

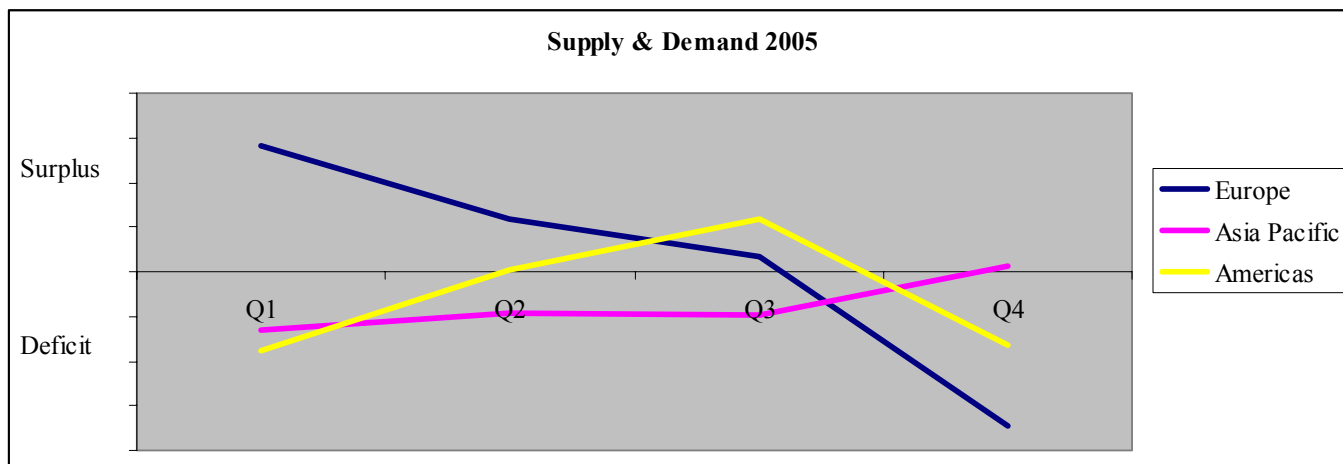
SUMMARY

Activity certainly increased during the month as Far Eastern buyers decided now was the time to cover their first quarter requirements for the New Year, but while it was busy in the Far East, activity in Pakistan and Europe remained subdued as the Mexican standoff continued.

Toward the end of the month new crop Pakistan material was traded at over \$70/ton FOB, while at the same time the depreciation of the dollar meant that some European buyers came forward and covered tonnage. It now remains to be seen if European buyers are feeling more comfortable with these higher prices, but if they wait too long it could be a case that they would have missed the boat.

The reasons for the bullish tone going into 2005 remain unchanged; India will still have to import a significant quantity of molasses, the Thai crop seems to be downgraded on an almost daily basis and reports are now starting to filter through that the Pakistani crop may have been over stated.

The one thing we can be sure of at this stage of the year is that the market will be in a significant deficit in 2005 and the FOB prices paid today are more than likely to prove to be a floor in the market. What will this mean for prices? If you look at the chart below it shows each region by quarter and whether it will be in a surplus or deficit. So what this means is that while we may have seen the lows for the year already, there will be a great deal of volatility throughout the year as each region slips into and out of a structural deficit/surplus.



Further complications will be caused by a very strong freight market. It is worth remembering that the price of bunker fuel is only a small part of the overall cost of a rate and several other factors have to be taken into account, so the recent crude oil falls will not necessarily lead to lower rates. OPEC continues to pump oil at record levels, which in affect moves tankers up a "class", the weak dollar is only going to increase demand for veg-oil thereby taking even more tankers away from the molasses market. Lastly, the price of scarp remains at very high levels, so any older molasses vessels in need of work to be kept trading could well find themselves on a beach as the easier option.

CANE MOLASSES SUPPLY

CANE MOLASSES SUPPLIES

PAKISTAN

Surprisingly, it was a very subdued month in terms of volume traded but even with a lack of volume traded prices still managed to rise by 15% on expectations of supply tightness and aggressive Indian demand.

Prices started the month in the low \$60's a ton but toward the end of the month new crop traded at \$72 a ton for Jan-Feb shipment as Pakistani exporters raised their expectations regarding new season business.

The bullish undertone is being set by predictions that the exportable surplus will be down to just over one million tons, which is more than likely, and that Indians buyers will come to Pakistan very aggressively in the New Year, less likely.

