



## Quarterly International Trade Report

August 2004  
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### Coarse Grains

#### World Situation and Outlook

**Global PS&D** The world coarse grain situation in 2004/05 is one of record production and consumption. For the first time since 1998/99, world production is projected to almost catch up with consumption, narrowing the gap and halting the rapid stocks decline that took place in the past 5 years. Major production increases are forecast for Argentina, China, Romania, EU-25, Ukraine, and the United States. Despite a production rebound, mainly in corn, robust consumption growth in China will continue to strip down its stocks. This drawdown, however, is expected to be largely offset by increases in the EU-25, Russia, Ukraine, and the United States, where bumper harvests are expected to boost stocks.

**Global Trade** Trade is expected to remain relatively flat in 2004/05, as reduced import demand in the EU-25 and Other Europe offsets increases in Mexico, the Middle East, and North Africa. Better crop prospects and more intra-trade in the EU-25 are expected to reduce import demand by over 50 percent to 3 million tons, mainly in corn and sorghum. Exports, on the other hand, are forecast to increase 27 percent to 3.3 million, particularly in barley. Ukraine is expected to return as a strong barley exporter as well as maintain robust corn exports.

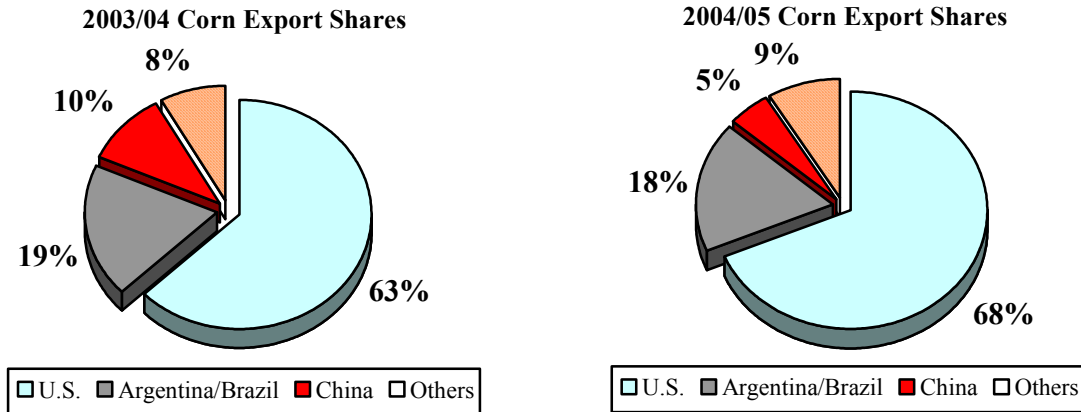
**Corn** While better crop prospects across Europe are expected to contract import demand there, more available feed-quality wheat from the Black Sea will likely reduce demand for corn in Israel and South Korea. Partially offsetting these decreases are Canada and Egypt. Canada's imports will increase from 2003/04 as production falls to more traditional levels. After dropping to a 5-year low due to foreign exchange shortages, Egypt's imports are forecast to increase on the expectation of recoveries in its currency situation.

On the export side, the main change is China's forecast 50 percent drop to 4 million tons,

#### SUMMARY POINTS

- Gap between production and consumption—both records—narrows
- World feed grain supplies abundant
- U.S. corn ending stocks forecast to recover for the first time in 5 years

as stocks continue to shrink rapidly. The United States will likely gain from the shortfall. Argentina's exports are forecast to get a boost from a larger crop expected in early 2005 and will likely pose strong competition to U.S. corn during the second half of 2004/05. Offsetting this competition is Brazil's expected retreat from strong exports during the same period, as more corn will be consumed domestically.

