

Sustainable sourcing

Ensuring we have a long-term, reliable supply of corn and cane sugar for our plants is essential. This involves developing long-term, mutually beneficial relationships with growers, farmers and other commercial partners to secure supply; understanding commodity markets; and hedging costs where feasible.

History

Tate & Lyle was founded in the UK in 1921 but its roots can be traced back to a number of companies established in the middle of the 19th century focused on sugars in Europe, and corn milling in the USA and Europe. Tate & Lyle has been purchasing corn from US farmers and cane sugar from a variety of countries for over a century. Making sure we have high-quality raw materials at the right price is the starting point for how we do business.

Corn

Our Food & Industrial Ingredients businesses in the Americas and Europe are both large-scale processors of corn. Tate & Lyle purchases two types of corn: dent and waxy. Dent corn is the most common crop and is used to make high fructose corn syrup, food starch, alcohol (ethanol) and animal feed.

Waxy corn is contracted direct from the farmer and has special functionality that makes it ideal for creating stabilisers, thickeners and emulsifiers for the food industry. It is also used in adhesives and gums for the paper industry.

USA

Running our large corn wet milling plants in the USA efficiently 24 hours a day relies on good management of the corn supply chain. Our Food & Industrial Ingredients, Americas division owns a network of elevators (silos) to purchase corn directly from farmer producers. Farmer-owned co-operatives and family-owned grain companies supply millions of bushels of corn each year for our plants to grind. Corn purchase contracts may be negotiated with corn suppliers for delivery the same day, or in some cases price and terms may be for delivery up to 18 months forward.

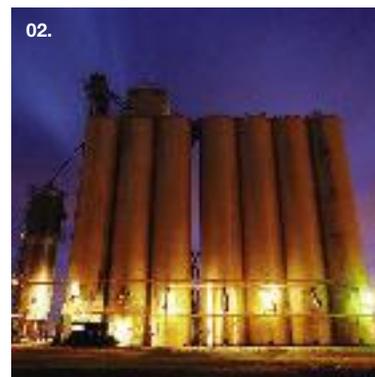
During the year we added corn storage and unloading capacity at our processing plants and country elevator network to service our suppliers better.

Europe

Our European division, Food & Industrial Ingredients, Europe, has two wholly owned plants, with another five in Central and Eastern Europe as part of our joint venture, Eaststarch. Due to the sweetener quota system in Europe and other factors such as transport infrastructure, our plants primarily serve local markets and are therefore significantly smaller than our US plants, processing in total just over two million tonnes of corn per year. We purchase dent corn locally where possible, and commission waxy corn direct from European farmers for speciality food starch production at our plant in the Netherlands.

01/02. From farm to factory

Providing an efficient, high-quality service at our elevators helps us build strong, long-term relationships with our corn suppliers. In the USA, at harvest time, due to the high volumes, corn is delivered initially to the elevators then sent on to our plants by rail car, truck or river barge; during the rest of the year corn may also be delivered direct to the plants.



Cane sugar

Our Sugars division uses cane sugar as the raw material for its business. Cane sugar is a tropical crop grown in areas of high sunshine and rainfall. It accounts for around 80% of world sugar production.

Tate & Lyle's Sugars division produces about 1.3 million tonnes of cane sugar each year from its two refineries in Europe, and processes up to a million tonnes of sugar cane at its factory in Vietnam. While our Vietnamese operation sources from local growers, our European business secures supply from African, Caribbean and Pacific countries and least-developed countries under the EU Sugar Regime. These suppliers have preferential access to the European sugar market under various agreements with the EU.

Reform of the EU Sugar Regime and resulting price cuts are affecting the whole of the supply chain, including raw sugar suppliers. This means that maintaining strong working relationships with our suppliers is increasingly important to improve the profitability of the industry for all stakeholders and to ensure we can continue to source the cane sugar we need for our refineries.

To meet our future raw sugar supply needs, we have entered into long-term agreements with both traditional and new suppliers. For example, in May 2008 we signed a long-term agreement with Fiji for the supply of up to 300,000 tonnes of raw sugar each year. In addition, in the summer of 2009, our European refineries will start to receive the first shipments of sugar from one of our new suppliers in the Lao People's Democratic Republic.

Good relationships are based on open dialogue and ensuring that our refineries remain attractive destinations for suppliers. This means investing in our plants both to expand our business and to increase efficiency. Over the last two years we have made significant investments in our two European sugar refineries, including a new biomass boiler and two new cranes for unloading sugar at our London refinery, and new facilities at our Lisbon refinery to enable increased throughput.

Ensuring a fair price through Fairtrade

In February 2008, we announced our decision to convert all UK retail cane sugar to Fairtrade by the end of 2009. At that time this was the largest ever switch to the ethical labelling scheme by any major UK food or drink brand. The first product licensed to carry the Fairtrade mark was Tate & Lyle Granulated White Cane Sugar. As at 31 March 2009, Tate & Lyle Caster Sugar, Tate & Lyle Preserving Sugar, Tate & Lyle Icing Sugar and Tate & Lyle Royal Traditional Icing Sugar also now carry the Fairtrade mark, with the rest of the range to follow.

Tate & Lyle's first accredited Fairtrade grower-partner is Belize, from whom we have purchased sugar for over 35 years. In the first year since Tate & Lyle moved to Fairtrade, sugar cane farmers in Belize have received nearly US\$4 million in Fairtrade premiums from Tate & Lyle which has been used to improve their livelihoods and develop more sustainable communities. So every time a customer buys a pack of Tate & Lyle Fairtrade cane sugar, these farmers benefit from our commitment.



03/04. Helping create sustainable communities

Over the past year, farmers in Belize have used the Fairtrade premium paid to them by Tate & Lyle in many different ways. They have invested in fertiliser and pesticides to improve crops damaged after Hurricane Dean, and have started to improve roads, which are essential for the harvesting and delivery of the sugar cane. Money has also been spent on providing education grants for children and on school meals for primary school children.