The resulting lack of liquidity caused the significant rise in prices over the month, and has now left the market in a classic Mexican standoff.

Exporters are also blaming increased domestic demand for ethanol production as one of the reasons why prices should be that much higher. Given the euro – dollar exchange rate it is hard to argue against more molasses going to ethanol production, even with Pakistani ethanol losing its tariff free status in to the EU from June 31 2005.

So where does this leave the market? The freight differential between Thailand and Pakistan and Europe is anywhere between \$8-\$10/ton, and with Thai FOB values around the high \$60's a ton; Pakistan at \$72/ton seems undervalued. However, demand from Europe for the feed sector has all but disappeared, although there was increased interest toward the end of the month from buyers due to the exchange rate fluctuations.

There is some argument that when the molasses starts to hit the terminals in the New Year that prices will ease, but given that over \$70/ton has been paid for new crop, increased domestic demand and a lower crop should mean that we are now not far away from a floor in prices.

CANE MOLASSES SUPPLIES

THAILAND

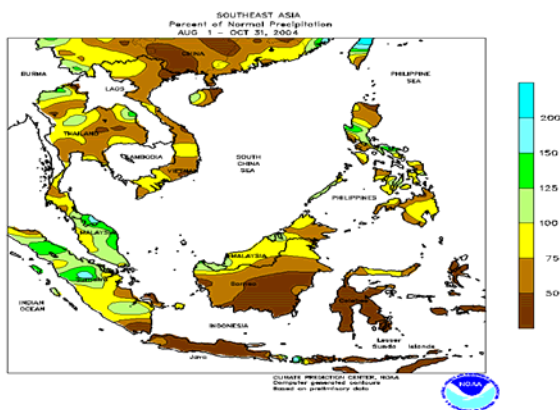
The market in Thailand was almost the complete opposite to Pakistan during November; there was a significant volume traded but prices failed to rise significantly.

Values rose from the high \$50's a ton at the start of the month to end the month in the low \$60's a ton, but the lack of price rises does not reflect in anyway the significant tightness facing the market in the year ahead. Indeed, FOB's are now around \$70/ton.

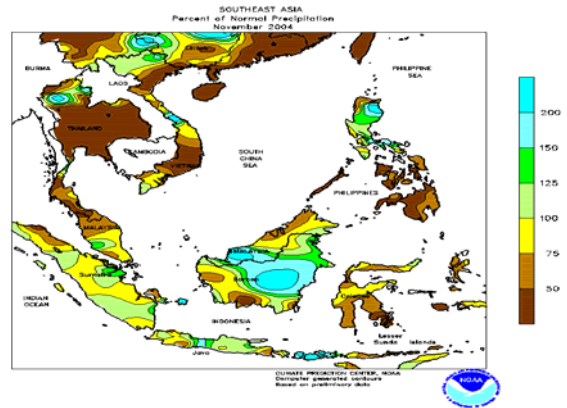
The reason for the increased volume out Thailand has been that Far Eastern buyers have been quicker to accept that prices are not going to ease in the near future.

Estimations for the Thai crop were continually downgraded during the month, with some even suggesting that the amount of cane crushed may be below 55 million tons, 10 million tons down from the previous year.

The reason for such a fall is that the country has experienced some very dry conditions recently. According to the Department of Disaster Prevention and Mitigation drought has spread to 47 provinces and damaged around 11.09 million rai (1ha=6.25 rai) of agricultural crops in 30 provinces. The radar map below highlights the problem: The first chart shows % of normal rainfall between Aug and the end of Oct.



The second chart shows % of normal rainfall for the month of November, and highlights the severe lack of rainfall:



If then the crop is down by 10 million tons, and very early indications from the crush suggest it could, then it is highly likely that prices will rise sharply over the year ahead, especially if domestic ethanol production increases significantly next year.

CANE MOLASSES SUPPLIES

AUSTRALIA

The crush is now all but over in the main producing state of Queensland, and is likely to be slightly up on last year's tonnage but final volumes will not be clear until next month.

Elsewhere, Australia's beef cattle herd expanded more than expected last fiscal year, after dipping in the previous year in the face of a savage drought, marketing concern Meat & Livestock Australia Ltd. said recently.

MLA was commenting on official data issued recently that showed the national herd grew 2.1% to 24.11 million beasts last fiscal year, up from 23.62 million beasts previously, but both down from 24.74 million in the fiscal year ended June 30, 2002.

