Preserving value

Generating optimal returns from large-scale commodity manufacturing requires firm cost and risk control. This involves careful management of any commodity exposure; negotiating the right price for our ingredients; and providing our customers with quality products, within specification, on time, every time.

Using every part of the raw material

In our production processes, nothing is wasted. In sugar refining, molasses (a by-product of the refining process) is sold as animal feed or used as a raw material for fermentation-based ingredients like citric acid and alcohol. Likewise, in corn processing, every part of the kernel is valuable, and selling on those parts we do not use ourselves helps manage the net cost of corn.

Negotiating prices and volumes

Selling corn-based commodity products in both the USA and Europe is usually done through annual pricing rounds. These involve a series of face-to-face meetings with customers, held over a number of months, where prices for products like high fructose corn syrup, or charges for toll production, are negotiated for the next 12 months or in some cases on a multi-year basis.

The majority of our commodity ingredients, both food and industrial, are sold through this mechanism, with only a small amount sold on a spot (or ad hoc) basis.

The pricing rounds are highly commercial and it is the responsibility of our sales teams to ensure that we get the best price for our products, while remaining competitive against other ingredient suppliers who may sell the same ingredient or substitute products.

In the USA, as soon as a customer order is agreed, if we do not hold actual corn in storage, we manage the risk of changing corn prices by hedging corn costs on the Chicago Mercantile Exchange. In Europe, a smaller market for us than the USA, there is no liquid corn futures market, which means we cannot hedge the full corn price risk as we can in the USA. It is not possible to use hedging procedures to lock in the majority of by-product revenues in either Europe or the USA. Our European sugars business is also different because the cost of purchasing cane sugar and the final selling price of the finished product are largely determined by the EU Sugar Regime.

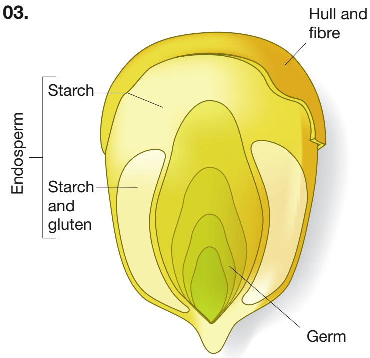
Ensuring quality

Because our ingredients enter the food chain in consumer products, stringent quality standards are enforced at every site. Quality assurance also reduces waste and costs, and fosters good customer relations. Every Tate & Lyle manufacturing facility has to comply with Group minimum standards which include third-party validation of food safety and quality systems.

Logistics

Our logistics teams are responsible for warehousing, freight costs and customer service. Our largest logistics hub is based in Lafayette, Indiana, which is broadly central to all our US plants.

03.



03. Nothing is wasted
We use every part of the corn kernel. Corn is broken down into 57% corn starch (used to make food and industrial ingredients); 22% corn gluten feed (made from the hull and fibre and used in cattle feed); 4% corn gluten meal (extracted from the endosperm and used in aquaculture feed and pet food); 3% corn oil (made from the germ and used by the food industry); and the remaining 14% is water.

Raw material hedging
In the USA, we use hedging procedures to protect against price changes in purchased corn. This generally involves entering into a futures contract at the Chicago Mercantile Exchange (CME) whenever we take an order from a customer, which means we can buy corn at a specific price at a set date in the future, allowing us to budget without considering fluctuating corn prices. CME contracts offer the opportunity to establish raw material values as quoted today for periods up to two years in advance.