading further south and east lies probably the most important origin for the Asian region for the final two quarters of the year. Australian raw sugar production is expected to be around 5% higher this year at 5.55 mln tons. This increase in production is good news as the Asian region looks to be particularly tight toward the end of the year as a result of the poor Thai crop, although Indonesia will help to ease some of the tightness given current price levels.

CANE MOLASSES DEMAND

INDIA

Up to the end of March India has imported around 250,000 tons of molasses, nearly half what it imported during the whole of 2004, and therefore remains the key driver for the international market. Compared to last year there are a couple of differences, and these differences could have a profound affect on the market for the remainder of the year.

Last year demand from India did not emerge until after the domestic harvest had ended and came on the back of a record harvest the year before. This year the demand from Indian buyers has been when the harvest was in full flow, in fact there is still cane being crushed at the moment.

Therefore, it could be safe to assume that we have not yet seen the bulk of the demand, although against last year prices are significantly higher. How the Indian buyers act of the coming few months is more than likely to set the tone for the international molasses market for the rest of the year.

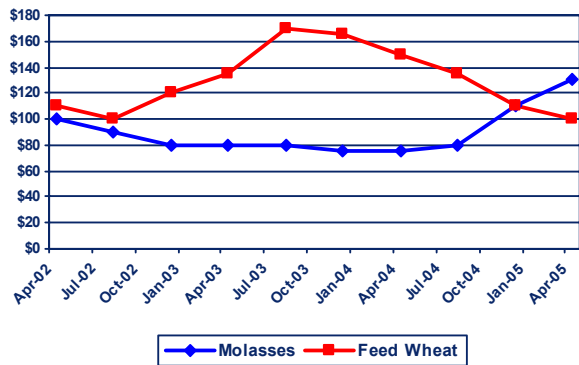
One thing that may curtail demand for molasses toward the end of year is the prospects for next year's crop. Early suggestions are pointing to a recovery, but even if there is a 25% recovery in production it is unlikely to be enough to satisfy domestic demand. Although if the crop was to recover to these sorts of levels then import demand would fall significantly.

Therefore it is more than likely that India will buy at least the same amount of molasses that it did in 2004 during 2005, if not significantly more.

CANE MOLASSES DEMAND

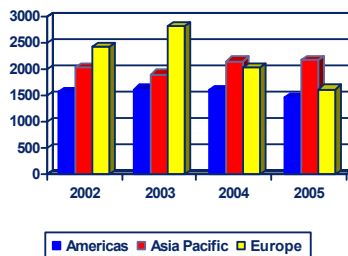
OTHER DEMAND AREAS

The lack of demand in Europe has been well documented over the last few months due to the massive rise in prices, however with the 'summer selling' campaigns under way tonnage is being bought by European consumers; albeit at reduced levels to previous years. This provides some comfort to the market, and perhaps shows that it is not all doom and gloom on the European front. The chart below highlights what has happened to molasses compared to wheat prices over a short period of time in the UK:



Given the prospects for the molasses prices for the remainder of the year, and that new crop wheat prices in the UK are around GBP68/ton then situation is likely to remain little changed for the remainder of the year.

The chart below highlights what has happened to demand over the last few years in the major demand regions, excluding India given that it has such a swing factor on the world market.

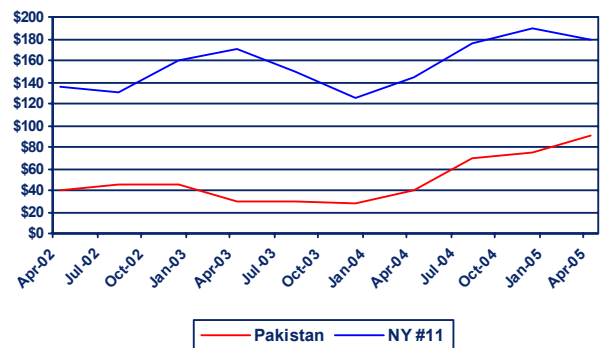


What the chart highlights is that through from the very low prices of 2002/2003 demand in Asia Pacific has continued to grow and is less

price elastic. This can largely be put down to the fact that demand in the Asian region leans more toward the industrial users.

While the demand for molasses in the Asian region is predominantly for the Industrial sector, prices can not keep going up as other products start to come into the equation.

The chart below highlights this, showing that the molasses price has become half that of raw sugar, instead of 3 years ago when the price of sugar was four times that of molasses.