MLA had forecast a 1% expansion in herd numbers last fiscal year, as the drought lingered in many cattle districts. Producers sold large numbers of beasts for slaughter in fiscal 2002-03 as pastures withered during the severe drought.

CANE MOLASSES SUPPLIES

IRAN

The Iranian harvest is now only just getting underway, with the first exportable tonnages likely to be available in the New Year. In a normal year Iran has not featured heavily on the export market, but after Indian buyers purchased around 100,000 tons in 2004, and liked the origin, interest is likely to be high in 2005.

In other news, Iran's sugar production capacity will rise by 100,000 tons once the sugar factory of Mirza Kouchak Khan goes into service. The factory began operating on a trial basis recently and will become officially operational in December. Total investment was IRR1 trln (\$1=IRR7,900.00). 8,036 ha have been planted to sugar cane in southwestern Khuzestan province. The Complex also aims to set up a cattle feed production unit with 100,000 tons production capacity and a paper mill with 88,500 tons capacity.

SUDAN

CANE MOLASSES SUPPLIES

Another month of limited activity, but this should all change in December as the first tender of the new season is expected to be called in the middle to the end of the month.

MAURITIUS

CANE MOLASSES SUPPLIES

AMCO will be tendering in December for 25,000 tons for January-February shipment.

UNITED STATES

CANE MOLASSES SUPPLIES

Despite new crop supplies coming through prices in the US firmed slightly over the month on the back of good demand. There also remains some concerns over exactly how much damage the recent hurricanes have done to the Floridian crop.

It is unlikely that we will know the answer to this until the New Year, but reports suggest that mills are crushing at a record pace and could indicate that little damage has been done.

MEXICO

CANE MOLASSES SUPPLIES

The harvest in Mexico is now in full swing and to November 20th a total of 352,660 tons of cane has been milled, an increase of 68% over the previous year's harvest.

VENEZUELA

CANE MOLASSES SUPPLIES

The domestic potable ethanol market remains strong, which means that exports of molasses are likely to be limited to around 35,000 tons this season.

COLUMBIA

CANE MOLASSES SUPPLIES

The last few months we have said that Columbian exports of molasses will be down this coming season due to the start of a domestic ethanol program. However, it now appears that only 2 of the countries 6 new distilleries will be on line by September, which should mean that exports are almost back up to previous year's levels.

Exports are likely to run at between 10,000-20,000 tons a month between January and September, to a total of 100,000-120,000 tons.

BRAZIL

CANE MOLASSES SUPPLIES

In terms of exports, to the end of November around 40,000 tons of molasses has been exported from Brazil which is over 50% down on the same period during 2003.

The sharp drop in exports is hardly surprising given the massive demand being placed on Brazil for the export of its ethanol. Given that there are few other countries around the world that are set up to supply ethanol, even less molasses is likely to be exported in the years ahead.

CANE MOLASSES DEMAND

INDIA

CANE MOLASSES DEMAND

In the eyes of the key exporting countries in the world India still holds the key to keeping prices buoyant in the year ahead. While there is no doubt that India will be a significant driver, it might not be quite the force that we were predicting a month or two ago.

Unlike the buyers in the Far East, Indian buyers are far more price sensitive and as a consequence they are unlikely to buy quite the quantity that we were anticipating. Despite the slight lowering of our demand estimation, India will still be buying a significant quantity of molasses this coming season.

KOREA

CANE MOLASSES DEMAND

After some hesitation during October, November saw a significant increase in volumes traded as buyers looked to lock in their requirements for the early part of the first few months of the New Year.

Concerns over the size of the Thai crop and worries that prices will continue to climb contributed to encouraging buyers to cover their requirements.

In other news, South Korea's feed output in October was 1.27 million tones, down four percent from a year earlier but up 5.6 percent from September, data from the Korea Feed Association (KFA) showed recently.

CHINA

CANE MOLASSES DEMAND

Following on from last months report, it would appear that the drought in the Guangxi region is not as severe as previously thought and country could now be on course for a vastly improved crop on the previous year.

The increased domestic production, and very high CIF values, could mean that import demand may not be quite as high as some had been anticipating.

TAIWAN & VIETNAM

CANE MOLASSES DEMAND

Unlike Korea, buyers have yet to cover the major part of their requirements, although more business is likely to be concluded in December for the open positions in the New Year.