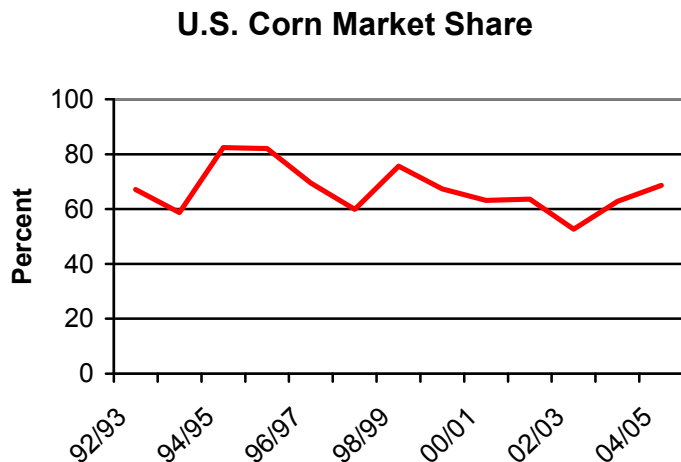


**Sorghum** Since the May 2004 report, global trade has been reduced by nearly 200,000 tons as a result of slow demand. For exporters, Argentina is down 200,000 tons, Australia is up by only 100,000 tons, but China has doubled to 150,000 tons. Japan has been importing significant quantities of sorghum from both Australia and China in lieu of U.S. supplies. For importers, Mexico has been reduced by 200,000 tons and Israel 50,000 tons, but Taiwan has more than doubled to 65,000 tons. High prices for U.S. sorghum and the pending availability of new-crop feed grains have slowed import demand.

For 2004/05, the global trade forecast of 6.8 million tons is largely unchanged since May. Mexico's import forecast remains at 4.5 million tons and is a large increase from the year before as a result of expanding use and lower U.S. prices relative to corn.

## U.S. Situation and Outlook

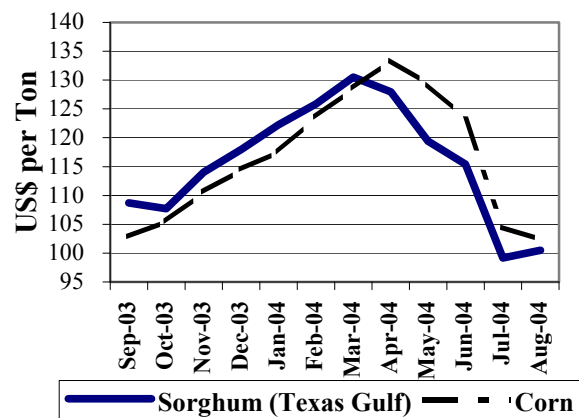
**Corn** Since the last quarter, U.S. exports for 2003/04 have been lowered by 3 million tons to 49 million, as shipment pace remained below expectations and some sales were cancelled or delayed for later delivery. For 2004/05, U.S. exports are forecast to reach 53 million tons, the highest in 9 years, based on a record production and reduced



competition.

**Sorghum** Since May, the U.S. export forecast for 2003/04 was reduced 200,000 tons to 5.0 million tons based on lackluster shipments to Japan and Mexico. For 2004/05, however, the forecast remains at 5.5 million tons with improved exportable supplies, favorable prices vis-à-vis corn, and strong demand from Mexico.

**U.S. Gulf Export Bids**



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| <b>WORLD COARSE GRAIN SITUATION</b> |         |         |         |   |         |
|-------------------------------------|---------|---------|---------|---|---------|
|                                     | 2002/03 | 2003/04 | 2004/05 | Year to Year Change<br>2003/04 to 2004/05 |         |
|                                     | MMT     | MMT     | MMT     | MMT                                       | Percent |
| Production                          | 872     | 900     | 956     | 56  | 6%      |
| Consumption                         | 901     | 938     | 957     | 19  | 2%      |
| Trade (Oct/Sep)                     | 104     | 101     | 102     | 1   | 1%      |
| Ending Stocks                       | 165     | 127     | 127     | 0   | 0%      |
| <b>U.S. COARSE GRAIN SITUATION</b>  |         |         |         |   |         |
| Production                          | 244     | 276     | 297     | 21  | 8%      |
| Consumption                         | 215     | 227     | 234     | 7   | 3%      |
| Exports (Oct/Sep)                   | 46      | 55      | 59      | 4   | 7%      |
| Ending Stocks                       | 31      | 28      | 34      | 6   | 21%     |