



Quarterly International Trade Report

May 2005
Public Distribution

Wheat

World Situation and Outlook

Global PS&D: Global wheat supply is expected to grow again in 05/06 as larger carryin stocks more than offset smaller production. Even though production is down, it is still forecast to be the second largest crop in history. World consumption is expected to expand to a record with steady population growth and higher feed use. Smaller corn and barley crops in Europe and the Former Soviet Union will likely encourage more feeding of wheat. Production and use are expected to nearly balance next year, with only a small drawdown in world stocks expected. In fact, exporter stocks are forecast to grow to their highest level in more than a decade, and this would exert downward pressure on world prices.

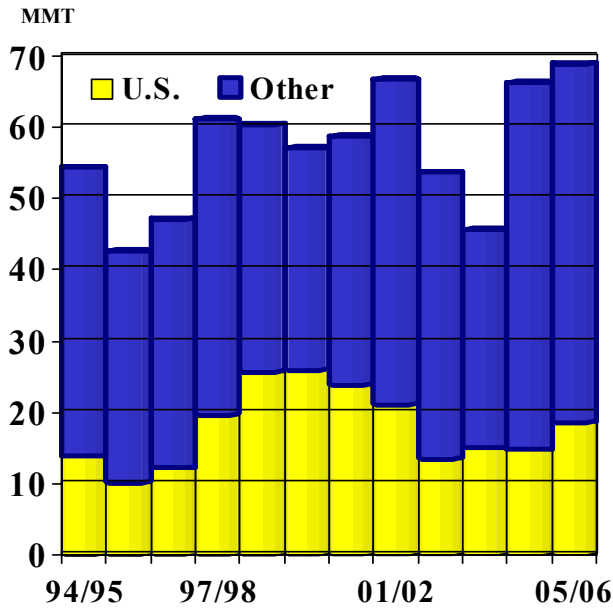
SUMMARY POINTS

- 05/06 global production and use expected to nearly balance
- Chinese imports fall
- EU/Black Sea region exports expected stronger
- U.S. exports forecast to drop another 2.5 million tons

Global Trade: Total world trade is expected down slightly in 05/06 and is expected to shift substantially from Asia to Mediterranean markets in North Africa and the Middle East. China and Pakistan, both of which returned as significant purchasers in 04/05, are expected to slash imports due to better domestic crops. Pakistan's production is forecast at a record, and Chinese acreage has expanded after 7 consecutive years of decline. Reduced production prospects in Morocco, Saudi Arabia and Turkey should boost imports, and this increased nearby demand should support EU-25 and Black Sea area exports. Export competition from these suppliers is expected to be very strong due to large carryin stocks, especially in Europe, and promising new crop prospects. The overall level of EU-25 exports, however, will ultimately depend on Commission policies on export restitutions and intervention sales. Although Canadian exports will likely fall

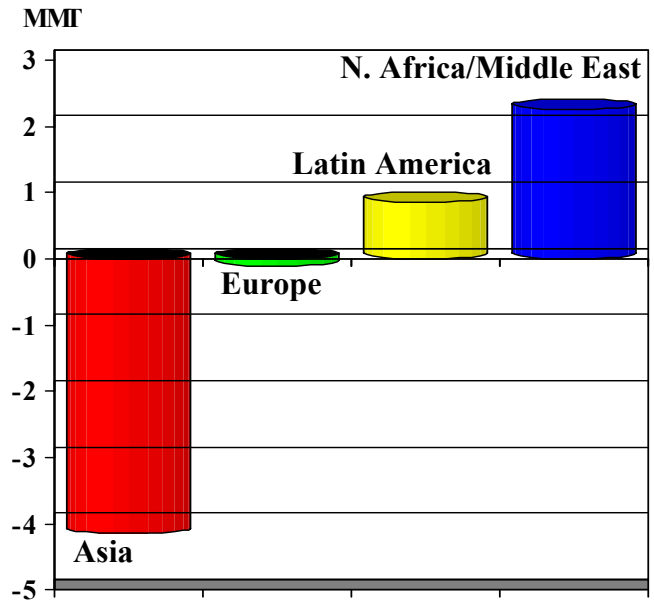
due to a smaller crop, a return to more normal crop quality will likely enhance global competition in high-quality wheat exports.

Exporter Stocks Could Reach 12-year High



Note: Others includes Argentina, Australia, Canada, EU-25, Russia, Kazakhstan, Ukraine

Import Demand Shifts From Asia

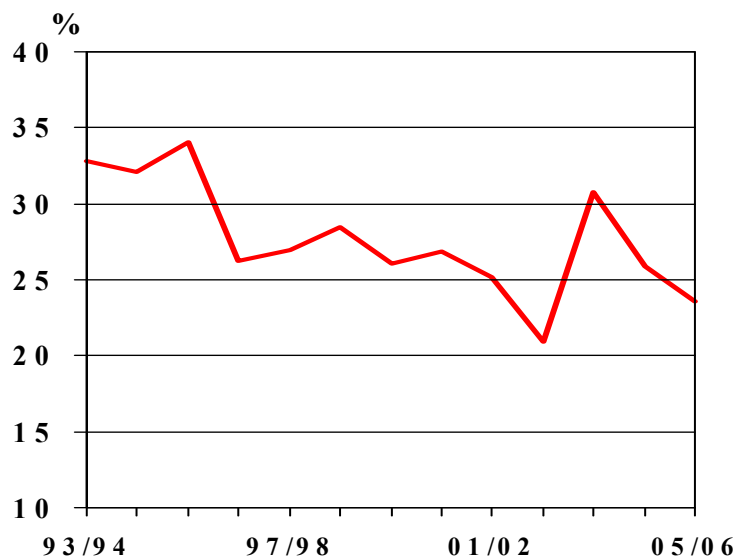


Note: Year to Year Change

U.S. Situation and Outlook

Despite higher expected production, U.S. exports are forecast to drop by 2.5 million tons in 05/06. Strong expected EU and Black Sea area exports should continue to pressure the United States in key Mediterranean markets such as Egypt. Also, a better quality Canadian crop would likely hurt U.S. spring wheat exports, which had climbed to a 9-year high. Finally, reduced Chinese purchases will also likely dampen prospects for U.S. exports. With better crop prospects on expanded acreage, China has not purchased any U.S. wheat for the new year, whereas last year at this time they had already bought 1.6 million tons. So, although U.S. supply is expected up, stagnant domestic demand coupled with falling exports should push up ending stocks by nearly 4 million tons. Prices are thus expected to weaken significantly, with the midpoint for the U.S. domestic price range forecast down nearly \$22/ton from last year.

U.S. Global Market Share Falls Again



WORLD WHEAT SITUATION					
	2003/04	2004/05	2005/06	Year to Year Change 04/05 to 05/06	
	MMT	MMT	MMT	MMT	Percent
Production	554	625	615	-10	-2%
Consumption	589	606	617	+11	+2%
Trade (Jul/Jun)	105	108	107	-1	-1%
Ending Stocks	131	150	147	-3	+2%
U.S. WHEAT SITUATION					
Production	63.8	58.7	59.5	+0.8	+1%
Consumption	32.5	32.2	31.8	-0.4	-2%
Exports (Jun/May)	31.5	28.6	25.9	-2.7	-9%
Ending Stocks	14.9	14.7	18.4	+3.7	+25%

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