Even though buyers have held off it is unlikely prices will fall given the extreme supply tightness in the Asia region for 2005.

US

CANE MOLASSES DEMAND

After record high imports during 2002/2004 figures for 2003/2004 show that imports have dropped significantly, and are likely to drop further in the year ahead as cheap domestic corn prices and a weak dollar combine to conspire against molasses.

Longer-term, it is likely that imports drop off as many of the origins supplying molasses to the Us turn to use their own molasses domestically for fuel ethanol programmes.

CANE MOLASSES DEMAND

EUROPE

In term of fresh business it was once again a very subdued month as cheap grain prices and high molasses prices continue to deter buyers from covering further forward positions.

The situation is unlikely to change during December, although the falling dollar against sterling and the euro has helped to eradicate some of the recent FOB \$ rises. If the exchange rates hold going into December then it is possible some buyers will be tempted to cover their requirements.

In terms of actual EU cattle numbers, production is expected to fall by 0.3% in 2004 and a further reduction of 1.2% in 2005, according to the French Agricultural Ministry.

Finally, all the farms in the Netherlands, Belgium and Germany that were closed because of the recent dioxin contamination have now been reopened for business as usual. The farms were closed after dioxin-tainted potato waste was fed to livestock and traces found in Dutch milk. The dioxin was traced to marl clay imported from Germany to the Netherlands for potato processing.

CANE MOLASSES DEMAND

IRELAND

After the discovery of a second consignment of contaminated feed ingredients in a month, the Irish Farmers Association has called for full testing of imported ingredients before they are released to feed manufacturers or farms.

The latest discovery was of fragments of bone in a 4,600 tons consignment of maize gluten, while the incident before revolved around discovering bone fragments in some beet pulp from Germany.

The contaminated feed incidents come at a particularly bad time for the Irish farm industry, since it is battling to reassure people in the wake of confirmation of Ireland's first case of vCJD.

BEET MOLASSES

BEET MOLASSES

EUROPE

As most industrial buyers covered their requirements prior to the beet harvest commencing, some tonnage is now being sold at a discount for logistical reasons.

BEET MOLASSES

TURKEY

Some Russian beet was sold into Turkey during the month.

BEET MOLASSES

POLAND

The Provimi Group (listed on the Euronext Premier marché in Paris), one of the world leaders in the animal nutrition business, announces the intended merger of its Polish subsidiaries Provimi Polska Holding and Rolimpex SA.

The proposed merger is another step in the development of Provimi's Polish activities and confirms its long-term commitment to the

Polish market. The merger will strengthen Provimi's position as the largest and leading animal nutrition group in Poland with a turnover of close to EUR 500 million. The proposed merger is expected to generate PLN 19 million (EUR 4.4 million) of synergy savings by 2007 and will help Provimi to further increase its efficiency and competitiveness in Poland.

ETHANOL

Prices during the month failed to rise, but still remain very firm at around the R\$1,000/cu m supported by ongoing domestic and export demand. Given that demand is unlikely to slacken in the coming weeks, Petrobras increased the domestic petrol price by 4.2% and the diesel price by 8% recently.

Elsewhere, a record attendance at the World Ethanol Conference in London highlighted that interest in the commodity has never been greater. The conference started by highlighting a number of key milestones in that have occurred over the year, the main one being crude oil moving above \$50/bbl. Other highlights include Brazilian exports far exceeding previous records, massive US domestic production increases, ethanol flowing direct from Brazil to the US and Thailand now seriously looking at increasing its domestic production capacity.

At the conference commodity analysts F.O. Licht pegged world production for ethanol at 42 billion litres a 50% increase on production in 2000. The International Energy Agency added to the bullish prospects for ethanol by predicting that 10% of fossil fuel world wide could be replaced by bio-fuels in 2020 and possibly 20% by 2030!

With regard to Europe, a fair proportion of time was devoted toward the stalled EU-Mercosur negotiations, with the Europeans telling their Brazilian counterparts that if they want to export to the EU first they must let them create a market and domestic production.

In the Far East, Japan continues to take a cautious approach to Brazilian imports focusing in particular on potential supply problems. Japan will require around 1.8 bln litres. While back in the US, domestic production has expanded so quickly that they have given up on the Renewable Fuel Standard as targets will be easily met.

