

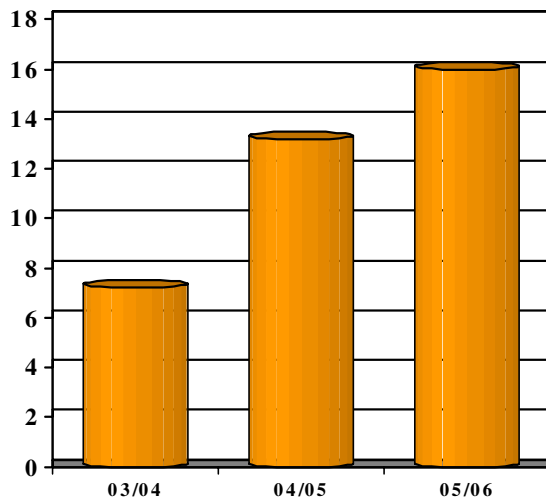


# INTERNATIONAL MARKET ANALYSIS

## Outlook Differs for Former Soviet Union Wheat and Coarse Grain Prospects

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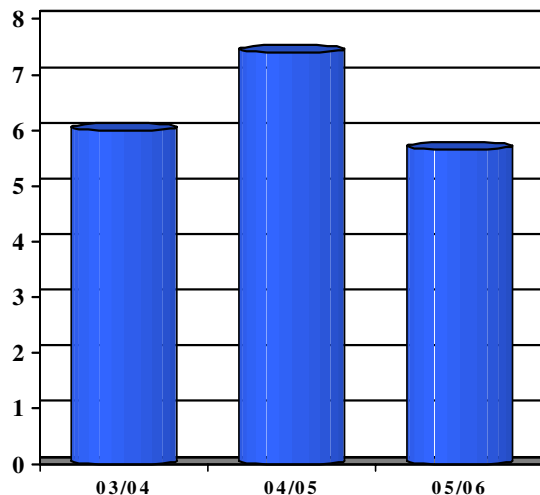
**FSU Wheat Exports Surge...**



For the major grain exporters in the Former Soviet Union, the 2005/06 supply and demand outlook for wheat and for coarse grains is starkly different. Winter wheat crops in Ukraine and Russia look promising, and spring wheat production is expected to be up in Kazakhstan. Higher production, coupled with larger carryin stocks, will boost total supply in this region and allow for higher domestic use. Exports are also expected to climb, with more likely being sold to key North African and Middle East markets. This will intensify competition for traditional suppliers such as the United States and the European Union. Overall, the global market share of these FSU suppliers in wheat is expected to climb to 15 percent - the second highest in history.

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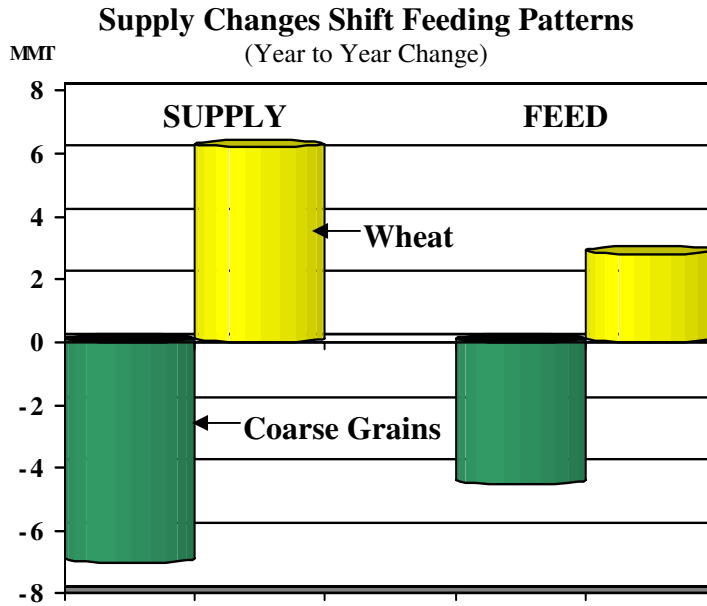
**...But Coarse Grain Exports Fall**



For coarse grains, however, the opposite situation is expected to occur. Production is forecast down substantially, especially in Ukraine where late spring plantings and drought stress have negatively impacted the barley and corn crop prospects. Smaller supplies in the region will cause a significant shift in feeding away from these grains and to more wheat. Less supplies will also cut export availability, diminishing global competition for coarse grains, especially in barley (as this region typically accounts for a third of world trade). Barley exports are forecast to be the lowest in 5 years and this will likely benefit EU exports to

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markets such as Saudi Arabia. Although accounting for a much smaller share of world trade, Ukraine's corn exports are also expected to be slashed by nearly half in 2005/06.



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