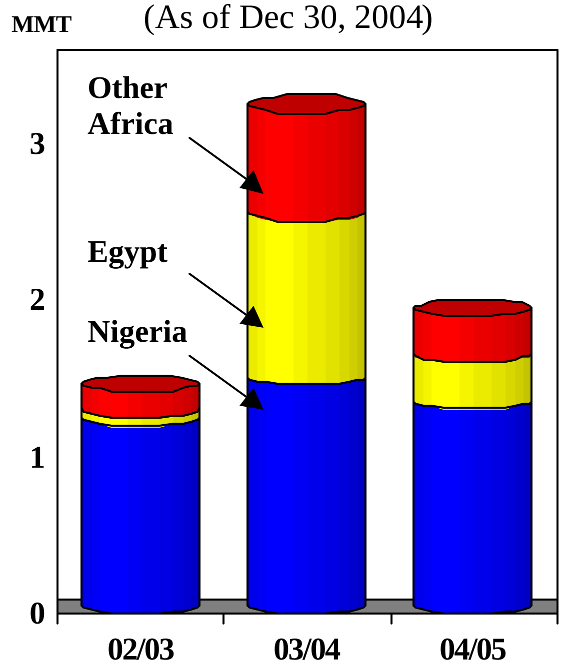
INTERNATIONAL MARKET ANALYSIS

U.S. Wheat By-Class Export Situation

HRW Sales to Africa
(As of Dec 30, 2004)

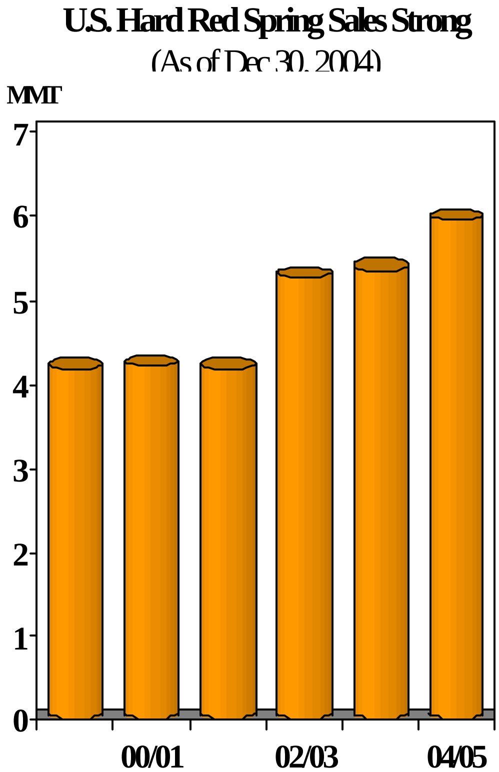


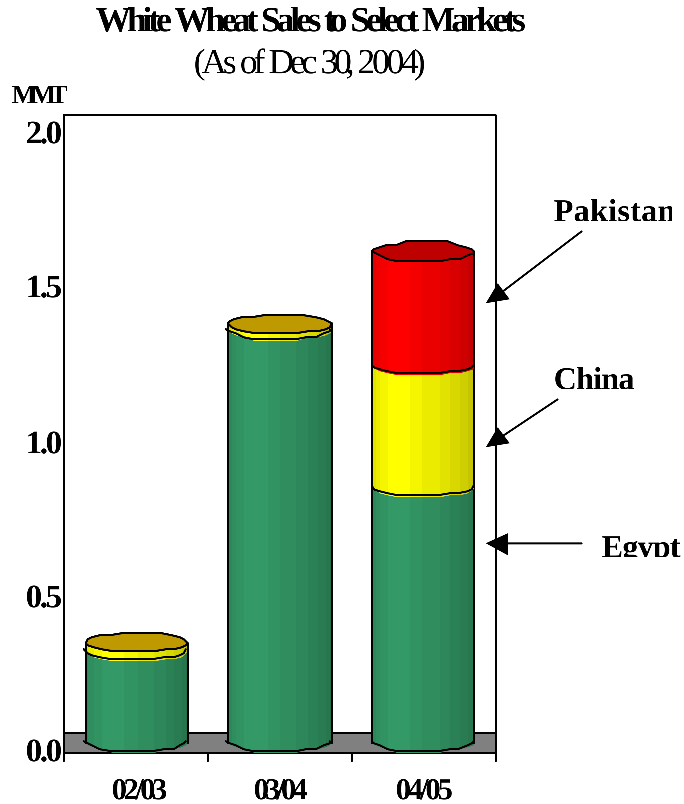
Hard Red Winter: HRW has seen the most severe decline in sales and shipments this year, accounting for nearly all of the fall in U.S. wheat exports. Significantly lower U.S. production and subsequent high prices, as well as very large global supplies, have been the major causes behind this export weakness. Recovering production in Europe and the Black Sea region has not only eliminated one of last year's large markets, Romania, but has also intensified export competition. Additionally, in Argentina, large old crop supplies and a near-record new crop in Argentina have cut prices to $50 a ton below U.S. HRW, further eroding U.S. sales. This has been especially pronounced in Africa, where sales are down nearly a third.

Soft Red Winter: Demand for SRW has been hit by the glut of low- and medium-quality wheat on the world market, and consequently exports to Europe have completely disappeared. However, SRW exports have been buoyed by the return of China as an important market. Over 700,000 tons has been shipped, accounting for nearly a quarter of current commitments. These large purchases have meant that total exports of this class are only expected to decline slightly year to year.

White: White wheat exports are expected to be steady from last year, and sales are up slightly. Greater competition from Australia, with large exportable supplies and higher exports, has only partially filled the higher world demand for white wheat, particularly from Pakistan and China. Significant U.S. sales to these markets have helped to mitigate smaller purchases by Egypt, the largest U.S. market for white wheat.

Hard Red Spring: Even as total U.S. exports are falling, HRS exports are robust, with sales at their strongest pace in nearly a decade. The strength of this class has been stimulated by two major factors. First, global demand for high-quality spring wheat imports is high this year, especially in Asia due to China's large appetite. Second, competition from Canada, the world's largest producer of spring wheat, has weakened as harvest delays and untimely rains caused deterioration in the quality of the crop. Much of the crop has even been graded as feed quality. Thus, the United States has been able to regain some markets from Canada, with the Philippines being a clear example.





Durum: This year, durum exports are estimated to fall to their lowest level in more than 15 years with the United States not even expected to be a net exporter. World durum import demand has fallen as North Africa (which accounts for nearly half of global imports) had another year of good crops. EU import demand is also cut this year due to recovering domestic supplies. Competition for reduced world demand, however, has intensified due to a larger Canadian harvest, which did not suffer as much damage as the hard spring crop. Paradoxically, U.S. imports are strengthening with the earlier removal of the duty on Canadian supplies.

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