Meanwhile speakers from Pakistan were predicting doom and gloom for the countries sugar crop through to 2007 while comments surrounding India pointed to a potential recovery in sugar production in 2005/2006.

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING & REGULATIONS

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

TARIFF

Once again there was no tariff for cane or beet molasses as FOB values refused to slip even with new crop tonnage just around the

corner. While FOB values held firm tariff was closer to being triggered mainly due to the significant changes in the value of the dollar.

For your interest, the reference price for cane molasses started the month at EUR85.20/ton and ended at EUR86.74/ton, while the beet molasses reference price started at EUR97.70/ton and rose to EUR99.31/ton by the end of the month.

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

FOREIGN EXCHANGE

Both the euro and sterling climbed over the month against the US dollar, with the euro hitting record highs and cable reaching levels not seen since 1992. The gains in both currencies helped to absorb some of the recent \$FOB rises for European consumers.

Currency	November 1st 2004	November 30th 2004
Euro	1.2715	1.3335
Sterling	1.8295	1.9335

LEI

Month	LEI Euro Ex-Tank
Aug-04	83.50
Sep-04	85.70
Oct-04	84.80
Avg For 03	68

Tariff, Foreign Exchange, LEI & USDA Pricing and Regulations

USDA

USDA Prices	Start of November	End of November
New Orleans	No quote	No quote
Houston	\$72.50-\$75.00	\$75.00-\$80.00
South Florida	\$60.00-\$70.00	\$70.00

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

TARIFF, FOREIGN EXCHANGE, LEI & USDA PRICING AND REGULATIONS

FREIGHT

MED/CONTINENT MKT

For the second consecutive month Black Sea exports were lower than expected for the time of year, and December does not look like it will be any different. As a result rates have remained steady, and with bunker levels stabilising there is little to force rates upwards. In fact with the holiday period nearly upon us rates could even fall as owners look to get cover. Having said this newer vessels are still in high demand in the area.

In the inter-cont market owners have seen an increase in COA business during November and December which has allowed them to ask for higher spot rates. Indeed, positions have now been booked for December and some holiday period cover has already been done by owners meaning that rates are now achieving premiums in the region of \$5-\$10/ton.

The cont-med market remains tight but the odd vessel can still be found and a lack of firm requirements mean that rates have remained steady.

DEEP-SEA

Once again there remain few non-approved vessels available for the molasses industry and even fewer chemical vessels in position from both the US, east and west coast, and the Arabian Gulf for molasses. The impact of this has not been fully felt as molasses movements have been slow due to high inventories in Europe and strong FOB values. However, with new crop supplies just around the corner this is likely to change shortly as tonnage has to be moved for logistical reasons, and with a lack of older tonnage available most traders are finding freighting opportunities tighter as 2005 approaches.

Larger vessels from Karachi to Europe are looking at rates in the region of \$35/ton, while Florida to Europe traded at \$25/ton and is likely to rise given the tightness on that route.

INTER FAR EAST/SE ASIA (SHORT SEA)

The molasses market was relatively slow during November with only a few open requirements still to be fixed, but all this will change in the New Year when the Thai new crop becomes available. Despite this rates continue to firm and re-enforces the view that there are not enough units available to service the lower paying markets. Should this coincide with an upturn in molasses activity in the New Year and an increase in other product markets rates are only likely to increase.

INTER AMERICA'S OVERVIEW

At the end of October the clean market for 30,000 tons from the Caribbean to the USEC rose from mid 200 world scale points through to low four hundred points, and was sustained through November. While not directly applicable to molasses tankers it does indicate the general tone of the tanker market in the Americas. Another consequence of these massive rises is that owners are very reluctant to contract out their vessels as they are making such good returns from the spot market.

Conspiring against the Americas market is a weaker dollar which is encouraging massive amounts of shipments from US to EC Mexico, while other have looked at USG to Med business as they can then hook into the very lucrative West African market. Combine this with a strong CPP in the Americas is clearly having an effect on the chemical tankers and smaller parcel tankers that traditionally trade vegoils and molasses.

Now that molasses tonnage has also joined the party rates are only likely to firm, and vessels become even harder to find.

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Tate & Lyle,
Thames Refinery ,
Factory Road, London,
E16 2EW, UK.
E-mail: molassesenquiry@tateandlyle.com

Tel: +44 (0) 20 7816 2831
Fax:+44 (0)20 7816 2731
Telex: 8951976/7