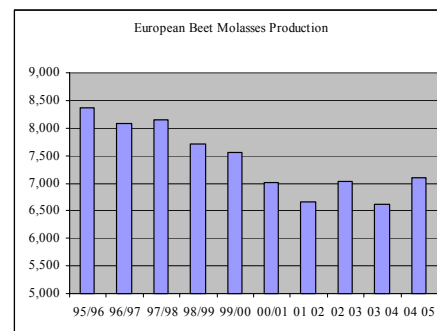
BET BEET MOLASSES

BET BEET MOLASSES

EUROPE

Now that all the harvesting of this year's European beet molasses is over it looks as though production will be up by around 0.5 million tons on last year. Favourable weather certainly helped to encourage the increased production, but others pointed to the fact that growers may well be looking to gain the maximum returns before the forthcoming coming changes to the European Sugar regime take affect.

Indeed, next years crop is also expected to be of a similar size as growers look to take advantage of the high prices for one last time.



The tightness of cane molasses around the world and the excellent beet crop in Europe mean that prices of the two commodities are drawing closer together. Representative prices provided by the European Union a year ago show that there was a EUR28/ton difference but the last prices published by the commission only shows a EUR4/ton difference.

This has meant that Industrial users have been using more beet recently, as well as feed grade buyers who look to take advantage of the better sugars.

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING & REGULATIONS

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

TARIFF

Once again there was not import tariff for Europe. The last representative price for cane molasses was EUR110/ton while beet was EUR106/ton.

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

FOREIGN EXCHANGE

For the first time in a long time the dollar finished higher at the end of the month than it was at the beginning of the month, but whether or not this turns out to be a longer term reversal remains to be seen.

Currency	Mar 1st 2004	Mar 31st 2004
Euro	1.3225	1.2915
Sterling	1.9228	1.8788

LEI

Month	LEI Euro Ex-Tank
Dec-04	85.85
Jan-05	99.30
Feb-05	103.60
Avg For 04	77.20

Tariff, Foreign Exchange, LEI & USDA Pricing and Regulations

USDA

USDA Prices	Start of March	End of March
New Orleans	No quote	No quote
Houston	\$90.00-\$100.00	\$107.00-\$112.50
South Florida	No quote	No quote

All prices per short tonne ex-tank basis 43% Sugars

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

REGULATION

Single hull oil tankers will be phased out worldwide by 2010, five years earlier than planned, the United Nations agency responsible for maritime pollution decided recently. Single hull tankers are more likely than double hull vessels to rupture and break up, spilling oil into the sea.

A meeting of the International Maritime Organization's (IMO) Marine Environment Protection Committee in London agreed to accelerate the phase-out deadline, thereby amending the International Convention for the Prevention of Pollution from Ships, known as the MARPOL Convention.

Following months of intense negotiations, the decision to amend the MARPOL Convention was taken during the 50th session of the Marine Environment Protection Committee. Under MARPOL rules, the new standards will come into force 16 months after their adoption on April 5, 2005.

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

FREIGHT

MED/CONTINENT MKT

Tonnage continues to be hard to source from the East Med and rates have firmed on both veg oils and molasses over the month. Charterer have been keen to fix consecutive voyages, but this only works for nearby ports, and in fact compounds the problem as it effectively removes the vessels from the wider market. The summer months are also a time when vessels tend to go into dry dock for maintenance and inspections which will add to the lack of available tonnage.

Plenty of Black Sea veg oil stems and new season molasses from Egypt is enabling owners to pick and chose cargoes, which means that molasses tonnage has to pay veg-oil rates to get a look in from owners.

The inter-cont CoA volumes are still keeping the Simonsen/Herring fleets busy; as such some Med owners are fixing inter-cont vegoils/molasses cargoes.

There are no obvious signs any areas of the market will ease in the near, with high bunker prices just adding to the bullish tone of the market.

DEEP-SEA

In general global freight markets remain firm, but with some slow down in certain areas but this was mainly due to the Easter Break. As a result the molasses market remains tight with space difficult, if not impossible to find, in some trading areas.

The benchmark Karachi to Europe route remains firm at circa \$43/ton but quite, although this is more result of poor European demand and lack of tonnage in Karachi than the freight market it self.

Aside from this, owners remain bullish due to a lack of molasses suitable vessels in the market, which is likely to get worse now that phase out regulations is in place.

INTER FAR EAST/SE ASIA (SHORT SEA)

Molasses freights within the Far East moved at dramatic pace during the month, jumping 20% in some cases, on the back of very strong demand for veg oils. As with other areas molasses now has to pay veg oil rates to in order to get any interest from owners.

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